TAXATION, HISTORY AND TAX LAWS IN NIGERIA

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INTRODUCTION

The history of taxation stretches thousands of years in the past. Ancient civilizations including Greeks, Romans and Egyptians levied different taxes on their people to finance military operations, public services and maintain key strategic reserves of food stocks, gold to mention but a few (Dr.
Jorg etal 2016).

Taxation in Africa started long before colonialism. Kings and Chiefs would demand that their subjects submit a portion of their harvest and/or livestock as a form of tax. The colonial masters introduced tax laws to get financial resources to operate and run the colonial territories.

The Organization for Economic Cooperation and Development (OECD) defines tax as “compulsory unrequited payments to general government.” The Tax Justice Network Africa (TJNA) argue that tax, is “a fee levied by a government or regional entity on a transaction, product or activity in order to finance government expenditure.

REASONS AND GOALS OF TAXATION

Famous are the “5 Rs” of the Financial Transparency Coalition, according to which good taxation policies should be characterized by the following

- Raise revenue
- Reprice goods and services considered to be incorrectly priced by the market and by providing tax reliefs.
- Redistribute income and wealth.
- Raise representation within the democratic process because it has been found that only when an electorate and a government are bound by the common interest of tax does democratic accountability really work.

- Reorganization of the economy through fiscal policy.

Taxes on exports have been dramatically decreased and often eliminated in many developing countries; while taxes on imports have decreased substantially and may be reduced further (Giulia Mascagni 2014).

HISTORY OF TAXATION IN NIGERIA

Northern Nigeria is the first region to experience tax payment because of its central administration under the rule of the Emirs. Muslin religion adhered to by the people approved of taxation as being consistent with the demand of Islam thus taxes such as Zakka, Gada, Kindin, Kararat and Jangoli were the forms of taxes on agricultural products and livestock.
The colonial masters introduced direct tax. In 1904, income tax was introduced in Nigeria by Lord Lugard. He later made changes which culminated in the native revenue ordinance of 1917, an amending ordinance that extended the provision of the 1917 ordinance to Nigeria. The Ordinance was passed in 1981. The first ordinance applied to Abeokuta in Ogun State and Benin city in formal Bendel State. This tax was payable in money, labour, grain or stock and benefited the colonial authorities in various ways: it raised money and broadened the cash economy, aiding further development.
In 1958, the Raisman Fiscal Commission recommended the introduction of uniform basic principle of taxing incomes of persons order than limited liability companies throughout the country. The recommendation that was embodies in the Nigeria (constitution) order in council 1960 formed the basic of the present income Tax
Management Act (1961 Act); the companies income tax (1979), the personal income Act (Lagos Act 1961) as amended.

Other tax laws such as Industrial Development, Income raised ordinance, the petroleum profit tax act, the income tax where necessary today, companies and non-residents in Nigeria are taxed by the federal Inland Revenue series while the
State Board of Internal Revenue Tax persons other than Companies
(Referred to as personal income tax), capital gain tax (individuals only).

Types of Taxes in Nigeria

PERSONAL INCOME TAX

Personal income tax is tax imposed on income of individuals, corporation sole or body of individuals, communities, families and trustees or executives of any settlement. The rate of the tax ranges from 7% to 24%, depending on the amount of chargeable income. Individuals are subject to minimum tax of 1% of gross income where the income is less than =N=300,000 per annum. An employer files return of emoluments and tax deducted from the employees in the preceding year not later than 31st January of every year.

A person who fails to file a return shall be liable on conviction to a fine of =N=5,000 and a further sum of =N=100 for every day during which the failure continues or imprisonment of six months or both.

Any employer who fails to file a return shall be liable on a conviction to a penalty of =N=500,000 for corporate bodies and =N=50,000 in the case of individual.

VALUE ADDED TAX (VAT)

VAT is a consumption tax paid when goods are pursed and services rendered. It is a multi-tax and borne by the final consumer. VAT is charged at a rate of 5%. All goods produced within or imported into the country are taxable except those specifically exempted by the VAT Act. All MDAs and Oil and Gas companies serve dual roles as taxpayers and agent of VAT collection.

PETROLEUM PROFIT TAX

Petroleum profit tax is imposed on income of companies in petroleum operations (upstream). Companies liable to petroleum profit tax are not liable to company income tax on the same income.

Rate of the tax;

- ✓ For joint ventures and sole risk companies in their first five years of operation the rate is 65.75% of the chargeable profit.

- ✓ For joint ventures and sole risk companies in operation for more than first five years, the rate of tax is 85% of chargeable profit.
- ✓ For a company under production sharing contract, the rate is 50% of chargeable profit.

Returns of estimated tax for each accounting period are to be submitted not later than two months after the commencement of the accounting period.
Education tax is a deductible expense in computation of assessable profits of petroleum companies. Final returns for each accounting period are to be filed within five months after the expiration of the accounting period.
Penalty for late submission of return is =N=10,000 and further sum of =N=2,000 for each and every day the failure continues.

COMPANIES INCOME TAX
Companies income tax is tax imposed on profit of a company from all sources, the rate is 10% of the total profit of a company. Some profits are exempted from companies income tax, provided they are not derived from trade or business activities carried out by the company e.g. cooperative society.
Every company shall pay provisional tax not later than three months from the beginning of each year of assessment which is an amount equal to the tax paid in the previous year assessment.
The due date for filing returns for newly incorporated companies is within eighteen months from the date of incorporation while for existing companies it is six months from the end of the accounting year.
Withholding Tax is a method used to collect income tax in advance, ranging from 5% to 10% depending on transaction.

Penalty for late filing of return is =N=25,000 for the first month it occurs and =N=5,000 for each subsequent month the failure continues.

TERTIARY EDUCATION TAX
This is a 2% assessment profit imposed on all companies in Nigeria. The tax is allowable deduction in computing the

assessable profits of companies engaged in petroleum operation (upstream) and is used for rehabilitation, restoration and consolidation of tertiary education in Nigeria by the Tertiary Education Trust Fund. It is distributed between Universities, Polytechnics and Colleges of Education at the ratio of 2:1:1.

First offence gets a fine of =N=1,000,000 or 6 months imprisonment or both. Second and subsequent offences attract a fine of =N=2,000,000 or a term of 12 months or both.

STAMP DUTIES

This type of tax is administered on written documents only. Federal Inland Revenue Service assesses and collects duties on documents executed between a company and an individual or groups while FCT and State Internal Revenue Service assess and collect duties on documents executed between persons or individuals.
Duties are paid before documents are executed

Methods of stamping

a. Embossing with die
b. Affixing adhesive stamp
c. Affixing postage stamp in lieu of adhesive stamp

Forms of stamp duties

- Fixed duties: Duties that do not vary with consideration (E.g. Duties on payment receipt, guarantor forms, proxy forms, etc.).
- Ad-valorem: Duties that vary with consideration (Debentures, bills of exchange, duties on share capital, deed of assignment, etc.).

CAPITAL GAINS TAX

All chargeable assets are subject to capital gains tax when disposed at a gain except those specifically exempted (Nigerian government securities, life insurance policy, stock, shares and disposal of decorations awarded for valour and gallant conduct) by the Capital Gains Tax Act Cap C1 LFN 2004. Chargeable assets are all forms of property and at a flat rate of 10% of chargeable gain.

Allowable expenditure for the purpose of capital gains tax includes fees, commissions or remunerations paid for professional services and cost of transfer.

Gains shall not be chargeable if it accrues to some organizations provided the gain is not derived from any disposal of any asset acquired in connection with any trade carried on by the organization; example

- ✓ An ecclesiastical, charitable or educational institution of a public character
- ✓ Trade union registered under the Trade Union Act
- ✓ Statutory registered friendly society
- ✓ Cooperative society registered under Cooperative Societies Law of any State

NATIONAL INFORMATION TECHNOLOGY DEVELOPMENT LEVY (NITDL)

The levy is charged on companies with turnover of =N=100 million and above. The levy is charged at a rate of 1% of profit before tax.

Companies liable to pay the levy are:

- ✓ Pension Managers and Pension Related Companies
- ✓ Insurance Companies
- ✓ Banks and other Financial Institution
- ✓ Cyber Companies and Internet Providers
- ✓ GSM Service Provider and all Telecommunication Companies

Failure to pay the levy at date shall attract a penalty of 10% and interest at prevailing minimum rediscount rate of the CBN and if payment is not made within one month, enforcement shall take place.

Pay as you earn is expected to be remitted on 10th of every month, while Value added tax and withholding tax is due by 21st and 28th is for companies income tax, capital gains tax, education tax and national information technology development levy. Personal income tax is due on 31st.

CONCLUSION

Taxation is cardinal in financing development undertaking. Revenue raised through taxation is more sustainable than reliance on borrowing. However, in order to raise sufficient revenue, there is need to have an effective tax system which should be developed.

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