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# THE ROLE OF KOGI STATE POLITICAL OFFICE HOLDERS IN TAX ADMINISTRATION

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**Abstract:**
The role of political office holders in tax administration has been an issue of debates in the political spheres of Nigeria. This is because of the important needs to drive internally generated revenue of the state given the fall in federal allocation attributed to the plunged in international oil price. In view of this, the thrust of this study explicate the role of political office holders in tax administration with emphasis to Kogi State. The study identified political office holders as elected individuals, representative or political appointees who managed the affairs of a Country, State and Local Government Area. The study identified tax administration as the act of making tax policy and execution. The role of Kogi State political office holders in tax administration include regulatory role which is concerned with making laws for effective tax administration; stabilization role, this is concerned with stimulating macroeconomics by promoting employment, price stability and economic growth; distributive role, this is concern with the provision of social or public goods and equitable distribution of income. The IGR status of Kogi was presented. The statistical evidence shows that the advent of political office holders in tax administration is positively felt. This evidenced from the increasing trend of IGR of the State. The study identifies some basic problems affecting tax administration in Kogi State which include: tax evasion and tax avoidance. For effective tax administration, the study finally recommends that stake holders in the State should be involved in review tax laws, Tax laws and policies should be made available to taxpayers and explain clearly to their understanding for effective compliance, there is need for periodic lectures, sensitization and seminars to control tax evasion and tax avoidance.

**Keywords:** political office holder, tax, administration, Kogi State

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## 1. Introduction

In developed and developing countries, there are wide range of taxes, stamp duties and levies imposed on individuals and companies, citizens and foreigners, manufacturers and marketers, workers and pensioners. In Nigeria taxes range from personal income tax, companies' income tax capital gain tax, petroleum profits tax to tenement rates. Taxes are imposed at different tiers of government to enable the government provide certain essential services and facilities to the populace. Each tier of government is saddled with the responsibility of collecting different taxes and these responsibilities are mostly instituted by the various political office holders of the various tiers of Government.

At the Federal level, taxes are collected through the Federal Inland Revenue Services (FIRS). The agency administers revenue laws and deals with taxes paid by the residents of Federal Capital Territory (FCT), members of the armed forces and police and taxes that are paid by Corporate bodies (Limited Liability Companies). They FIRS is responsible for accounting to the Federal Government all taxes collected.

The State Government on the other hand, collects taxes through the State Board of Internal Revenue; the agency primarily administers the Personal Income Tax (PAYE) Act, stamp duties on instruments executed by individuals, and capital gains tax on individuals. However, some state of the federation has instituted revenue statutes, which they administer. They are responsible for accounting to the State Government all revenue collected.

The Local Government collects taxes through the Local Government Revenue Committee; they are responsible for the assessment and collection of all taxes, fines and rates under its jurisdiction and account for all revenue collected to the Chairman of the Local Government.

In Nigeria, different states in the federation are faced with different ranges of taxes as defined by the laws of the state. However, taxes collected by Internal Revenue Services (IRS) are from economic activities of individuals, sole proprietors, partnerships established and registered within and by the state. All taxes from private or corporate organizations registered by the Corporate Affairs Commission (CAC) of Nigeria as limited liability companies are the sole responsibilities of Federal Inland Revenue Service (FIRS) of the country. Example of such tax is the company tax.

In the case of Kogi State, and as stipulated in the law establishing Kogi State Board of Internal Revenue Administration under Governor Yahaya Adoza Bello, the board is known and called Kogi State Internal Revenue Service (KGIRS) is responsible for the collection of Levies, Fees, Charges and Rates. These can be disaggregated into Personal Income Tax which comprises of Direct Tax and Pay As You Earn (PAYE); Withholding Tax which comprises of tax on Rents, Tax on Interest, Tax on Royalties, Tax on Dividends, Tax on Director's Fees, and Tax on payments in relation to selected activities, services and commissions; capital gain tax; stamp duties on instruments executed by individuals; Social Services Contribution Levy (see: Kogi State of Nigeria Gazette, 2017). As stated earlier, these taxes are to provide certain essential services and facilities to the populace and help the government in driving the economic growth of the state.

However, Kogi State is in the North Central zone of Nigeria bordering the States of Benue, Kwara, Nasarawa, Niger, Abuja and Edo at the Southern part. Kogi State is basically refers to as a Civil Servant State; this is because there are very few industries operating in Kogi; prominent among them is Dangote cement company, Obajana, BM Ceramics Company, Ajaokuta, Unicane Company, Koton Karfe and West Africa Ceramics Company, Ajaokuta, among others. With a man power population of over four (4) million, Kogi state is ranked among the least industrial state in Nigeria. However, the state is endowed with mineral resources that are yet to be tapped; most industries are either closed down or operating below 5% capacity like the multi-million naira Ajaokuta Iron and Steel Company and Itakpe Iron Ore Industry. These have effect on revenue generation and collection in Kogi State and Nigeria at large. Therefore, to achieve the stated fiscal revenue goal of the state, there is need to give an overview of the role of Kogi State political office holders in tax administration.

In addition to the above, this study gave a brief definition of some basic concepts such as political office holders, Tax and tax administration. In addition, basic role of political office holders were briefly discussed with emphasis on Kogi State. The problems facing tax administration were discussed and some plausible recommendation that could enhance tax administration was finally highlighted.

## 2. Conceptual Issues

### A. Political office holders

These are elected individuals, representatives or appointees to manage the affairs of a Country, State and Local Government Areas. Executive leaders are political appointees appointed to manage specific responsibilities. These are the Ministers, commissioners, advisers etc. They are appointed by the executive heads elected by law. Political office holders are also legislators elected with the responsibilities of enacting laws for the country, state or local government (Lamidi & Mike, 2013).

The political office holders' role in tax administration is paramount in the growth of revenue in any state. Ndekwu (1988) states that government intervention in tax administration takes many forms; the degree of intervention differs and depends on the form of political model adopted in the governance of the state. The intervention above is referred to as tax, which in a well planned economy, affects every aspect of human endeavour. Mbanefo (1999) posits that the roles of government in tax administration are many and may be categorized into regulatory, stabilization and allocative or distributive role of the government. This will be expatiated in this study.

### B. Tax

A tax is a compulsory levy payable by individuals and economic unit to the government without any corresponding entitlement to receive a definite and direct quid pro quo from the government. Note the word direct here. It is not a price paid by the tax-payer for any definite service rendered or a commodity supplied by the government. The benefit received by tax-payer from the government are not related to or based upon their being tax-payer. A tax is a general exaction, which may be levied on one or more criteria upon individuals, groups of individual, or other legal entities (Bhatia, 2008).

**C. Administration**

Administration is the management of an office, business, or organisation. It involves the efficient organisation of people, information, and other resources to achieve organisational objectives. In this case, the assessment, collection and accounting for tax collected.

**D. Tax Administration**

Anyanwu (1997) opines that fiscal administration is tax policy making and collection as well as expenditure programming at all levels of government. It involves the controlling, organizing, directing, monitoring, planning and management of government revenues and expenditure. Furthermore, the long term role of fiscal administration is to collect all registered taxes at minimum cost, as well as execute government programmes as efficiently as possible by avoiding waste.

Tax administration implies policy making and execution. It involves planning, organization, commanding, coordination and control (Dale, 1965). Generally, a tax administrator would define his goal as the efficient assessment, collection, and enforcement of taxes legally due, without unjustified cost to the government or the taxpayer in terms of money, time, and convenience. Thus, the purpose of tax administration is to fully implement tax laws, policies and programmes. In the long-run, this means assessing and collecting all the collectible tax at the minimum of cost. In the short-run, it implies optimizing the revenue collectible within the available resources. The achievement of the two objectives requires the development of master-plan which includes both the strategy of long-run planning and tactical (short-run) current year operational plans or programmes that are consistent with the long-run plan (Anyanwu, 1997). Since the test of a tax system is the ability to implement and the manner in which it is implemented, a tax system that ignores the administrative aspect of tax policy or takes implementation for granted is deemed to remain a good system only on paper.

## 2.2 The Role of Kogi State Political Office Holders in Tax Administration

Kogi State is one of the 36 States in Nigeria. The State also operates within the ambit of the constitution of the Federal Republic of Nigeria which also mandates the State through her House of Assembly to make laws for the effective administration of the State. The activities of the State are governed by political office holders who have the regulation role, stabilization role and distribution in tax administration in the state. Specifically, their roles in administration of tax are discussed as follows:

**Regulatory role:** the regulatory role is concerned with making laws for effective tax administration in the state. These laws are subject to the constitution of the Federal Republic of Nigeria. However, in the concurrent legislative list of the 1999 constitution of the Federal Republic of Nigeria as amended (Second Schedule, Part II, Item, 7 to 8) provides that the Federal Government, through her National Assembly has the power to impose any tax or duty on capital gains, incomes or profit of persons other than companies and exercise its power on documents or transactions by way of stamp duties. Thus, the National Assembly may provide that the collection of any such tax or duty or the administration of the law imposing it shall be carried out by the Government of a State or other Authority of the state. If an Act of the National Assembly provides for the collection of tax or duty on capital gains, income or profit or the administration of any law by an Authority of the State, it shall regulate the liability of persons to such tax or duty in such manner as to ensure that such tax or duty is not levied on the same person by more than one state.

In the case of Kogi State, the concurrent legislative list of the 1999 constitution of the Federal Republic of Nigeria as amended (Second Schedule, Part II, Item, 9 to 10) provides that the State House of Assembly may, subject to such conditions as it may prescribe, make provision for the collection of any tax, fee or rate or for the administration of the Law providing for such collection by a Local Government Council. In furtherance to item 10, where a Law of a House of Assembly provides for the collection of tax, fee or rate or for the administration of such law by a Local Government Council in accordance with the provisions hereof, it shall regulate the liability of persons to the tax, fee or rate in such manner as to ensure that tax, fee or rate is not levied on the same person in respect of the same liability by more than one Local Government council.

The fourth schedule, section 7(a to k) of the same 1999 constitution of the Federal Republic of Nigeria as amended, stipulates that a Local Government Council shall collect rates, radio and television licenses, registration of birth, death and marriage as well as assess privately owned houses or tenements for the purposes of levying such rates as may be prescribed by the State House of Assembly.

From the above constitutional provision, this study therefore concludes that as part of the regulatory role, political office holders in Kogi State have the responsibility of making tax laws in the state. It is on the basis of this law that tax administrators or authority (the Kogi State Internal Revenue Service) can effectively exercise their responsibilities.

As part of the regulatory role of political office holders in tax administration in Kogi State, and upon their legislative right, it is their responsibility to establish a body to be known as the Board of Internal Revenue whose powers and responsibilities are conferred by the law establishing the Board or any other law which may be enacted by the Kogi State House of Assembly. It is also their responsibility to grant autonomy to the Board for smooth tax administration in Kogi State (see: section 3 and 13 of the law establishing the Kogi State Board of Internal Revenue Services).

**Stabilization Role:** having dealt with the regulatory role of political office holders as it concerns making laws for tax administration, we must note that it is upon political office holders in Kogi State to stimulate macroeconomic performance i.e. to promote high employment, a reasonable degree of price stability to encourage disposable income (income after tax) and appreciable rate of economic growth through increase in productive activities within the state. This will create an enabling economic environment for effective tax administration in the State. To achieve this, it is the responsibility of political office holders in Kogi State in its fiscal instrument to embark on expansionary fiscal policy by raising public expenditure. This will increase aggregate demand through increase in income and employment. This will in the long-run increase taxable activities, hence, increase in revenue from tax.

**Distributive role:** distributive role of political office holders goes in line with the allocation of resources. This has to do with the provision of social or public good (goods that cannot be produced by private individuals and whose consumption is non-excludable) and the equitable distribution of income and wealth. Though the issue of distribution is more difficult to handle because of political, ethnic, religious and trade union or labour union issues. However, distribution of income and resources play a vital role in determining tax revenue in Kogi State. It is worthy to note that, distribution of income and wealth depends on the distribution of factor endowment, includes personal earnings ability and the ownership of accumulated and inherited wealth. The distribution of income among individuals depends on their factor endowment and the prices which they fetch in the market. Finally, distribution of wealth depends on the taxes rates and incidence of tax rates and resource within Kogi State.

## 2.3 Overview of Revenue Generation in Kogi State

**Table 1:** IGR of Kogi State and other Bordering State

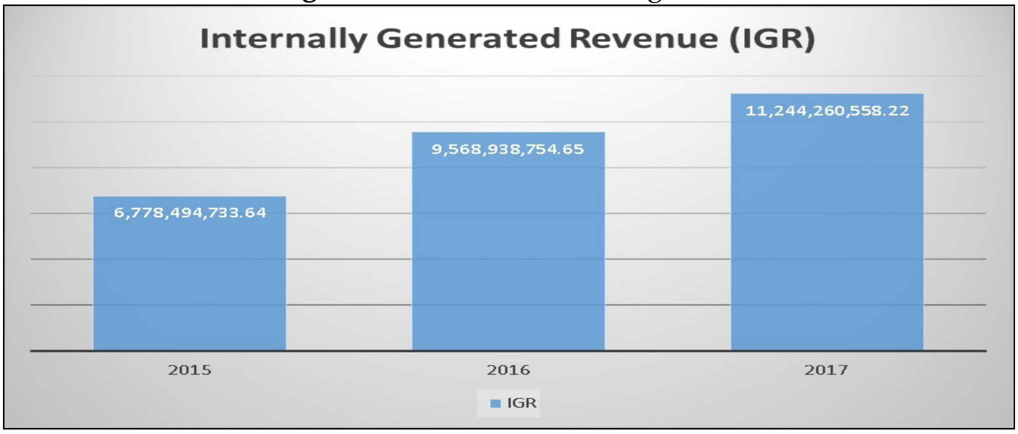
| S/No | Name of States | IGR 2016 |
|---|---|---|
| 1 | Kwara | 17,253,829,559 |
| 2 | Kogi | 9,568,938,754 |
| 3 | Benue | 9,556,495,064 |
| 4 | Plateau | 9,191,372,277 |
| 5 | Niger | 5,881,584,409 |
| 6 | Nasarawa | 3,402,616,062 |

**Source:** National Bureau of Statistics and Research& Statistics KGIRS

Table 1 present the revenue performance of Kogi State and other neighbouring state in Nigeria. It is revealed that Kogi, Benue and Plateau State falls within an equal performance of over Nine Billion Naira IGR. The IGR performance of Niger State and Nasara State were Five Billion and Three Billion Naira respectively. From the above IGR, Kogi State falls below Kwara State with a difference of about Eight Billion Naira. While Kwara State top the list of performances. Consequently, the increase in Kogi Sate revenue from about Three Hundred Million Naira to an average of Seven Hundred Millionaire monthly or the Nine Billion Naira annually was attributed to the intents of

Governor Yahaya Adoza Bello's led administration. The governor as part of his political commitment towards enhancing the IGR of the state and to make the state independent on federal government allocation erected a new revenue house. The revenue building is currently housing all the required departments with state-of-the-arts technology. This commitment gives the members of the board and other revenue staff the enthusiasms to effectively carry out their duties. Given the governor's commitment, the total IGR of the state has experienced sustainable increase over the years.

**Figure 1:** Trend of IGR in Kogi State

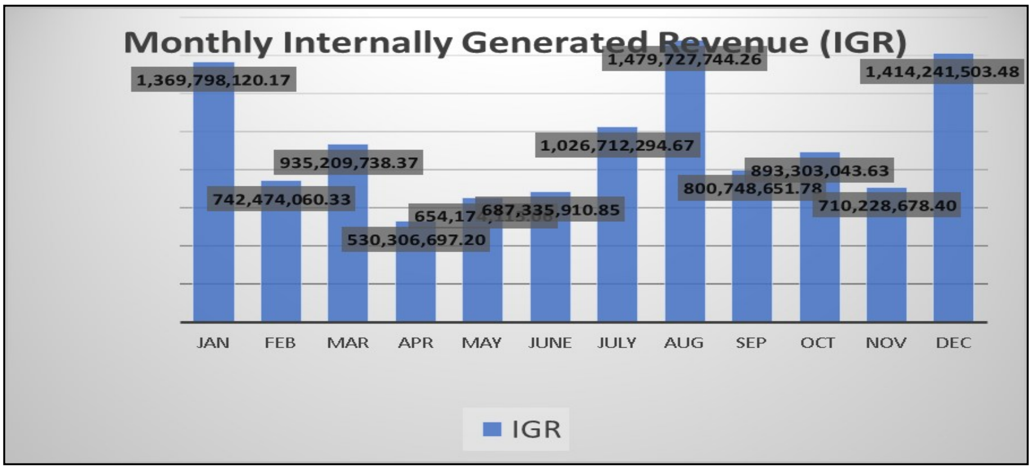



**Source:** Research & Statistics, KGIRS 2017.

Figure 1 present the total IGR in Kogi State for 2015 to 2017. The period represent when the impacts of political office holders' involvement in tax administration is well felt. The total IGR experience continuous increase from approximately Seven Billion Naira to about Eleven Billion Naira. This trend is a true reflection of the commitment of political office holders in tax administration.

However, on a monthly basis, the growth rate was volatile from January to December, 2017 (see: figure 2 below). This is a gauge to indicate the need for clear and more understanding of the role of political office holder in taxation.

**Figure 2:** Trend of Monthly IGR in Kogi State




**Source:** Research & Statistics, KGIRS 2017

**Table 2:** Monthly Performance of KGIRS in 2017

| S/No | Months | Revenue Collected |
|---|---|---|
| 1 | January | 1,369,798,120.17 |
| 2 | February | 742,474,060.33 |
| 3 | March | 935,209,738.37 |
| 4 | April | 530,306,697.2 |
| 5 | May | 654,174,115.06 |
| 6 | June | 687,335,910.85 |
| 7 | July | 1,026,712,294.67 |
| 8 | August | 1,479,727,744.26 |
| 9 | September | 800,748,651.78 |
| 10 | October | 893,303,043.63 |
| 11 | November | 710,228,678.4 |
| 12 | December | 1,414,241,503.48 |

**Source:** Research & Statistics, KGIRS 2017

## 2.4 Problems of Tax Administration in Kogi State

According to Soyode and Kajola (2006), problems of tax administration in Nigeria are as follows and these problems are being applicable to Kogi State. They are known as fundamental problem of tax administration:

1. Tax Evasion: Tax evasion is a deliberate and willful practice of not disclosing full taxable income so as to pay less tax. In other words, it is a contravention of tax laws whereby a taxable person neglects to pay the tax due or reduces tax liability by making fraudulent or untrue claims on the income tax form. Tax is evaded through different methods some of which include the following: Refusing to register with the relevant tax authority; Failure to furnish a return, statement or information or keep records required; Making an incorrect return by omitting or understating an income liable to tax, refusing or neglecting to pay tax; overstating of expenses so as to reduce taxable profit or income, which will also lead to payment of less tax than otherwise would have been paid; A taxpayer hides away totally without making any tax return at all and entering into artificial transactions.
2. Tax Avoidance: Tax avoidance has been defined as the arrangement of tax payers' affairs using the tax shelters in the tax law, and avoiding tax traps in the tax laws, so as to pay less tax than he or she would otherwise pay. That is, a person pays less tax than he ought to pay by taking advantage of loopholes in a tax laws. Tax can be avoided in various ways: Incorporating the tax payer's sole proprietor or partnership into a limited liability company; the ability to claim allowances and reliefs that are available in tax laws in order to reduce the amount of income or profit to be charged to tax; minimizing the incidence of high tax by acquiring business concern which has sustained heavy loss so as to set off the loss against future profits; minimizing tax liability by investing in capital asset (for instance through the new form of corporate financing by equipment leasing), thus sheltering some of the tax payers income from taxation through capital allowance claims; sheltering part of the company's taxable income from income tax by capitalizing profit through the issue of bonus shares to the existing members at the (deductible)

expenses to the company; creation of a trust settlement for the benefit of children or other relations in order to manipulate the tax rate such that a high income bracket tax payer reduces his tax liability; converting what would ordinarily accrue to the tax payer (employee) as income into capital gain (i.e. Compensation for loss of office) to the advantage of the employer and employee; manipulation of charitable organizations whose affairs are controlled and dominated by its founders thus taking advantage of income tax exemption; buying an article manufactured in Nigeria thereby avoiding import duty on imported articles and avoiding the consumption of the articles with indirect taxes incorporated in their prices e.g. tobacco.

3. Lack of Requisite Knowledge of Tax Laws: Most political office holders and tax administrators lacks the requisite knowledge of the tax laws. This constitute set back on revenue generation within the state.
4. Insecurity: lack of security constitutes serious challenges to tax administrators. Failure to pay tax by taxable individuals demands tax enforcement. Consequently, tax enforcement officers are mostly faced with challenges of attacks by tax payers. This also militates against tax recovery by tax administrators in the State.

From the foregoing, we can see that tax administration involves many agencies at various levels of government. It is pertinent to have a look at the requisite to a successful tax administration. This is because the efficacy of the tax system is not just a matter of appropriate laws but also depends on the efficiency and integrity of tax administration (Kaldor, 1970).

For a tax to be administered successfully, it must be suitable to the economic, governmental and cultural institutions of the jurisdiction in which the tax is imposed. Thus, to Anyanwu (1997), successful tax administration depends upon the following requisites:

a) The tax must be accepted by majority of the tax payers otherwise the tax collection will degenerate into an erratic system of collecting tribute from the less powerful part of the community. Nevertheless, there will always be a minority who are reluctant and defiant about paying taxes, these must be dealt with and if necessary, penalized. But no Government machinery can search out and penalize more than a small fraction of the community, and if tax avoidance is whole sale, government machinery must of necessity breakdown.
b) Availability of personnel capable of understanding and interpreting the tax laws to the taxpayers, and enforcing it without fear or favour and
c) Adequate administrative tools including records, maps, and machines are required for effective tax administration.

## 3. Conclusion and Plausible Recommendations

From the ongoing review of the of role political office holders in tax administration, the case of Kogi State, this study concludes that political office holders are elected individuals, representatives or political appointees to manage the affairs of a Country, State and Local Government Areas in Nigeria. In the case of Kogi, they are the Governor of the State, Local Government Administrators, Commissioners, Advisers members of the House of Assembly and other appointees.

From the review, their roles include making and enacting tax Laws for the state, instituting Board of Internal Revenue and the appointment of the Chairman and members of the board. For effective tax administration in Kogi State, Political office holders on the mandate of the law have the power to grant autonomy to the members of the board. Tax laws passed should ease tax administration (assessment, collection and accounting for tax) within the state. In view of this roles, the total IGR of Kogi State has been on a steady increase from 2015 to 2017.

The study further concludes that it is the role of political office holders to create an enabling economic environment for the intensification of taxable activities in Kogi State. Tax administration without taxable income and profit will lead to mal-administration of tax law. This can be made effective through equitable distribution of income and wealth by political office holders in Kogi State.

It is upon the political office holders in Kogi State to assist in avoiding tax leakages arising from frivolous granting of tax relief and tax holidays to tax payers (usually cronies and friends).

As part of the stabilization role of political office holders in Kogi State is to strengthen the capacity of the workforce by recruiting quality members into the Board of Internal Revenue and ensure the revenue agency is allocated enough resources (budgetary allocation) to finance tax administration in the State.

Finally, it is the role of political office holders in Kogi State to efficiently utilize the tax collected by tax administrators in terms of provision of infrastructure and needed services. This will impact positively on the tax collection as taxpayers will see their money in action thus, will be encouraged to pay their tax promptly.

To avert some of the likely problems of tax administration in Kogi State, this study arrived at the following plausible recommendations:

1) In reviewing the Kogi State Tax Laws, there is need to involve all stake holders such as the labour and trade union leaders, heads of ministries, department and agencies, and various academic institutions, among others. This will create easy tax assessment by tax administrators within the state.
2) Tax laws and policies should be made available to taxpayers and explain clearly to their understanding for effective compliance.
3) Organizing frequent training program by the administration of board of internal revenue to their tax official (collectors) to improve efficiency and acquitting them with new and improve skills for tax collection and administration.
4) Tax force should be strengthen and empowered with enlightens program to educate people on how to file and pay their taxes. This should be in form of radio broadcast, television airing, bill board and poster and finally face to face interaction. This would serve as a basis for direct and indirect educating and disseminating tax and tax related issues to the public aimed to increase tax voluntary compliance.

5) There is need to establish rewarding system for hard working, dedicating and patriotic tax officials. This should be in form of cash such as bonuses and over time or should be up graded through accelerated promotion or honouring and recommendation certificate. This would encourage and increase the effectiveness and performance of the services rendered by each and every staff of the board of internal revenue.
6) The roles and power of political office holder should also be defined or stated in Kogi State tax law. On the basis of the law, Political office holders in Kogi State would be refrained from having undue influence on tax administrators or officials to reduce the quantity/amount of tax paid by tax payers.

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