

THE CHALLENGES AND PROSPECTS OF TAX ADMINISTRATION IN
NIGERIA

BY

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DEPARTMENT OF ACCOUNTING (TAXATION)

FACULTY OF MANAGEMENT SCIENCES

UNIVERSITY OF BENIN

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A PROJECT WRITTEN AND SUBMITTED TO THE DEPARTMENT OF
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DECLARATION

I Goodness Ose EGUABOR, do hereby declare that this project is entirely my work and composition. The embodied in this project has not been submitted in candidature for any degree and it's not concurrently being submitted for any other decree. All works that was used in this project, were duly acknowledged and referenced.

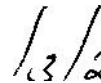


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CERTIFICATION

We the undersigned hereby certify that this research project was carried out by **Goodness Ose EGUABOR** with matriculation number **MGS2010279** of the department of Accounting (Taxation) , Faculty of Management Science, University of Benin, Benin city and do approve that it is adequate in scope and quality in partial fulfillment of the

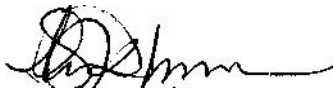


requirements for the award of Bachelor of Science (B.Sc.) degree in Taxation.

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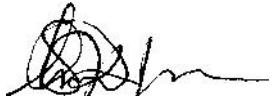


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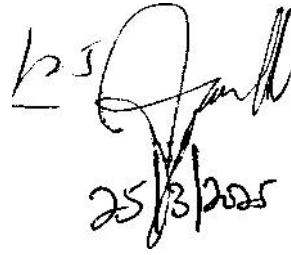

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DEDICATION

This project is dedicated to God Almighty, for granting me strength and wisdom and who has made everything possible and has brought me to this stage in my academic journey.

This work is specially dedicated to my father, Mr. Albert Eguabor who tirelessly catered for me throughout my academic journey.

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ABSTRACT

This study examines the challenges of tax administration in Benin City, Edo State, Nigeria, with a focus on the Federal Inland Revenue Service (FIRS). The research explores issues such as inefficiency, corruption, inadequate taxpayer education, and complex tax laws, which hinder effective revenue generation. A survey research design was employed, with data collected through structured questionnaires administered to FIRS officials and taxpayers.

The data were analyzed using statistical tools, including the chi-square test. The findings indicate that corruption and administrative inefficiencies significantly affect tax compliance and revenue collection. Additionally, inadequate taxpayer education contributes to non-compliance. The study recommends improved transparency in tax administration, digitalization of tax processes, and enhanced taxpayer education to boost compliance. Implementing these measures will strengthen Nigeria's tax system and promote sustainable economic growth.

CHAPTER ONE INTRODUCTION 1.1

BACKGROUND TO THE STUDY

Taxation is a key element of a nation's fiscal policy, essential for generating government revenue to support public goods and services (Bird & Zolt, 2005). James and Nobes (2013) describe taxation as "a mandatory payment made by individuals and businesses to the government." The main goal of taxation is to collect funds for the government to carry out its functions and provide public goods and services (Musgrave & Musgrave, 2010). In Nigeria, the tax system is regulated by various laws and regulations, such as the Federal Inland Revenue Service (FIRS) Act, the Companies Income Tax Act, and the Personal Income Tax Act (PITA) (FIRS, 2020). The Nigerian tax system features multiple tax authorities, including the FIRS, State Boards of Internal Revenue, and Local Government Councils (LGCs) (CITN, 2019). Despite the critical role of taxation in revenue generation, Nigeria's tax administration faces several challenges, including corruption, inefficiency, and low taxpayer compliance (Oyedele, 2015). Additionally, the informal sector, which constitutes a significant part of the economy, remains largely untaxed, further diminishing the tax base (NBS, 2020). The Nigerian government has introduced several tax reforms to enhance tax administration and boost revenue collection (FIRS, 2020). Nonetheless, the

effectiveness of these reforms has been constrained, and the tax system continues to face many issues (CITN 2019).

Taxation in Nigeria has its origins in the colonial period, when the British colonial government implemented several taxes to raise funds for their administration (Ola 2013). The initial tax legislation in Nigeria was the Native Revenue Ordinance of 1917, which authorized the colonial authorities to levy taxes on the indigenous population (Adegbite 2017). According to IMF (2020), Taxation is an essential instrument for government to raise revenue and achieve their economic and social objectives. Ekpo (2011) highlights that taxation was an important aspect of the revenue distribution system in Nigeria during the colonial era. The discovery and use of oil in the 1970s resulted in a notable rise in government revenue, which diminished the focus on tax collection. This heavy dependence on oil income fostered a dependency mentality and obstructed the establishment of a strong tax system. Ongoing economic crisis and structural adjustment have intensified the challenges in tax administration. The informal sector, which makes up a significant part of the economy, remains largely untapped for taxation. (Adegbite, 2017). Nigeria has a limited tax base, relying heavily on a small number of large taxpayers, which renders the tax system susceptible to changes in economic conditions (Oyedele 2015). Tax evasion and avoidance are widespread due to ineffective enforcement, complicated tax regulations, and insufficient taxpayer education (kiabel and Nwokah, 2011). Additionally, the substantial informal sector that operates outside the tax system presents a major obstacle to revenue

generation. Low taxpayer compliance, driven by issues like distrust in the government and perceived inadequate services delivery, further diminishes tax revenue.

1.2. STATEMENT OF THE RESEARCH PROBLEM

The tax administration system in Nigeria is encountering various challenges that impede its effectiveness. It is marked by inefficiency and corruption, leading to substantial revenue losses for the government (Oyedele 2015). Additionally, taxpayer compliance is notably low, creating a considerable disparity between the potential and actual tax revenue collected. The intricate nature of tax laws in Nigeria poses another significant obstacle, as these laws are complicated and hard to navigate, making it difficult for taxpayers to fulfill their obligations. Moreover, the tax administration system lacks essential infrastructure, such as technology and trained staff, necessary for efficient tax management. The Nigerian government's reliance on oil revenue has also obstructed the establishment of a strong tax administration system.

Research Questions:

1. What are the primary challenges confronting the tax administration system in Nigeria?
2. In what ways do inefficiency, corruption and the complexity of tax laws impact tax administration in Nigeria?

3. What reforms or strategies could be adopted to enhance the tax administration system in Nigeria.

1.3 OBJECTIVE OF THE STUDY

The study aims to achieve the following objectives

1. To explore the challenges encountered by the tax administration system in Nigeria.
2. To analyze how inefficiency, corruption and the complexity of tax administration system in Nigeria.
3. To pinpoint reforms or strategies that could be adopted to enhance the tax administration system and boost tax revenue.

1.4 STATEMENT OF HYPOTHESIS

The following hypothesis are stated in Null form:

1. HO: The challenges encountered by the tax administration system do not have a significant impact on the effectiveness of tax administration in Nigeria.
2. HO: Factors such as inefficiency, corruption and the complexity of tax laws do not significantly influence tax administration in Nigeria.
3. HO: There is no significant connection between the implementation of tax reforms and the enhancement of tax administration in Nigeria.

1.5 SIGNIFICANCE OF THE STUDY

This research is important as it will offer useful information to policymakers, tax officials, and taxpayers in Nigeria. The results will particularly aid the Federal Inland Revenue Service (FIRS) in pinpointing areas where the tax administration system can be enhanced, and assist the Nigerian government in developing strategies to boost tax revenue. Moreover, taxpayers and tax professionals in Nigeria will gain from the study's suggestions on how to effectively manage the complexities of the tax administration system.

1.6 SCOPE OF THE STUDY

This study concentrates on the Federal Inland Revenue Service (FIRS) in Edo Benin city Nigeria, particularly examining the challenges encountered by the tax administration system. It will explore how inefficiency, corruption, and the complexity of tax laws affect tax administration in Nigeria as well as identify potential reforms or strategies to enhance the system. The research will cover a period of 2 years, from 2022-2024.

CHAPTER TWO LITERATURE REVIEW 2.1

CONCEPTUAL FRAMEWORK

2.1.0 Tax Administration

According to Adegbe and Fakile, (2015), optimized tax administration is important to the growth of the economy and the reduction of dependence on oil revenue. The international monetary fund (IMF) describes tax administration as the process of putting tax policies and laws in place, collecting tax revenue, and providing services to tax clients.(IMF, 2013) This implies that understanding the element of tax administration is necessary either in identifying the areas to be improved or in undertaking the reforms. As Oyedele, 2015 indicates efficient tax administration is crucial for Nigeria's economic development because it enhances government capability to mobilize the necessary revenue for public expenditure and provision of important services to the people. However, the World Bank considers tax administration as the process for collecting taxes, enforcement of tax obligation, providing services to the taxpayers (World Bank, 2011).

2.1.1 Overview of Nigerian Tax System

Nigeria has a long history of taxation, pre-colonial, ethnic groups and nationalities had their own tax system. These policies were often based on traditional practices and served

the interests of ruling elites and the public. In the northern Hausa and Fulani states, for example, taxes were levied on agricultural products, livestock, and trade. These traditional systems of tribute were important for the socio-economic structure of the various ethnic and national communities in the region. During the colonial period, British officials imposed taxes such as hut tax, collected from individuals, and poll tax, applied to households (Ajakaiye, 2006) The colonial tax system was aimed at increasing income for colonists government and to achieve development economic growth. However, it often proves to be coercive and exploitative, with tax collection primarily supporting colonial administrations rather than local communities (Ogonna, 2011).The taxation system In pre-colonial Nigeria reflected taxation mechanisms that are essential to the economic structure of local communities. The southern part of Nigeria had a lower tax system compared to the northern region, where the tax system of the Hausa-Fulani Kingdom was well established (Ogwumike, 2009) This kingdom introduced taxes such as Zakat, a levied on movable property and taxes, paid by subordinate communities towards their rulers or ruling classes (Abdulkadir, 2009).During this phase, tax administration can be said to have been fundamentally decentralized, and each community or kingdom had its own system of tax. More often than not, cashless taxation was prevalent-Woods I, 1982. Such local taxation finances, for instance, law and order, public goods, and services(Ijaiya 2009). Another aspect is that taxation was also treated as community-oriented so local chiefs or rulers were the tax administrators, (OLA 2017).

In Nigeria before the advent of colonial rulers, the tax administration was highly characterized by diversity and decentralization. Even though there were different communities or kingdoms that relied on different tax systems, all of them were integral parts of the local economy and governance structure. In Nigeria, the colonial period is viewed as the era from 1914 to 1960 and during these years the Nigerian tax administration underwent extensive changes.(Adeyinka 2017).In Nigeria, the tax system is crucial in raising adequate funds that would facilitate the various government operations in the provision of public services. It is governed within the country by different tax authorities which guarantee proper revenue collection and management (Adeogun, 2019). Tax administration in Nigeria is structured such that the Federal Inland Revenue Services (FIRS) works hand in hand with the State Internal Revenue Services, and local government revenue committees in order to ease tax collection and administration (Akanbi, 2020). Throughout the years, the Nigerian tax system has undergone many changes, with ongoing attempts to improve tax compliance, collect revenue, and promote general economic development (Oyedele, 2017). It is important for Nigeria's economic growth to have effective tax management, as this enables the government to fund essential public goods and services (Uadiale, 2016). In conclusion, the tax system in Nigeria plays an important role in the nation's economic progress, and managing it well is essential to generate income and support economic growth (Ajakaiye, 2018).

2.1.2 Relevant Tax Authorities

In Nigeria, tax authorities are regulated by various key institutions responsible for implementing the country's tax laws. At the federal level, the Federal Inland Revenue Service (FIRS) manages taxation, overseeing corporate income taxes, value-added tax (VAT), and petroleum profits tax. In addition to the FIRS, each state has its own State Internal Revenue Service, which is responsible for collecting state taxes, including personal income tax and other taxes determined by the state government.

At the local level, tax administration falls under the Local Government Revenue Committee, which is responsible for collecting local taxes such as property tax, market tax, and other locally generated levies. The Nigerian Customs Service (NCS) handles the collection of duties and taxes on goods imported into Nigerian territory. Overseeing overall tax policy and monitoring tax operations in the country is the Federal Ministry of Finance, which provides strategic direction for Nigeria's tax administration.

2.1.3. Nature and definition of Taxation

Taxation means the process by which a government imposes financial charges or levies on individuals, businesses and other entities to generate revenue for public expenditures.(Ola, 2017). It is a key part of managing taxes in Nigeria, which includes collecting, calculating, and ensuring taxes are paid (Adeyinka, 2017). The tax system in Nigeria is governed by different laws, such as the Nigerian Constitution, the Tax Administration Act, and the

Companies Income Tax Act (Egwaikhide, 2013). Taxation is a complicated and broad topic that has been widely studied and talked about by experts. According to (Ogbonna 2011), taxation is a compulsory payment imposed by the government on its citizens to generate money for public services and goods. Taxes also help share wealth from richer people to poorer people. This is done through systems where the rich pay more taxes and through programs that help those in need (Saez, 2016). The idea behind taxes is based on a social agreement. People give up some of their freedoms in exchange for protection and services provided by the government. The tax system works under a set of laws, rules, and court decisions (James & Nobes, 2013). Managing taxes involves calculating, collecting, and making sure people pay what they owe. This is usually handled by a government agency responsible for taxes (Bird & Zolt, 2005).

2.1.4 Types of Taxation

Taxation plays a crucial role in managing taxes and can be categorized into different types, helping us understand how tax management works in Nigeria. It is broadly divided into two main types: direct taxes and indirect taxes. Direct taxation refers to taxes that are directly charged to individuals or businesses, such as income tax, wealth tax, and property tax. This type of tax is typically progressive, meaning that the tax rate increases as a person's income rises. The key characteristics of direct taxation are that it is applied directly to individuals or businesses and follows a progressive structure.

Indirect taxation, on the other hand, applies to goods and services, including sales tax, value-added tax (VAT), and excise tax (Keen, 2013). Unlike direct taxes, indirect taxes tend to be regressive, meaning that people with higher incomes pay a smaller percentage of their earnings in taxes compared to those with lower incomes. This type of taxation is often criticized for placing a heavier burden on poorer households. (Khan 2017) explains that direct taxes have a significant impact on economic growth because they influence the behavior of individuals and businesses. Meanwhile, Keen (2013) highlights that indirect taxes can worsen income inequality, as they disproportionately affect lower-income households.

2.1.5 Importance of Taxation

Taxation is a crucial component of Nigeria's financial system, playing a vital role in funding public services and goods. Taxes provides the government with a steady stream of revenue, which is essential for financing key sectors such as education, healthcare, and infrastructure (Adegbite, 2017). By ensuring adequate funding for these areas, taxation contributes to economic growth and development, fostering an environment where businesses can thrive.

In addition to generating revenue, taxation also serves as a tool for reducing income inequality (Adebayo, 2013). A progressive tax system ensures that individuals with higher incomes contribute more, while those with lower earnings pay less. This redistribution of

wealth helps bridge the gap between the rich and the poor, promoting a more equitable society. Furthermore, taxation plays a role in stabilizing the economy by regulating economic activities and managing inflation (Ogbonna, 2011). By imposing taxes on specific goods and services, the government can influence consumer spending patterns, discouraging unnecessary expenses and maintaining economic balance. Moreover, an effective tax system enhances government accountability and transparency by ensuring that all citizens contribute their fair share to national development (Oloyede, 2015). When properly managed, taxation helps curb corruption and promotes the responsible allocation of public resources, ultimately strengthening trust in government institutions.

2.1.6 Dimensions of Taxation

Taxation in Nigeria has multiple dimensions and plays a crucial role in shaping the country's economy, society, politics, administration, legal system, and international relations. From an economic perspective, taxes are vital for Nigeria's financial stability. They provide the government with the revenue needed to fund public services, regulate economic activities, and influence consumer behavior (Adegbite, 2017). Beyond the economy, taxation has significant social implications, as it can help bridge the gap between the rich and the poor, support essential public services, and promote fairness in society (Adebayo, 2013).

Politically, taxes can serve as a powerful tool, influencing voting patterns, rewarding political allies, or penalizing opponents (Ogbonna, 2011). The effectiveness of taxation also depends on administrative efficiency. A well-structured tax system requires a competent tax authority, effective collection methods, and adequate support for taxpayers

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(Oloyede, 2015). On the legal front, taxation in Nigeria is governed by a complex framework of laws and regulations. Understanding and implementing these laws, as well as resolving tax disputes and legal challenges, are essential aspects of the tax system (Akinbola, 2018). Additionally, in an increasingly globalized world, taxation extends beyond national borders. Nigeria's involvement in international taxation includes

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agreements with other countries, transfer pricing regulations, and global cooperation on tax-related matters (Adeyemi, 2019). Overall, taxation in Nigeria is a multifaceted subject that influence

various aspects of governance and development, shaping both domestic policies and international relations.

2.2 The federal Inland Revenue Service (FIRS).

The Federal Inland Revenue Service Board (FIRSB) is responsible for overseeing the Federal Inland Revenue Service (FIRS). The FIRS was established under Section 2 of the Federal Inland Revenue Service (Establishment) Act of 2007. It operates in line with the National Tax Policy (NTP), which aims to create a strong and efficient tax system. The

primary function of the FIRS is to manage various types of taxes in Nigeria, including corporate income tax, value-added tax, and petroleum profit tax, ensuring an effective tax administration system.

The FIRSB is composed of several key members. At the helm is the Chairman, an individual recognized for integrity and experience in taxation or related fields, appointed by the President. The Minister of Finance, or a designated representative from the Federal Executive Council, is also a member, as is the Minister of National Planning or their representative. Additionally, the Attorney-General of the Federation or their representative, along with the Governor of the Central Bank of Nigeria or a designated representative, are part of the board. The Executive Chairman of the FIRS, who is also appointed by the President, serves as a crucial member, overseeing the agency's operations.

The board is responsible for formulating rules that guide tax administration, ensuring that taxes are collected efficiently and effectively. It also manages and organizes various tax-related tasks, including assessing tax liabilities, collecting revenue, and enforcing compliance with tax regulations. Furthermore, the FIRSB ensures that all government revenue, including income tax, sales tax, and other forms of taxation, is duly collected. Another key duty is providing expert advice to the government on tax policies, laws, and administration. Additionally, the board plays a role in educating the public and raising awareness about tax laws to ensure proper compliance.

2.2.1 Federal Government Collection of Taxes In Nigeria

The Nigerian government collects taxes through the Federal Inland Revenue Service (FIRS), which manages tax-related matters in the country (Federal Inland Revenue Service, 2020). The FIRS is in charge of collecting different types of taxes, such as Value Added Tax (VAT), Companies Income Tax (CIT), Petroleum Profits Tax (PPT), and Withholding Tax (WHT) (Adegbite, 2017). Tax collection in Nigeria is governed by several laws, including the Companies Income Tax Act, Petroleum Profits Tax Act, and Withholding Tax Act (Oyedele, 2010). The FIRS ensures that these laws and rules are followed. The tax process in Nigeria involves several steps: tax registration, filing, payment, and auditing (Adebayo, 2020). Taxpayers must register with the FIRS, submit their tax returns, pay their taxes, and go through audits to confirm they are following tax laws. Even though the FIRS (Federal Inland Revenue Service) is working hard, collecting taxes in Nigeria faces many problems. These include people avoiding paying taxes, poor infrastructure, and not enough education for taxpayers (Ehigiamusoe, 2019). Tax evasion is a big problem because many people do not follow the tax rules and laws that are in place.

2.2.2 Overview of the current state of Tax Administration in Nigeria

The tax system in Nigeria is managed by different laws and rules, such as the Federal Inland Revenue Service (FIRS) Act, the Tax Administration (Self-Assessment) Regulations, and the Companies Income Tax Act (Adegbite, 2017). The Federal Inland Revenue Service

(FIRS) is responsible for handling taxes at the national level, while state and local governments have their own tax offices (Oyedele, 2017). In Nigeria, the tax system is divided into three levels: federal, state, and local government. The federal government is in charge of taxes like the Companies Income Tax, Value Added Tax, and Petroleum Profits Tax (Ajakaiye, 2006). On the other hand, state governments manage taxes such as the Personal Income Tax and the Pay-As-You-Earn (PAYE) tax (Adeyinka, 2017). Local governments take care of taxes like the Tenement Rate and Ground Rent (Ola, 2017). Even though there have been efforts to improve the tax system in Nigeria, it still faces major problems. According to Ogwumike (2009), the tax system lacks transparency, accountability, and efficiency. This has created a big gap between the amount of tax revenue that could be collected and what is actually collected.

2.2.3 Challenges facing Tax Administration in Nigeria

Nigerian tax policies face significant challenges that hinder their effectiveness. A primary issue is the inefficiency in tax administration, largely due to the reliance on outdated, paper-based systems instead of modern electronic methods, which slows down tax collection and makes it highly ineffective. This leads to considerable delays, errors, and complicates the tracking of payment. According to the International Monetary Fund (IMF), the lack of automation in Nigeria's tax system contributes to corruption and administrative obstacles, which ultimately decrease government revenue and erode public trust in the system. By

integrating digital technology, the efficiency and transparency of tax administration could see substantial improvements. If Nigeria were to adopt such technology, it would significantly enhance efficiency, reduce mistakes, and minimize opportunities for fraud. The Federal Inland Revenue Service (FIRS), responsible for tax collection and enforcement, struggles with inadequate staffing, outdated technology, and bureaucratic hurdles. These issues result in an inefficient tax collection process and create opportunities for tax evasion. In a context of high corruption, effective taxation in Nigeria may seem like an impossible task. The country's tax administration can be described as cumbersome and inefficient to an unimaginable extent (NZOLTA, 2007). Moreover, traditional tax administration methods that rely minimally on technology lead to inefficient processing due to their cumbersome nature and a high likelihood of errors (OLUWADAMILOLA EKUNDAYO, 2020). This inefficiency in tax collection has far-reaching consequences. A significant concern is that it results in reduced tax revenues, which subsequently restricts the government's ability to fund vital public services and benefits (Musgrave & Musgrave, 2010).

Corruption is another big problem for tax collection in Nigeria. Tax officials often ask for bribes from people who pay taxes, and money from taxes is often stolen or used wrongly (Uadiale, 2016). A study by the Nigerian Institute of Social and Economic Research (NISER) shows that corruption in tax collection leads to the government losing a lot of money (NISER, 2017). Some tax officials are colluding with certain taxpayers to defraud

the government of tax revenue. A large amount of money that should be directed to the government is being siphoned off into private hands, making it more difficult for the government to supply the essential infrastructure necessary for societal development. Corruption is severely disrupting tax collection in Nigeria. It manifests in various detrimental ways that erode public trust in the government and result in significant financial losses for the country. A frequent occurrence of this issue is through bribery, where tax officials solicit or accept illegal payments to reduce someone's tax burden or overlook tax evasion. This situation not only results in reduced funding for public services but also establishes an inequitable system that favors those willing to flout the law. Research by (Adebisi and Gbegi 2013) highlights the prevalence of bribery within Nigeria's tax system and its detrimental effects on tax revenue and public trust. Embezzlement exacerbates the situation, as certain officials are pocketing the taxes they collect. This misappropriation of funds intended for the public deprives us of the resources necessary for quality infrastructure and social services, resulting in a cycle of stagnation and eroding trust in the system. (Oluyombo's 2013) research clearly illustrates how this corruption in tax offices results in significant revenue losses, hindering the country's proper development.

Complexity of tax laws is one of the challenges for tax collection in Nigeria. Nigeria's tax laws are very complicated and hard to understand, which makes it difficult for people to follow them (Ezejelue, 2018). A report by the Chartered Institute of Taxation of Nigeria (CITN) found that the confusing nature of these laws makes taxpayers feel frustrated and

unsure (CITN, 2018).The Nigerian tax system is quite complex, with regulations originating from federal, state, and local authorities. These various levels often overlap, causing confusion for both taxpayers and tax collectors. This complicated structure makes it challenging for individuals and businesses to remain compliant, and it complicates enforcement efforts as well (Oyetunde, 2020).One of the main reasons this situation is so complex is the large variety of taxes and the overlapping jurisdictions where different governments can impose taxes. Nigeria operates under a three-tier system of government, and each level has the constitutional authority to impose taxes. As a result, both businesses and individuals are required to pay numerous taxes, with some being levied by multiple levels of government. For instance, the Federal Inland Revenue Service (FIRS) is responsible for collecting Companies Income Tax (CIT), while state governments collect Personal Income Tax (PIT) through their own state-specific Internal Revenue Services. The lack of a cohesive tax system often leads to businesses facing taxes from various sources or being uncertain about where to direct their tax payments. Managing these diverse tax obligations can be quite challenging for businesses, which reduces their likelihood of compliance and ultimately obstructs effective tax collection (Odusola, 2006).

Insufficient taxpayer education stands as a significant impediment to effective tax administration In Nigeria. There is a big problem with teaching people about taxes, this makes it hard for people to understand what they need to do and follow the tax rules (Akindele, 2019). A study by the African Development Bank (AFDB) shews that better

education about taxes is very important for improving how well people pay their taxes in Nigeria (AFDB, 2019). To motivate individuals to willingly fulfill their tax obligations, it's crucial for them to comprehend the regulations. Unfortunately, many taxpayers in Nigeria lack a clear understanding of the tax laws, their payment responsibilities, and the benefits they receive in exchange for paying taxes. Due to this lack of knowledge, many end up paying incorrect amounts, whether unintentionally or deliberately. A study conducted by (Adekoya, 2019) found that enhancing taxpayer education significantly increases compliance with tax regulations among taxpayers in Lagos State. Similarly, Oladele and his team in 2020 pointed out that a lack of understanding of tax processes contributes to non-compliance, suggesting that comprehensive educational programs could address this problem. The Federal Inland Revenue Service (FIRS) recognizes the importance of educating taxpayers to improve tax compliance and has begun initiatives to raise awareness about their responsibilities (FIRS, 2020). However, further actions are necessary to address the issue of insufficient taxpayer education in Nigeria. A study published in the Nigerian Tax Journal found that many taxpayers in Nigeria are not aware of their tax responsibilities. This general lack of knowledge presents a major challenge for tax administration in the country (Nigerian Tax Journal, 2017). The research showed that numerous taxpayers rely on tax consultants and agents to handle their tax issues rather than making an effort to understand the tax laws themselves.

Bad infrastructure is a significant challenge facing the tax administration in Nigeria. The nation is grappling with its infrastructure, encountering problems such as poor road conditions, inconsistent electricity supply, and restricted access to technology. These challenges hinder the smooth collection of taxes and the effective enforcement of tax regulations (Adeyemi, 2016). For instance, the lack of reliable electricity can disrupt operations at tax offices, making it difficult for taxpayers to receive assistance and for tax officials to process returns efficiently (Nwokah, 2017). The system for managing taxes in Nigeria has poor infrastructure. This includes old technology and not enough trained workers (Bamidele, 2018). A report from the World Bank says that this lack of good infrastructure makes it difficult to collect taxes efficiently in Nigeria (World Bank, 2018). Additionally, Nigeria's poor roads and transportation systems make it difficult for tax collectors to reach residents in remote areas, where many taxpayers live (Ola, 2013). This can lead to a lack of understanding about taxes and their functions among people in these regions, which negatively affects their compliance with tax laws. Furthermore, inadequate infrastructure also hinders tax collection due to limited access to technology. Many tax offices lack the necessary tools and equipment to operate efficiently, resulting in delays and inefficiencies that ultimately impede the government's revenue generation efforts. Unreliable internet and other digital systems can significantly hinder the establishment of electronic tax filing and payment systems, which are essential for effective tax management (Adeyemi, 2016). As a result, individuals often have to revert to manual

tax processes, which are prone to errors and inefficiencies. In summary, inadequate infrastructure presents a major challenge for Nigeria's tax system. The country's poor infrastructure—characterized by inadequate roads, inconsistent electricity supply, and limited technological access—makes it difficult to collect taxes efficiently and enforce tax regulations effectively. Therefore, it is vital for the government to invest in improving the nation's infrastructure, especially in the digital realm, to facilitate smoother tax management.

2.2.4 Prospects for improving Tax Administration in Nigeria

The tax system in Nigeria has a lot of room for improvement. Even though there are many challenges, there are also several practical solutions that can help make tax administration better in the country. One big way to improve tax administration in Nigeria is by implementing tax reforms. According to a World Bank study, tax reforms can simplify tax laws, reduce tax rates, and bring more people into the tax system, which helps improve how taxes are managed (World Bank, 2020). For example, the Nigerian government has started the Tax Amnesty Programme to encourage people to voluntarily report their assets and pay their taxes (FIRS, 2020). These changes aim to address longstanding problems such as inefficiency, corruption, low compliance with regulations, and heavy reliance on oil revenue, ultimately creating a more robust and equitable financial system. A key component of these proposed reforms is the consolidation of Nigeria's tax system under a

single piece of legislation, known as the Nigeria Tax Bill (NTB). This bill seeks to streamline various tax types and reduce the Companies Income Tax (CIT) from 30% to 25% over the next few years. It proposes exempting small businesses—those earning less than N50 million annually—from CIT, which would ease their tax burden and support new enterprises. The Nigeria Tax Bill (NTB), also recommends eliminating the minimum tax requirement for companies that are operating at a loss or generating very low profits. Furthermore, it introduces a new Development Levy set at 4%, which will decrease to 2% over five years, intended to fund infrastructure projects (WTS Global, 2025).

Another way to improve tax collection in Nigeria is the adoption of modern technology. Research from the International Monetary Fund (IMF) shows that technology can make tax systems more efficient, reduce corruption, and provide better services for taxpayers (IMF, 2020). For example, the Federal Inland Revenue Service (FIRS) has introduced the TaxPro-Max system, which allows people to file and pay taxes online (FIRS, 2020). Nigeria's tax system could greatly benefit from adopting modern technology. Implementing digital solutions such as e-filing, online payment methods, and data analytics could streamline the entire process, enhance transparency, and potentially increase revenue. These technological improvements can make tax filing and payment simpler for everyone. Additionally, improved tracking and monitoring features can help reduce tax evasion and fraud,(Okoye & Ezeani 2013).Utilizing technology in tax administration enables tax authorities to gather, store, and analyze data more efficiently. This leads to more precise

assessments and improved decision-making. By automating tax processes, human errors and delays are minimized, enhancing the overall efficiency of the tax collection system. A notable example is Nigeria's Federal Inland Revenue Service (FIRS), which employs the Integrated Tax Administration System (ITAS). This system allows taxpayers to file returns, pay taxes, and monitor their tax responsibilities online. Consequently, there is increased compliance among taxpayers, and tax officials have a reduced workload (Adebisi, 2017).

Using modern technology is another prospect of tax administration in Nigeria. A study by the International Monetary Fund (IMF) found that using technology can improve tax systems by making them more efficient, reducing corruption, and offering better services to taxpayers (IMF, 2020). For example, the Federal Inland Revenue Service (FIRS) has started using the TaxPro-Max system, which lets people file and pay taxes electronically (FIRS, 2020). Technology significantly simplifies the tax process, encompassing tasks such as registration, form submission, payment of dues, and even dealing with audits. For example, online platforms enable individuals to register, file their tax forms, and make payments digitally, which is more convenient and reduces direct interactions with tax authorities. This transition can also help minimize corruption. By creating a more transparent and largely automated system, there is less opportunity for manipulation or fraudulent activities (Oladipo, 2020). Adopting modern technology also helps improve the accuracy of tax records. Automated systems can reduce human errors, ensuring that the information entered is correct and up-to-date. Additionally, technology allows for real-time

data analysis, enabling tax authorities to detect discrepancies and instances of non-compliance more efficiently. This enhances the government's capacity to oversee taxable activities, identify tax evasion, and ensure that all eligible individuals and businesses are contributing their fair share (Osei, 2019).

Strengthening of tax laws and regulations is one of the prospects of tax administration in Nigeria. A study by the Chartered Institute of Taxation of Nigeria (CITN) shows that making tax laws and rules stronger can help people and tax officials follow them better by providing clear instructions (CITN, 2020). For instance, the Nigerian government created the Finance Act to change and improve different tax laws and regulations in the country (FGN, 2020). A key aspect of strengthening tax laws is the implementation of various tax reforms. Recently, Nigeria has made strides in this area by introducing Finance Acts in 2019, 2020, and 2021 aimed at enhancing the tax system. These reforms focus on increasing tax compliance, broadening the tax base and promoting fairness. The acts were designed to address issues such as tax evasion, simplifying business operations, and providing incentives for small and medium-sized enterprises (SMEs) that adhere to tax regulations (Okezie, 2020). Enhancing tax regulations involves ensuring better compliance with the rules. This can be achieved by establishing specialized teams responsible for tax oversight and leveraging technology to gather and monitor tax data. The Voluntary Assets and Income Declaration Scheme (VAIDS) serves as an excellent example of a program that encourages individuals to comply with tax regulations by allowing them to correct their

tax information without facing penalties (Ajayi, 2018). Additionally, utilizing online tools and data analysis to track income sources and expenditures is increasingly effective in identifying individuals who are not fulfilling their tax obligations and ensuring that taxes are paid accurately and punctually (Okoye, 2021).

2.3. EMPIRICAL RESEARCH

Many studies have looked into the challenges and prospects of managing taxes in Nigeria.

Here are some important findings:

Adegbie and Fakile (2011): This study examined how tax evasion impacts Nigeria's ability to collect revenue. It found that tax evasion is a major issue for the country's tax system.

Oyinlola and Adeniyi (2013): This research studied the link between corruption and tax revenue in Nigeria. It showed that corruption harms tax revenue.

Abiola and Olaoye (2013): This study reviewed how well Nigeria's tax laws work. It concluded that the laws are not strong enough and need to be updated.

Ogbonna and Appah (2015): This research explored how tax reforms have affected tax management in Nigeria. It found that while reforms have improved the system, more changes are still needed.

Akintoye and Afolabi (2014): This study looked at how knowing more about taxes affects whether people pay their taxes in Nigeria. It showed that when people understand taxes better, they are more likely to pay them.

Ogundele and Akinlabi (2016): This research studied how teaching people about taxes affects the money the government collects from taxes in Nigeria. It found that when people learn more about taxes, the government collects more tax money.

Adeyemi and Afolabi (2019) did a study to see how foreign aid (money or help from other countries) affects the tax money collected in Nigeria. They found that foreign aid helps increase the amount of tax money the government gets.

2.4. THEORETICAL FRAMEWORK

This research is based on institutional theory and principal-agent theory, which offer a framework for analyzing the challenges and opportunities in tax administration in Nigeria.

2.4.1 INSTITUTIONAL THEORY

Institutional Theory looks at how institutions shape behavior, relationships, and results. Institutions are defined as the rules, norms, and processes that guide how people act and interact (Helmke & Levitsky, 2006). The theory suggests that institutions are important, develop over time, and can change (Pierson, 2004; Mahoney & Thelen, 2010). The theory also distinguishes between formal and informal institutions. Formal institutions are clearly

written rules enforced by governments or other authorities, while informal institutions include social norms, customs, and traditions that guide behavior and interactions (Helmke & Levitsky, 2006). The theory also points out the importance of how different institutions can overlap and influence each other, creating a complex system (Campbell, 2004). When it comes to how institutions change, there are a few main ideas. Gradualism is the idea that changes happen slowly, step by step (Streeck & Thelen, 2005). Punctuated equilibrium, on the other hand, suggests that changes happen suddenly and dramatically, followed by long periods of stability (Krasner, 1984; see also Capoccia & Kelemen, 2007). Another idea, institutional entrepreneurship, focuses on how individual leaders or entrepreneurs can drive change within institutions (Battilana, 2006).

Institutional theory has several benefits. It provides a way to understand complex social problems, highlights the importance of context, and encourages change (Mahoney & Thelen, 2010). However, it also has some downsides. For example, it can be too rigid in its approach, overlook the role of power struggles, and be hard to put into practice (Giddens, 2009).

2.4.2. PRINCIPAL-AGENT THEORY

The Principal-Agent Theory looks at the relationship between two people or groups. One person or group (the principal) gives tasks or decision-making power to another person or group (the agent). The theory says that both are logical and act in their own best interest,

but the agent knows more about what they are doing and why than the principal does (Eisenhardt, 2006). This difference in knowledge can cause problems, as the agent might focus on their own goals instead of the principal's. The theory explains two key problems in agency relationships: adverse selection and moral hazard. Adverse selection happens when the person in charge (the principal) cannot properly judge the abilities or qualities of the person they hire (the agent), leading to the choice of someone who might not act in the principal's best interest (Akerlof & Shiller, 2015). Moral hazard occurs when the agent takes more risks than they would if they were fully responsible for the results of their actions, because they don't have to face all the consequences themselves (Baker, 2007). To solve problems between principals and agents, principals can use different methods like watching, promising, and matching rewards (Core & Guay, 2007). Watching means the principal checks what the agent does and how well they perform. Promising means the agent gives a guarantee to act in the principal's best interest.

The principal-agent theory is used in many areas, such as company management, contract design, and government policies. In company management, it looks at the relationship between shareholders (the principals) and managers (the agents) (Sheifer & Vishny, 2007). In contract design, it helps make agreements that solve problems between principals and agents (Tirole, 2009). In government policies, the theory is used to study how government agencies (the principals) interact with the companies they oversee (the agents) (Laffont & Tirole, 2009)

CHAPTER
THREE
METHODOLOGY

3.1 RESEARCH DESIGN

Research Design is a structured approach to studying design problems and processes, gathering insights to create user-centered solutions through methods like interviews, observations, and testing (Cross, 2007).

This adopts a descriptive research approach to explore the challenges and prospects of tax administration in Nigeria. The descriptive method makes it easier to collect and analyze data systematically, allowing the researcher to grasp the strengths, limitations, and future options within Nigeria's tax system. A survey method will be used to gather first-hand information from key stakeholders involved in tax administration.

3.2 POPULATION OF THE STUDY

The population of this study include stakeholders engaged in tax administration at the Federal Inland Revenue Service (FIRS) office located in Benin City, Edo State, Nigeria. These includes FIRS officials, individual taxpayers, corporate taxpayers that fulfill tax obligations, and tax professionals such as accountants and consultants. Based on data from public tax records and demographic information, we estimate that there are approximately 67,900 such individuals in Benin City.

3.3 SAMPLE SIZE AND SAMPLING TECHNIQUE

Sample size refers to the number of participants or observations selected from a larger population for the purposes of conducting a study. It is a critical aspect of research design, as it determines the level of precision and reliability of the results. (Kothari, 2019).Determining the appropriate sample size is an essential step, as it ensures that the study's findings accurately represent the larger population. A stratified random method was employed to ensure tax administrators are fairly represented. To determine a specific sample size Taro Yamane's formula will be utilized:

$$n = \frac{N}{1 + z^2 \frac{N-1}{e^2}}$$

Where:

n= Sample size

N= population

e= Significant Level= 5%

1= Constant

Substituting the values:

$$n = 67,900 / 1 + 67,900(0.05)^2 = 67,900 / 1 + 169.75 = 67,900 / 170.75 = 398$$

This calculation indicates that around 398 respondents would be needed for a statistically representative study. However, due to practical constraints such as time, resources, and accessibility, a sample size of 150 respondents was selected while ensuring adequate representation across key stakeholder groups.

3.4 SOURCES OF DATA COLLECTION

Primary data for this study will be collected through surveys and questionnaires distributed to tax officers and taxpayers in Benin City to assess their experiences v/ith the tax system. In-depth interviews will be conducted with key stakeholders, including FIRS staff and business owners, to explore challenges and potential reforms. Field observations of FIRS operations will be made, and case studies will examine specific instances of tax administration. Official FIRS records and reports will be reviewed for quantitative data on tax collection trends and inefficiencies.

3.5. METHOD FOR DATA COLLECTION

The ultimate aim of every research is to find solutions to identify the Problems of the subject of study. This can only be achieved through the Collection of reliable data. The questionnaires will be administered to tax officers and taxpayers in Benin City to gather quantitative data on their experiences with tax administration. In-depth interviews will be conducted with FIRS staff and business owners to obtain qualitative insights. Focus group discussions will be held to encourage collective dialogue on tax issues, while field

observations of FIRS operations will provide further understanding of practical challenges in tax collection.

SA- Strongly agree.	5
A-Agree.	4
U- Undecided	3
D- Disagree	2
SD- Strongly disagree	1

3.6 DATA ANALYSIS METHOD

The significance level for the chi-square tests will be set at 0.05 (5%), which means that if the p-value is less than 0.05, the null hypothesis will be rejected. This indicates a statistically significant relationship between the variables being tested, such as the impact of challenges, inefficiency, corruption, complex laws, or tax reforms on tax administration effectiveness. If the p-value is greater than 0.05, the null hypothesis will not be rejected, suggesting no significant association between the variables. The observed frequency from the survey responses will be compared with the expected frequencies, and the chi-square statistic will be computed to determine whether the difference are statistically significant.

f_e

Where:

χ^2 =Chi- square

I

L=Summation

O= Observed frequency

E= Expected frequency

t

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CHAPTER FOUR DATA

PRESENTATION AND ANALYSIS

4.1 Research Question Analysis

The data gathered with the questionnaire is presented, analyzed and interpreted in tables from the respondents concerning the challenges faced in tax administration by the federal inland Revenue service (FIRS) in Benin city, Edo State, Nigeria. The first section of the questionnaire is the personal data of the respondents which includes level, age, gender, qualifications and the duration of involvement in tax related activities.

4.2 Demographic Data

In this section, the characteristics of demographic information was gathered, such as gender, age, educational background, and years of experience. Examining these demographic factors offers context for the study's responses and ensures that the sample accurately reflects the population being examined. The tables below display the demographic information of the respondents.

Item 1: Gender distribution of respondents

Table 1: Showing the gender distribution

RESPONSE	FREQUENCY	PERCENTAGE (%)
Male	83	55.3
Female	67	44.7
Total	150	100

The table above presents the gender distribution of respondents in the study, Out of the total 150 respondents,(55.3%) were male, while (44.7%) were female. This indicates that female respondents constituted the majority of the study sample.

Item 2: Occupation distribution of respondents

Table 2: Showing occupation distribution

RESPONSE	FREQUENCY	PERCENTAGE(%)
Business Owner	36	24
Civil Servant	34	22.7
Tax- Officer	46	30.7
Other	34	22.7
Total	150	100

The table 2 above presents the Occupational Classification of respondents. The distribution shows that (24%) were business Owners, (22.7 %) were Civil Servant, (30.7%) were Tax officer and (22.7%) belonged to other occupation. This indicates a diverse range of respondents, ensuring that perspective from various professional backgrounds are represented in the study on tax administration in Nigeria.

Item 3: Education Qualifications of respondents

Table 3: Showing the education Qualifications

RESPONSE	FREQUENCY	PERCENTAGE(%)
No formal education	21	14
Primary	30	20
Secondary	50	33.3
Tertiary	50	33.3
Total	150	100

Table 3 above presents the educational qualifications of respondents. The results shows that (14%) had no formal education, (20%) had primary education, (33.3%) had secondary education and (33.3%) had tertiary education. This indicates that the majority of respondents (66.6%) had at least a secondary education which suggests that most

participants possess a reasonable level of literacy to understand and provide informed responses regarding tax administration in Nigeria.

Item 4: Age distribution of respondents

Table 4: Showing the age distribution

RESPONSE	FREQUENCY	PERCENTAGE(%)
<30	34	22.7
31-45	42	28
46-60	52	34.7
60 above	23	15.3
Total	150	100

The table 4 above shows the age distribution of respondents in the table, 34 respondents representing 22.7% out of the entire respondents are < 30 years, 42 respondents representing 28% are within the age bracket of 31- 45 years , 52 respondents representing 34.7% are within the age bracket of 46- 60 years, 23 respondents representing 15.3% out of the entire respondents are within the age bracket of 60 and above.

Item 5: How long have you been involved in tax- related activities

Table 5: Showing the duration of involvement in tax- related activities

RESPONSE	FREQUENCY	PERCENTAGE (%)
Less than 1 year	24	16
1-5 years	33	22
6- 10 years	39	26
Over 10 years	44	29.3
Other	10	6.7
Total	150	100

The table above represents the duration for which respondents have been involved in tax-related activities. The results indicate that (16%) had less than 1 year of experience, (22%) had 1-5 years of experience, (26%) had 6-10 years of experience and (29.3%) had over 10 years of experience. Additionally, (6.7%) fell into "Other" Category. This distribution suggest that the majority of respondents have significant experience in tax-related activities, which enhance the creditability of their responses in accessing the challenges and prospects of tax administration in Nigeria.

SECTION B

1. Challenges of tax administration in Nigeria

Table 6: Inefficiency in tax administration affects revenue generation

RESPONSE	FREQUENCY	PERCENTAGE (%)
Strongly Agree	42	28
Agree	41	27.3
Undecided	26	17.3
Disagree	28	18.7
Strongly Disagree	13	8.7
Total	150	100

From the data above (28 % of the total) Strongly agreed, (27.3%) agreed, (18.7%) Disagreed, (8.7%) Strongly disagreed, while (17.3%) remain undecided. This indicates that most respondents recognized the impact of tax administration in Benin city, Edo State.

Table 7: Corruption among tax officials hinders effective tax administration

RESPONSE	FREQUENCY	PERCENTAGE(%)
Strongly Agree	52	34.7
Agree	41	27.3
Undecided	16	10.7
Disagree	22	14.7
Strongly Disagree	19	12.7
Total	150	100

From the table above, (34.7%) of respondents strongly agreed, (27.3%) agreed, (14.7%) Disagreed, (12.7%) Strongly disagreed, while (10.7%) remain undecided. This indicates that Corruption is widely perceived as a major challenge in tax administration within Benin city, Edo State.

Table 8: The Complexity of tax laws makes compliance difficult for taxpayers

RESPONSE	FREQUENCY	PERCENTAGE (%)
Strongly Agree	27	18
Agree	36	24
Undecided	36	24
Disagree	33	22
Strongly disagree	18	12

From the data above (18%) of respondents strongly agreed, (24%) agreed, (22%) disagreed, (12%) strongly Disagreed while (24%) remains undecided

Table 9: Lack of adequate taxpayers education leads to poor compliance

Total	150	100
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RESPONSE	FREQUENCY	PERCENTAGE (%)
Strongly agree	25	16.7
Agree	35	23.3
Undecided	26	17.3
Disagree	40	26.7
Strongly disagree	24	16
Total	150	100

From the data above,(16.7%) of respondents strongly agreed, (23.3%) agreed, (26.7%) Disagreed, (16%) strongly Disagreed while (17.3%) remains undecided.

Table 10: poor infrastructure affects the efficiency of tax collection processes

RESPONSE	FREQUENCY	PERCENTAGE (%)
Strongly agree	39	26
Agree	24	16
Undecided	29	19.3
Disagree	27	18
Strongly disagree	31	20.7
Total	150	100

From the data above, (26%) strongly Disagreed, (16%) agreed, (18%) Disagreed, (20.7%) Strongly disagreed. While (19.3%) remains undecided.

Table 11: Multiple taxation discourages businesses from paying taxes

RESPONSE	FREQUENCY	PERCENTAGE (%)
Strongly agree	35	23.3
Agree	43	28.7
Undecided	23	15.3
Disagree	29	19.3
Strongly disagree	20	13.3
Total	150	100

From the data above, (23.3%) of respondents strongly agree, (28.7%) agree that multiple taxation discourages businesses from paying taxes. However (19.3%) disagreed, (13.3%) Strongly disagreed while (15.3%) remains undecided.

Table 12: Weak enforcement of tax laws leads to widespread tax evasion

RESPONSE	FREQUENCY	PERCENTAGE(%)
Strongly agree	39	26
Agree	35	23.3
Undecided	25	16.7
Disagree	24	16

Strongly disagree	28	18.7
Total	150	100

From the data above,(26%) of respondents strongly agreed, (23.3%) respondents agreed that Weak enforcement of tax laws leads to widespread tax evasion. However (16%) disagreed, (18.7%) strongly Disagreed while (16%) remains undecided.

SECTION C

2. Prospects for improving tax administration in Nigeria

Table 13: Implementing tax reforms will improve tax administration efficiency

RESPONSE	FREQUENCY	PERCENTAGE(%)
Strongly agree	41	27.3
Agree	25	16.7
Undecided	29	19.3
Disagree	34	22.7
Strongly disagree	21	14

From the table above, (27.3%) strongly Disagreed, (16.7%) agreed, (22.7%) disagreed, (14%) strongly Disagreed while (19.3%) remains undecided.

Total	150	100
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Table 14: Adoption of modern technology will enhance tax collection and management

RESPONSE	FREQUENCY	PERCENTAGE(%)
Strongly agree	32	21.3
Agree	34	22.7
Undecided	20	13.3
Disagree	36	24
Strongly disagree	28	18.7

From the data above (21.3%) strongly agreed, (22.7%) agreed, while (24%) disagreed, (18.7%) strongly Disagreed while (13.3%) remains undecided.

Table 15: Digital tax payment systems will reduce cases of tax evasion

Total	150	100
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RESPONSE	FREQUENCY	PERCENTAGE (%)
Strongly agree	28	18.7
Agree	28	18.7
Undecided	40	26.7
Disagree	21	14
Strongly disagree	33	22
Total	150	100

From the table above (18.7%) strongly agreed, (18.7%) agreed. However, (14%) disagreed, (22%) strongly Disagreed while (26.7%) remains undecided.

Table 16: Strengthening tax laws and regulations will improve tax compliance

RESPONSE	FREQUENCY	PERCENTAGE (%)
Strongly agree	30	20
Agree	33	22
Undecided	24	16
Disagree	35	23.3
Strongly disagree	28	18.7
Total	150	100

From the table above, (20%) strongly agreed, (22%) agreed. However, (23.3%) of respondents disagreed, (18.7%) strongly Disagreed, while (16%) remains undecided.

Table 17: Increasing transparency in tax processes will reduce corruption

RESPONSE	FREQUENCY	PERCENTAGE (%)
Strongly agree	36	24
Agree	35	23.3
Undecided	22	14.7
Disagree	27	18
Strongly disagree	30	20
Total	150	100

From the table above, (24%) of respondents strongly agreed, (23.3%) agreed, However, (18%) Disagreed, (20%) Strongly disagreed while (14.7%) remains undecided.

Table 18: Public awareness campaigns will encourage voluntary tax payments

RESPONSE	FREQUENCY	PERCENTAGE (%)
Strongly agree	34	22.7
Agree	34	22.7
Undecided	35	23.3
Disagree	22	14.7
Strongly disagree	25	16.7
Total	150	100

From the table above,(22.7%) of respondents strongly agreed, (22.7%) agreed, (14.7%) disagreed, (16.7%) strongly Disagreed while (23.3%) remains undecided.

4.3 Test of Hypothesis

The hypothesis are tested through the use of chi- square to compare the sample percentage used in the question. The formula is given below:

$$\text{Chi- square } (X^2) = \sum (f_o - f_e)^2 / f_e$$

Where f_o = Observed frequency , f_e = Expected frequency

Observed frequency for hypothesis

Hypothesis 1

HOI: The Challenges encountered by the tax administration system do not have a significant impact on the effectiveness of the administration in Nigeria

H1: The Challenges encountered by the tax administration system have a significant impact

I

on the effectiveness of the administration in Nigeria

Where A= Sum of agree and Strongly agree

B= Sum of disagree and Strongly disagree

Undecided response should be ignored

Table for observed values or frequencies (fo)

QUESTION	A	B	Total
1 .Inefficiency in tax administration affects revenue generation	83	41	124
2.Corruption among tax officials hinders effective tax administration	93	41	134
3.The complexity of tax laws makes compliance difficult for taxpayers	63	51	114
4.Lack of adequate taxpayers education leads to poor compliance	60	64	124
5. poor infrastructure affects efficiency of tax collection processes	63	58	121
6. Multiple taxation discourages businesses from paying taxes	78	49	127
7. Weak enforcement of tax laws leads to widespread tax evasion	74	52	126
Total	514	356	870

Table for expected value or frequency

QUESTION	A	B
1. Inefficiency in tax administration affects revenue generation	73.3	50.7
2. Corruption among tax officials hinders effective tax administration	79.2	54.8
3. The Complexity of tax laws makes compliance difficult for taxpayers	67.4	46.6
4. Lack of adequate taxpayers education leads to poor compliance	73.3	50.7
5. Poor infrastructure affects efficiency of tax collection processes	71.5	49.5
6. Multiple taxation discourages businesses from paying taxes	75.0	51.9
7. Weak enforcement of tax laws leads to widespread tax evasion	74.4	51.6
Total	514.1	355.8

Expected frequency is derived by taking the average of each response that is;

Total response/Total frequency or Row total x Column total/Grand total

RTxCT/ GT

$$A1=(514 \times 124) / 870 = 73.3$$

$$B1=(356 \times 124) / 870 = 50.7$$

CHI- SQUARE POINTS

Formula for chi square test . O= Observed frequency, E= Expected frequency, Σ =
Summation, X^2 = chi square.

Chi- square points= (Observed - Expected)²/ Expected. That is; $X^2 = \Sigma (O- E)^2$

O= Observed frequency E= Expected frequency Σ = Summation X^2 = Chi-
square

Analyzing Chi-square points into test of hypothesis

QUESTION	A(O- E) ² / E	B(O- E) ² / E
1.Inefficiency in tax administration revenue generation	$(83-73.3)^2/73.3 = 1.28$ 1.86	$(41- 50.7)^2 / 50.7 =$ 1.86
2.Corruption among tax officials hinders effective tax administration	$(93- 79.2)^2 / 79.2 = 2.40$ 3.48	$(41- 54.8)^2/ 54.8 =$ 3.48
3.The complexity of tax laws makes compliance difficult for taxpayers	$(63-67.4)^2/67.4 = 0.29$ 0.42	$(51- 46.6)^2 746.6 =$ 0.42
4.Lack of adequate taxpayers education leads to poor compliance	$(60-73.3)^2/73. 3= 2.41$ 3.49	$(64-50.7)^2/ 50.7 =$ 3.49
5.Poor infrastructure affects efficiency of tax collection processes	$(63- 71.5)^2/ 71.5 = 1.01$ 1.46	$(58-49.5)^2 /.49.5 =$ 1.46
6.Multiple taxation discourages businesses from paying taxes	$(78- 75.0)^2/ 75.0 = 0.12$ 0.16	$(49-51.9)^2/51.9 =$ 0.16
7. Weak enforcement of tax laws leads to widespread tax evasion	$(74- 74.4)^2/ 74.4 = 0$ 0	$(52- 51.6)^2 / 51.6 = 0$ 0
Total	7.51	10.87

$A(O-E)^2/E = 7.51, B(O-E)^2/E= 10.87$

$$7.51+10.87=18.38$$

Critical Value of chi- square (χ^2)

$$\text{Degree of freedom (d f)} = (r - 1) (c - 1)$$

Where r is the number of rows and c is the number of columns.

$$Df=(7-1)(2-1) = 6 \times 1 = 6$$

$$\text{Significance level} = 5\% (0.05)$$

$$\text{Chi- square statistic} = 18.38$$

$$P\text{- value} = 0.01$$

Decision rule: The P- value is lesser than the significance level which is (0.05), therefore, the null hypothesis will be rejected: there is a significant association.

Hypothesis 2

H02: Factors such as inefficiency, Corruption and the Complexity of tax laws do not significantly influence tax administration in Nigeria

H2: Factors such as inefficiency, Corruption and the Complexity of tax laws significantly influence tax administration in Nigeria

QUESTION		B	TOTAL
1 .Inefficiency in tax administration affects revenue generation	83	41	124
2.corruption among tax officials hinders effective tax administration	93	41	134
3.The complexity of tax laws makes compliance difficult for taxpayers	63	51	114
Total	239	133	372

Table for expected value or frequency

QUESTION	A	B
1 .Inefficiency in tax administration affects revenue generation	79.7	44.3
2.Corruption among tax officials hinders effective tax administration	86.1	47.9
3.The Complexity of tax laws makes compliance difficult for taxpayers	73.2	40.8
Total	239	133

Analyzing chi- square points into test of hypothesis

QUESTION[^]	A(O-E)²/E	B(O-E)²/E
1.Inefficiency in tax administration affects revenue generation	$(83-79.7)^2/79.7 = 0.14$	$(41- 44.3)^2 / 44.3 = 0.25$
2.Corruption among tax officials hinders effective tax administration	$(93- 86.1)^2/ 86.1 = 0.55$	$(41- 47.9)^2 / 40.8$
3.The complexity of tax laws makes compliance difficult for taxpayers	$(6S-73.2)^2/73.2 = 1.42$	$(51-40.8)^2/40.8 = 3.79$
Total	2.11	3.79

$$A (O - E)^2 / E = 2.11, B(O - E)^2 / E = 3.79 :$$

$$2.11 + 3.79 = 5.9$$

Critical value of chi- square (χ^2) Degree of

freedom (df) = (R-1) (C-1)

Where r is the number of rows and c is the number of columns. (df)= (3-1) (2-1) = 2x1

2

Significant level= 5% (0.05)

Chi- square statistic= 5.9

P-value= 0.05

Decision rule: Fail to reject the null hypothesis: No significant association

Hypothesis 3

HO3: There is no significant connection between the implementation of tax reforms and the enhancement of tax administration in Nigeria

H3: There is a significant connection between the implementation of tax reforms and the enhancement of tax administration in Nigeria

QUESTION		B	TOTAL
1 .implementating tax reforms will improve tax efficiency 2.	66	55	121
Adoption of modern technology will enhance tax collection and management	66	64	130
3.Digital tax payments system will reduce cases of tax evasion	56	54	110
4.Strengthening tax laws and regulations will improve tax compliance 5.	63	63	126
Increasing transparency in tax	71	57	128

processes will reduce corruption			
6,Public awareness of campaigns will encourage voluntary tax payments	68	47	115
Total	390	340	730

Table for expected value or frequency

QUESTION	^	g—
1.Implementing tax reforms will improve tax administration efficiency	64.6	56.4
2. Adoption of modern technology will enhance tax collection and management	69.5	60.5
3.Digital tax payment systems will reduce cases of tax evasion	58.8	51.2
4.Strengthening tax laws and regulations will improve tax compliance	67.3	58.7
5. Increasing transparency in tax processes will reduce corruption	68.4	59.6

6. Public awareness campaigns will encourage voluntary tax payments	61.4	53.6
Total	390	340

Analyzing chi- square points into test of hypothesis

QUESTION	A(O-E) ² /E	B(O-E) ² /E
1.Implementing tax reforms O.oT will improve tax administration efficiency	$(66- 64.6)^2/ 64.6 = 0.03$	$(55- 56.4)^2/ 56.4 =$
2. Adoption of modern 0.20 technology will enhance tax collection and management	$(66-69.5)^2/69.5 = 0.17$	$(64- 60.5)^2/ 60.5 =$
3.Digital tax payment 0.15 systems will reduce cases of tax evasion	$(56- 58.8)^2/ 58.8 = 0.13$	$(54- 51.2)^2/ 51.2 =$
4.Strengthening tax laws 58.7 = 0.31 and regulations will improve tax compliance	$(63- 67.3)^2 / 67.3= 0.27$	$(63- 58.7)^2 /$
S.Increasing transparency in tax processes will reduce corruption	$(71- 68.4)^2 / 68.4 = 0.1$	$(57- 59.6)^2 / 59.6 = 0.11$
6.Public awareness 0.81 campaigns will encourage voluntary tax payments	$(68-61.4)^2 761.4 = 0.71$	$(47-S3.6)^2/53.6 =$
Total	1.41	1.61

$$A(O - E)^2 / E = 1.29, B(O - E)^2 / E = 1.61$$

$$-1.41 + 1.61 = 3.02$$

Critical value of chi- square (χ^2)

Degree of freedom (df) = (R-1) (C-1), where R is the number of rows and C is the number of columns. $df = (6-1) (2-1) = 5 \times 1 = 5$. Significant Level 5% (0.05)

$$\text{Chi- square statistic} = 3.02$$

$$P\text{- value} = 0.7$$

Decision rule: Failed to reject the null hypothesis: No significant association

Decision

In the first hypothesis, the Chi-Square statistic of 18.38 exceeds the critical value of 12.59 at a significance level of 0.05, and the p-value is 0.01, which is below 0.05. As a result, we reject the null hypothesis, indicating a significant relationship between the variables. This implies that the factors analyzed in this hypothesis are closely connected and significantly impact tax administration in Benin City, Edo State. In contrast, for the second hypothesis, the Chi-Square statistic (5.95) is marginally below the critical value (5.99), and the p-value is 0.05. Because the test result does not surpass the significance threshold, the null hypothesis remains accepted. This indicates that there is no statistically significant relationship between the variables examined in this hypothesis, suggesting that the

connection between these factors and tax administration may not be significant. In the case of the third hypothesis, the Chi-Square statistic (3.02) is significantly lower than the critical value (11.07), and the p-value (0.7) is well above 0.05. As a result, the null hypothesis remains accepted, indicating that there is no significant relationship between the variables examined in this hypothesis.

4.4. Discussion of Findings

The results of this study underscore significant challenges in tax administration in Benin City, Edo State. The first hypothesis indicated a strong link between inefficiencies, corruption, and complicated tax regulations, suggesting that these elements are substantial barriers to effective tax collection. Responses from the questionnaires corroborate this, with numerous taxpayers pointing to delays, a lack of transparency, and difficulties in comprehending tax policies as major concerns. Conversely, the second and third hypotheses did not reveal a significant connection between certain presumed factors and challenges in tax administration. While some participants recognized problems such as weak enforcement and insufficient taxpayer education, the statistical analysis indicates that these may not be the main contributors to tax inefficiencies. Instead, external factors like economic conditions and public trust in government institutions might play a more significant role in tax compliance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS 5.1.

SUMMARY

This study examined the challenges of tax administration in Benin City, Edo State, focusing on inefficiencies, corruption, and complex tax laws. Using the Chi-Square test, the first hypothesis yielded a p-value of 0.01, indicating a significant association between tax inefficiencies and administrative challenges. Bird (2015), who stated that an inefficient tax system, characterized by corruption and administrative delays, weakens compliance and revenue generation. Responses from the questionnaire further supported this, with many taxpayers identifying delays, lack of transparency, and difficulties in understanding tax regulations as major obstacles. However, the second and third hypotheses had p-values of 0.05 and 0.7, respectively, showing no statistically significant relationship between some assumed factors—such as weak enforcement and inadequate taxpayer education—and tax administration challenges. While respondents acknowledged these issues, the statistical results suggest that broader economic factors or public trust in government may have a more significant impact on tax compliance. These findings emphasize the need for reforms aimed at enhancing efficiency, transparency, and enforcement in tax administration to improve compliance and revenue collection.

5.2 Conclusion

This research aimed to investigate the difficulties faced in tax administration in Benin City, Edo State, particularly focusing on inefficiencies, corruption, and complicated tax regulations. The goal was to pinpoint the factors that obstruct effective tax collection and compliance. Utilizing a Chi-Square test and data gathered from a well-designed questionnaire, the study revealed that inefficiencies, administrative hurdles, and complex tax laws have a significant effect on tax administration, supporting Bird's (2015) assertion that administrative inefficiencies undermine tax compliance. Although aspects like weak enforcement and taxpayer education did not show a statistically significant effect, the study indicates that these factors still influence public perception and compliance, as reflected in the questionnaire results. The findings emphasize the necessity for reforms to simplify tax processes, enhance transparency, and strengthen enforcement mechanisms to improve overall compliance and revenue generation. The literature review underscored the critical role of efficient tax systems in promoting economic development, and this study confirms that the challenges observed in Benin City align with global trends in tax administration. The methodology provided a solid framework for data collection, ensuring reliable outcomes that can guide practical policy recommendations. In conclusion, this study highlights the need for targeted reforms to enhance tax administration and compliance in Edo State.

5.3. Recommendations

To improve tax administration in Benin City, Edo State, several measures should be implemented. First, administrative efficiency should be enhanced by streamlining tax processes through digitalization and automation, reducing bureaucratic delays, and ensuring timely tax assessments. Strengthening transparency and accountability is also crucial, as corruption and a lack of trust in the tax system hinder compliance. Stricter oversight, anti-corruption policies, and clearer tax procedures will help build confidence among taxpayers.

Additionally, simplifying tax laws is necessary to make compliance easier. Many taxpayers struggle with complex regulations, so a review and simplification of tax policies will reduce confusion and encourage voluntary compliance. Furthermore, improving taxpayer education is essential. Awareness programs should be intensified to educate individuals and businesses about their rights and obligations, fostering a culture of compliance.

Although weak enforcement was not found to have a statistically significant impact, strengthening enforcement mechanisms remains important. Regular audits, penalties for non-compliance, and increased monitoring can help ensure adherence to tax laws. Finally, broader economic and institutional factors, such as economic stability and public trust in government, should be considered in future tax reforms, as these external influences play a crucial role in shaping taxpayer behavior. Implementing these recommendations will

contribute to a more efficient and transparent tax administration system, ultimately improving revenue generation and compliance in Edo State.

Addressing broader economic and institutional factors is crucial. Economic stability, public trust in government, and a fair tax distribution system can significantly influence taxpayer behavior. The government should work towards policies that support businesses and create a more favorable economic environment to encourage tax compliance. Additionally, ensuring that tax revenues are transparently allocated to public services will help build taxpayer confidence .implementing these recommendations will lead to a more efficient, transparent, and accountable tax administration system, ultimately improving revenue generation and fostering a culture of tax compliance in Edo State.

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APPENDIX RESEARCH

QUESTIONNAIRE

**CHALLENGES AND PROSPECTS OF TAX
ADMINISTRATION IN NIGERIA**

Department of Accounting (Taxation),
Faculty of Management Science,
University of Benin, Benin city.

Dear Respondent,

**REQUESTING FOR YOUR COOPERATION IN COMPLETING A
QUESTIONNAIRE**

My name is EGUABOR GOODNESS, a student of the above department, conducting a study on THE CHALLENGES AND PROSPECTS OF TAX ADMINISTRATION IN NIGERIA as part of my academic research. This questionnaire designed to gather insights from tax officers and taxpayers regarding their experiences with tax administration in Benin city, Edo State,

Your responses will remain confidential and will be used strictly for research purposes.

Yours faithfully,

EGUABOR GOODNESS

RESEARCHER

SECTION A: DEMOGRAPHIC INFORMATION

Please tick (/) the appropriate option

Gender: male, Female

Age: < 30, 31 - 45, 46- 60, 60 above

Occupation: , Business Owner, Civil servant, Tax officer, other

Education Qualifications: No formal education, primary, Secondary,
 Tertiary

How long have you been involved in tax- related activities: less than 1 year,
1-5 years, 6-10 years, Over 10 years, other

S/N	Challenges of tax administration in Nigeria	SA	U	D	SD
1.	Inefficiency in tax administration affects revenue generation				
2.	Corruption among tax officials hinders effective tax administration				
3.	The complexity of tax laws makes compliance difficult for taxpayers				
4.	Lack of adequate taxpayers education leads to poor compliance				
5.	Poor infrastructure affects efficiency of tax collection processes				
6.	Multiple taxation discourages businesses from paying taxes				
7.	Weak enforcement of tax laws leads to widespread tax evasion				
SECTION C	PROSPECTS OF TAX ADMINISTRATION IN NIGERIA				
8.	Implementing tax reforms will improve tax administration efficiency				

9. Adoption of modern technology will enhance tax collection and management
10. Digital tax payment systems will reduce cases of tax evasion
11. Strengthening tax laws and regulations will improve tax compliance
12. Increasing transparency in tax processes will reduce corruption
13. Public awareness campaigns will encourage voluntary tax payments