

**Taxation and Economic Diversification  
as Tools for a  
Sustainable Economy: Lessons from Canada**

**by**

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## **ABSTRACT**

Despite the Nigerian oil economy and its revenue along having one of the highest Gross Domestic Product (GDP) in Africa, the citizens still lack good governance and a good standard of living. The Nigerian government is mostly dependent on oil revenue, and this made its economy monoculture in nature. The government realizing the need for having a sustainable economy is presently looking in the direction of diversifying the country's economy and expanding its revenue base. Hence, this thesis identifies economic diversification and implementation of credible tax policy as viable tools for economic sustainability in Nigeria. It also explores the theory of legal transplantation to draw some insights from Canada's experience on how Canada has used her diversified economy and tax policy to attain a sustainable economy. It also considers some of the systemic challenges of taxation in Nigeria. The thesis concludes by drawing out lessons from Canada as a model and recommends taxation and economic diversification as viable tools for a sustainable economy.

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## **DEDICATION**

I dedicate this work to Almighty God...the giver of knowledge, wisdom, and all resources for making this endeavour a success and everything beautiful according to His time and purpose. May His name be praise forever.

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## **LIST OF ABBREVIATIONS**

<b>ATF</b>	<b>Anti-Terrorist Financing</b>
<b>CRA</b>	<b>Canada Revenue Agency</b>
<b>CBN</b>	<b>Central Bank of Nigeria</b>
<b>EOIR</b>	<b>Exchange of Information on Request</b>
<b>EU</b>	<b>European Union</b>
<b>FIRS</b>	<b>Federal Inland Revenue Service</b>
<b>FDI</b>	<b>Foreign Direct Investment</b>
<b>FTE</b>	<b>Full-Time Employment</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>IGR</b>	<b>Internally Generated Revenue</b>
<b>IMF</b>	<b>International Monetary Fund</b>
<b>KPMG</b>	<b>Klynveld Peat Marwick Goerdeler</b>
<b>MSMEs</b>	<b>Micro, Small and Medium Enterprises</b>
<b>NTP</b>	<b>National Tax Policy</b>
<b>NNPC</b>	<b>Nigerian National Petroleum Company</b>
<b>NAFTA</b>	<b>North American Free Trade Agreement</b>
<b>OECD</b>	<b>Organisation for Economic Cooperation and Development</b>
<b>PIT</b>	<b>Personal Income Tax</b>
<b>R&amp;D</b>	<b>Research and Development</b>
<b>RRSPs</b>	<b>Registered Retirement Savings Plans</b>
<b>SR&amp;ED</b>	<b>Scientific Research and Experimental Development</b>
<b>SMEs</b>	<b>Small and Medium Enterprises</b>
<b>TAT</b>	<b>Tax Appeal Tribunal</b>
<b>TCA</b>	<b>Tax Collection Agreement</b>
<b>TFSA</b>	<b>Tax-Free Savings Account</b>

<b>TIN</b>	<b>Taxpayers Identification Number</b>
<b>US</b>	<b>United States</b>
<b>VAT</b>	<b>Value Added Tax</b>
<b>VAIDS</b>	<b>Voluntary Assets and Income Declaration Scheme</b>

## Introduction

Sustainable economic development is one of the central objectives which most governments in developing economy seek to achieve.<sup>1</sup> Attaining a sustainable economy balance has therefore been a cardinal goal pursued by the government of Nigeria and other countries.<sup>2</sup> The rationale for this is that the economy is the hub of every country.<sup>3</sup> The process of growth and development of an economy hinges on the availability of specific infrastructural facilities required to accelerate various economic activities. This explains why the government of every country tries having streams of revenue through which adequate funds are generated for achieving set goals for the nation.<sup>4</sup> However, since the early 70s which marks the discovery of oil in Nigeria, the country's economy has been monocultural depending heavily on oil as its principal source of income.<sup>5</sup>

Conversely, this had made the dynamics of the economy to be at the whims and caprices of the price of oil, which for the most part has been volatile.<sup>6</sup> As a result of this, the economic system of the country is so one-sided.<sup>7</sup>

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<sup>1</sup> Nwite C. Sunday, "The implications of tax revenue on the economic development of Nigeria" (2015), online at:< <https://journalissues.org/wp-content/uploads/2015/05/Nwite.pdf>>

<sup>2</sup> Yvon Chouinard et al, "The Sustainable Economy" (2011) October. Online:< <https://glasaaward.org/wp-content/uploads/2014/01/The-Sustainable-Economy-HBR-October-2011.pdf>>

<sup>3</sup> *Ibid.* at 1

<sup>4</sup> See Zakariyau Yahaya Kwanga, "Developing Alternative Sources of Funding Local Governments in Nigeria during Period of Global Economic Recession" (2012) 2:3 41. Online at:<<https://www.omicsgroup.org/journals/sources-of-public-funds-and-economic-prosperity-the-nigerian-c-ase-2167-0234-1000215.php?aid=812998&view=mobile>>; Ikechukwu Dialoke & Marshall S Edeja, "Effects of Niger Delta Militancy on the Economic Development of" (2017) 3:3 25. Online at:<[www.iiardpub.org/get/IJSMR/VOL%20NO.%203%202017/EFFECTS%20OF%20NIGER.pdf](http://www.iiardpub.org/get/IJSMR/VOL%20NO.%203%202017/EFFECTS%20OF%20NIGER.pdf)>

<sup>5</sup> Herick Othieno & Joseph Awange, "Energy Resources in Africa: Distribution, Opportunities and Challenges" (2016), available at:< <https://link.springer.com/content/pdf/bfm%3A978-3-319-25187-5%2F1.pdf>>

<sup>6</sup> Akujuru, Chukwunonye Abovu, "Revenue Allocation in Nigeria and the Dependency on Oil Revenue: The Need for Alternative Solutions" (2015) Vol. 3, No.2 pp. 19-36; online at:<[www.eajournals.org/wp-content/uploads/Revenue-Allocation-in-Nigeria-in-and-the-Dependency-on-Oil-Revenue-The-Need-for-Alternativ-solutions.pdf](http://www.eajournals.org/wp-content/uploads/Revenue-Allocation-in-Nigeria-in-and-the-Dependency-on-Oil-Revenue-The-Need-for-Alternativ-solutions.pdf)>

<sup>7</sup> Akwe James Ayuba, "Impact of Non-Oil Tax Revenue on Economic Growth : The Nigerian Perspective" (2014) 3:5 303. See online:< [http://article.sapub.org/10.5923.j.ijfa.20140305.04.html?>](http://article.sapub.org/10.5923.j.ijfa.20140305.04.html?)

One of the recurrent problems plaguing the Nigerian government is dwindling revenue generation.<sup>8</sup> Aside from trying to strengthening the existing sources of income, it is also necessary for the government to look in the direction of expanding or diversifying its revenue base to meet its constitutional responsibilities.<sup>9</sup>

Notably, the issues of fall in oil price at the international market<sup>10</sup> and vandalization of oil facilities by the militants in the Niger Delta region of the country<sup>11</sup> also pose as a grave impediment to the Nigerian government's capability of having an economy which is sustainably financed. This at some point compelled the federal government to adjust the budget benchmark of crude oil downward from \$65 to \$45 and also cut the expenditure which in turn impacted the provision of goods and services in the year 2015.<sup>12</sup>

As it stands, Nigeria as a country operates a fragile economy, that cannot absorb pressure.<sup>13</sup>

Therefore, the government must as a matter of urgency considers other viable means of generating revenue for the country.

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<sup>8</sup> *Ibid.*, See also Anthony Kola Olusanya & Gabriel Olarinde Mekuyi, "The Political Ecology of Oil and Gas Activities in the Nigerian Aquatic Ecosystem" (2018). Available at:<  
<https://www.sciencedirect.com/science/article/pii/B9780128093993000148?via%3Dihub>>

<sup>9</sup> Adekunle Abdul-rahman & Remi Joshua, "Assessment of Value Added Tax and Its effects on revenue generation in Nigeria" (2013) 4:1 Int J Bus Soc Sci 220.

<sup>10</sup> According to Adamu, "due to the fall in oil price, crude oil prices in the international market fell significantly from the all-time high at \$141 per barrel by the end of July 2008 to \$45 per barrel by the end of January 2009". The trend still subsists to date as regard oil price at the international market as it keeps fluctuating. See Abubakar Adamu, "The Impact of Global Fall in Oil Prices on the Nigerian Crude Oil Revenue and Its Prices" (2015) 10:4 Proc Second Middle East Conf Glob Business, Econ Financ Bank 2. Available at :<[www.globalbizresearch.org/Dubai\\_Conference2015\\_May/Conference/psd/D508.pdf](http://www.globalbizresearch.org/Dubai_Conference2015_May/Conference/psd/D508.pdf)>; See also Yamden Pandok Bitrus, "Global Financial Crisis and Oil Revenue in Nigeria"(2011) Journal of Economics and Sustainable Development Vol.2 No.5 online at:<<http://iiste.org/Journals/index.php/JEDS/article/download/467/352>>

<sup>11</sup> "The renewed attacks by new militants' groups in Nigeria's oil-rich Niger Delta region since early this year have caused a decline in Nigeria's oil production to a 22-year low". This in turns has a sharp adverse effect on the revenue of the country. See Freedom C Onuoha, Reports on the resurgence of militancy in Nigeria's oil-rich Niger Delta and the dangers of militarisation, Al Jazeera Center for Studies, 2016). See also Elias Edise Courson, "Spaces of Insurgency: Petro-Violence and the Geography of Conflict in Nigeria's Niger Delta" (Doctor of Philosophy, University of Berkeley, 2016) [Unpublished].

<sup>12</sup> *Ibid.* See also Adamu, *supra* note 10.

<sup>13</sup> Adamu, *supra* note 10.

It is realized all over the world that for a nation to witness growth and development, it should consider having its economy diversified.<sup>14</sup> Hence, for such a country to experience the desired productive event at various sectors of her economy, mono-economy or single revenue source must give way to diversification.<sup>15</sup>

Moreover, the exhaustibility of crude oil as an asset is another factor that Nigeria cannot solely depend on it if the country's economy is to experience development and sustainability.<sup>16</sup> The adverse consequences of over-dependence on oil trade have heightened the call to have the Nigerian economy (source of revenue) diversified away from oil base towards the direction of non-oil export trade or other sectors (most importantly taxation).<sup>17</sup>

Needless to say that a robust revenue is a fundamental and integral component which every modern state or nation must have to be able to render necessary and essential services for its citizen.<sup>18</sup> In the same vein, the imposition of the tax is one of the viable means of generating revenue for the government. Taxation is an important policy instrument of any modern government.<sup>19</sup> Apart from the challenges confronting the taxation system in recent times, it does more than generating revenue.<sup>20</sup> Tax serves as a platform for wealth

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<sup>14</sup> Adams Oluwadamilola Kemi, "Diversification of Nigeria Economy through Agricultural Production" (2016) 7:6 104. Online:< <http://www.iosrjournals.org/iosr-jef/papers/Vol7-Issue6/Version-3/N070603104107.pdf?>>; See also Maria Chinecherem Uzonwanne, "Economic Diversification in Nigeria in the Face of Dwindling Oil Revenue" (2015) 6:4 61. See online at:< <http://iiste.org/Journals/index.php/JEDS/article/viewFile/19994/20522>>

<sup>15</sup> Onodugo Ifeanyi Chris, Benjamin A Amujiri & Bethram Ndibe, "Diversification of the economy : A panacea for Nigerian economic development" (2015) May 477.

<sup>16</sup> *Ibid.*

<sup>17</sup> *Ibid.*

<sup>18</sup> Matthew A Abata, "The Impact of Tax Revenue on Nigerian Economy ( Case of Federal Board of Inland Revenue )" (2014) 9:1. Online at:<[https://www.arabianjbmr.com/pdfs/JPDS\\_VOL\\_9\\_1/8.pdf](https://www.arabianjbmr.com/pdfs/JPDS_VOL_9_1/8.pdf)>

<sup>19</sup> *Ibid*

<sup>20</sup> *Ibid*

distribution and readjustment of the economy.<sup>21</sup> A credible tax policy would attract investments and fosters economic growth.<sup>22</sup>

The author selected Canada as a comparator for Nigeria because oil is also part of her economy<sup>23</sup>. More importantly, Canada has not allowed the gift of oil to cloud her sense of good governance regarding sound and credible tax policies. These policies diversify the economy, encourage trade and investment, foreign direct investment and other,<sup>24</sup> all geared towards promoting economic growth and sustainability.<sup>25</sup> The government of Canada has been consistent in implementing robust tax policies which encouraged trade relations and investments; an example of which is the Canada-US trade relations and investment.<sup>26</sup> Its tax policy as well sets an open-door for foreign direct investment which is very pivotal to Canada's economic growth and development.<sup>27</sup> A path which the Nigerian government should consider in her quest for having a viable and sustainable economy. Hence, for Nigeria to achieve economic growth and sustainability, there is a need to implement a credible tax policy.

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<sup>21</sup> *Ibid*

<sup>22</sup> National Tax Policy Federal Ministry of Finance (2016), Online: [pwc-nigeria.typepad.com/files/revise-ntp-28-Sep-2016.pdf](http://pwc-nigeria.typepad.com/files/revise-ntp-28-Sep-2016.pdf)

<sup>23</sup> Michelle Luk, "How Oil-Exporting Countries Navigate Low Price Environments" (2016) December 1.; See Mohan G Francis, "The World Oil Market" (2003) February 1. online at: <[http://www.networkideas.org/news/mar2003/World\\_Oil\\_Market.pdf](http://www.networkideas.org/news/mar2003/World_Oil_Market.pdf)>

<sup>24</sup> Victor Z Chen & Steven Globerman, "Best Policy Practices for Promoting Inward and Outward Foreign Direct Investment" (2014). Available at: <[https://www.researchgate.net/publication/228305421\\_Best\\_Policy\\_Practices\\_for\\_Promoting\\_Inward\\_and\\_Outward\\_Foreign\\_Direct\\_Investment](https://www.researchgate.net/publication/228305421_Best_Policy_Practices_for_Promoting_Inward_and_Outward_Foreign_Direct_Investment)>; See also Morrisset Jacques and Neda Pirnia, How Tax Policy and Incentives Affect Foreign Direct Investment. Policy Research Working Paper; No. 2509. World Bank, Washington, DC. © World Bank. Available at: <<https://openknowledge.worldbank.org/handle/10986/19742>>

<sup>25</sup> Don Couturier, "Getting Beyond Boom and Bust : Policy Arguments for the Economic Sustainability of the Northwest Territories" (2017) 8:1 56.

<sup>26</sup> Roy D Hogg, "Canada-US Tax Relations" (1995) 43:5 1547. Online at: <[https://www.fcf-ctf.ca/ctfweb/Documents/PDF/1995ctj/1995CTJ5\\_23\\_Hogg.pdf](https://www.fcf-ctf.ca/ctfweb/Documents/PDF/1995ctj/1995CTJ5_23_Hogg.pdf)>

<sup>27</sup> S Globerman and D Shapiro, Canadian Government Policies Toward Inward Foreign Direct Investment (Working Paper Number 24 September 1998). Accessed October 27, 2017.

Given the preceding, this thesis is divided into five main chapters (excluding this general introductory section).

Chapter One starts by looking at the monoculture state of the economy as a result of reliance on oil-based revenue. The chapter reveals the adverse effects of running a monoculture economy. The chapter shows the need for a diversified economy and expansion of the country's source of revenue which is predominantly anchored oil revenue. Lastly, the chapter reveals the relationship between economic diversification and sustainability and how the duo complements each other.

Chapter Two is divided into two sections. The first section examines taxation policy and its relevance to economic sustainability from the general perspective. It reveals the purposes of taxation and how they help the government in the actualization of social and economic growth. The chapter also looks at the evaluation criteria which a credible tax policy should possess. i.e., sound tax policy must be accessible to administer, cost-effective, certain, flexible, transparent and most importantly capable of fostering economic growth. The chapter examines the connection between tax policy and economic sustainability. It reveals that taxation policy could either has a positive or negative impact on the economic growth of a country. The second section of the chapter considers taxation from the Nigerian perspective. It looks at the National Tax Policy (NTP), its objectives, reforms, implementation measures and sustainability drive to the actualization of smooth tax administration in Nigeria.

Chapter Three considers the systemic challenges of taxation policy in Nigeria. It explains the challenges and their effects on the successful implementation of tax policy in Nigeria. The chapters also call for tax reform towards having a credible tax policy that could leverage on the opportunities which a diversified economy could offer. The chapter concludes by

looking at the relevance of fiscal policy tools to economic sustainability and enjoins the Nigerian government to pay attention to these tools in its quest of having a diversified and sustainable economy.

Chapter Four looks at economic diversification and tax policy implementation in Canada through the lens of her experience, challenges, and prospects. It also considers the role economic diversification and taxation policy played in the stabilization of the Canadian economy. The chapter introduces the theory of legal transplantation as a check and to prepare the minds of readers and policymakers to the fact that Canada is not carelessly selected as a model or donor country worthy of emulation. Knowing fully well that whenever a country is considering the adoption of a legal rule or policy from another country, the recipient country needs to exercise caution not just to absorb such rule and policy hook line and sinker. To this effect, exploring the theory helps the author to consider the peculiarity of the Canadian economy and tax system in term of what Canada and Nigeria share in common before adopting the country a model to emulate. Also, the chapter looks at the Canadian tax system, administration, and reforms. The chapter concludes by revealing some of the taxation policies and implementation measures that helped Canada in having a diversified and sustainable economy.

Chapter Five summarizes the entire thesis, draws out lessons from Canada, and proffers some recommendations that could assist the Nigerian government in the actualization of a diversified and sustainable economy.

# CHAPTER ONE: NIGERIA AND ITS MONOCULTURE ECONOMY

## 1.0. Introduction

Nigeria is a country naturally enriched with mineral resources and inhabited by an estimated population of 190 Million people with a land area of about 910 thousand square kilometers.<sup>28</sup> The country is located in West Africa surrounded by the Republic of Cameroon to the east, the Benin Republic to the west, the Niger Republic to the North and Gulf of Guinea to the south<sup>29</sup>. It is considered the largest oil producer in Africa<sup>30</sup> and largest economy in Africa<sup>31</sup>. The discovery of oil as a natural resource in Nigeria could be traced back to 1956, and its exportation commenced fully in 1958, and since the oil boom period in the early 1970s, turned out to be the dominant factor in economic growth and development in Nigeria.<sup>32</sup> Shell-BP discovered oil to a significant commercial quantity at Oloibiri in the Niger Delta Region of the country after over 50 years of exploration.<sup>33</sup> The

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<sup>28</sup> See Worldometers, "Nigeria Population". Available online at: <http://www.worldometers.info/world-population/nigeria-population/> (accessed August 7 2017). See also about Nigeria, online at: <<http://www.nigeria.gov.ng/index.php/2016-04-06-08-38-30/nigeria-natural-resources/32-about-nigeria>>

<sup>29</sup> <http://country-facts.findthedata.com/q/167/14319/Which-countries-border-Nigeria>

<sup>30</sup> Africa Ranking, "Top 10 Oil Producing Countries in Africa". Available online:<<http://www.africaranking.com/top-10-oil-producing-countries-africa/5/>> However, it must be pointed out the recent militants' attacks on oil facilities in the Niger-Delta region of the country has drastic effect on the country's crude oil exploration and production level. This in turn, had made the country's Gross Domestic Product (GDP) reduced 22 years low; See Freedom C Onuoha, Reports on the resurgence of militancy in Nigeria's oil-rich Niger Delta and the dangers of militarisation, Al Jazeera Center for Studies, 2016); See also The Guardian Nigeria: Pipeline Vandalism and Economic Recession, online: <http://allafrica.com/stories/201609280978.html> (accessed 28 September 2016); See also Press reader, Economy in recession Inflation up, GDP down prices of sugar, rice skyrocket The way out , by experts We remain focused-FG, Available online at: <https://www.pressreader.com/nigeria/daily-trust/20160901/281479275848267> (accessed August 30 2017).

<sup>31</sup> Isaac Terungwa Terwase & Knocks Tapiwa Zengeni, "Nigeria , Africa ' s Largest Economy : International Business Perspective" (2014) 3:7 534.

<sup>32</sup> Moses Ekperiware, "Effect of Oil and Agriculture on the Economic Growth in Nigeria" (2015). Journal of Global Economics, Management and Business Research. Available at:<[https://www.researchgate.net/publication/282322787\\_Effect\\_of\\_Oil\\_And\\_Agriculture\\_On\\_Economic\\_Growth\\_in\\_Nigeria](https://www.researchgate.net/publication/282322787_Effect_of_Oil_And_Agriculture_On_Economic_Growth_in_Nigeria)>

<sup>33</sup> A Yusuf & T Samuel, "Shell D ' Arcy Exploration & The Discovery of Oil as Important Foreign Exchange Earnings in Ijawland of Niger Delta , C . 1940s-1970" (2013) 2:11 22.; See Nigerian National Petroleum Corporation (NNPC), History of the Nigerian Petroleum Industry. Available online at:<<http://www.nnpcgroup.com/NNPCBusiness/Businessinformation/OilGasinNigeria/IndustryHistory.aspx>>;

country became an oil-producing country in the year 1958, and its pioneer oil field attained the capacity of producing about 5,100 per barrel on a daily basis.<sup>34</sup> After that in 1960, other foreign companies were accorded rights to explore in the onshore and offshore areas of the Niger Delta region.<sup>35</sup> By 1970, after the end of the Biafra War, the world oil price skyrocketed, and the country benefited tremendously as it reaped instant fortunes from oil production.<sup>36</sup>

In 1971, Nigeria became a member of the Organisation of Petroleum Exporting Countries (OPEC) and formed the Nigerian National Petroleum Company (NNPC) in 1977, an entity under the control and regulation of State. Pioneer production began in 1958 by Shell D'Arcy oil field in a community known as Oloibiri in Niger Delta Region of Nigeria.<sup>37</sup> Between the late sixties and early seventies, the country generates more than 2 million barrels of crude oil on a daily basis.<sup>38</sup> There came an economic slump in the eighties as a result of drop in the production output. The year 2004 ushered in a complete revitalization of oil production to a notable level of 2.5 million barrels per day.<sup>39</sup> The government made

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See also Diji C.J, "A Critical Review of the Nigerian Energy Scenario" (2013) 5:3 55. IOSR-JEEE Vol. 5, Issue 3. Online at:< <http://iosrjournals.org/iosr-jeee/Papers/Vol5-issue3/K0535567.pdf>>

<sup>34</sup> See Zara Emmanuel Kwaghe, "Black Gold and the Nigerian State (1956-2014): A Critical Review" (2015) 14:2 72.; Phia Steyn, "Oil Exploration in Colonial Nigeria, C. 1903-1958", University of Stirling, online:< <https://dspace.stir.ac.uk/bitstream/1893/2735/1/Oil%20exploration%20in%20colonial%20Nigeria.pdf>>

<sup>35</sup> Adamu, *supra* note 9.

<sup>36</sup> Nigerian National Petroleum Corporation, History of the Nigerian Petroleum Industry. Available at:< <http://www.nnpcgroup.com/NNPCBusiness/Businessinformation/OilGasinNigeria/IndustryHistory.aspx>>

<sup>37</sup> Zaccheus Oladoyin, "Understanding Oil Subsidy in Nigeria" (2013), The Spectrum: A Scholars Day Journal: Vol. 2, Article 13., See also Nwoke Uchechukwu, "Neoliberal Corporate Governance, Oil MNCs and the Niger Delta Regions: The Barriers to Effective CRS" (Doctor of Philosophy, University of Kent, 2015) [Unpublished].

<sup>38</sup> *Ibid.*

<sup>39</sup> Adamu *supra* note.

attempt to boost production to 4 million barrels per day (bpd) by 2010.<sup>40</sup> However, this never materialized<sup>41</sup>.

There is no doubt that the petroleum sector has occupied a vital spot in the Nigerian economy.<sup>42</sup> The sector accounted for about 78 percent of the Gross Domestic Product and up to 90 percent of the country's gross revenue and earnings as regarding foreign exchange.<sup>43</sup> Revenue raised from oil has played a remarkable role in the economic development of Nigeria.<sup>44</sup> Between the year 2000 and 2009 alone, the total oil revenue generated about ₦34.2 trillion. On the other hand, the non-oil revenue generated was ₦7.3 trillion; this figure amounted to 82.36% and 17.64% respectively.<sup>45</sup> The result of which revealed why oil revenue accounted for a more sizable share of the total revenue of the nation which increased from 77.5 percent to 88.6 percent.<sup>46</sup>

Having mentioned that the crude oil has largely been instrumental to the Nigerian economy, its revenue has not produced the expected results due to mismanagement.<sup>47</sup> As a result of this, there is a need to diversify the country's source of revenue and the economy if economic sustainability will be attained.

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<sup>40</sup> Jake Okechukwu Effoduh, "The Economic Development of Nigeria from 1914 to 2014" (2015). Available at: <<http://www.casade.org/economic-development-nigeria-1914-2014/?>>

<sup>41</sup> Gabriel Chine Ufomba, "History of the Nigerian Petroleum Industry" (2015), see online: <<https://www.linkedin.com/pulse/history-nigerian-petroleum-industry-gabrich-gabrich-global>>

<sup>42</sup> Christopher Ehinomen & Adepoju Adeleke, "An assessment of the distribution of Petroleum products in Nigeria" (2012) 3:6 E3 J Bus Manag Econ 232, online: <<http://www.e3journals.org>>.

<sup>43</sup> Ehikwe Andrew, Egede Ph & Oliver Uzonna, "The Effect of Cost of Distribution on the Pump Price of Petroleum Products in the South East Nigeria" (2013) 4:17 154. available at: <<https://iiste.org/Journals/index.php/JEDS/article/viewFile/9024/9116?>>

<sup>44</sup> Ekperiware, *supra* note 31.; Azaiki Shagari, Oil, Gas and Life in Nigeria (Y – Books, a Division of Associated Book-Makers, Ibadan Nigeria Limited, 2007).

<sup>45</sup> Central Bank of Nigeria, Economic Report for the Fourth Quarter of 2009, Abuja, (CBN Collier, P & A. 4(4) December 2009).

<sup>46</sup> Nina Budina & Sweder van Wijnbergen, "Managing oil revenue volatility in Nigeria: The role of fiscal policy" (2008)

<sup>47</sup> Oshionebo Evaristus, "Mismanagement of Nigeria's oil revenues: is the Nigeria Sovereign Investment Authority the panacea?" (2017), The Journal of World Energy Law & Business, Vol. 10(4), pp.329-347; See also Gbadebo Olusegun Odularu, "Crude Oil and the Nigerian Economic Performance" (2008) Business 1.

### 1.1. Nigerian Economy and the Adverse Effects of reliance on Oil Revenue

Nigerians are seriously bearing the brunt of the government relying on oil revenue. As a result of the country's heavy dependence on oil revenue, other economic activities that could spur economic growth and encourage investment are lacking.<sup>48</sup> This result in an unhealthy and repulsive economic condition in Nigeria.<sup>49</sup> Ijeh, also revealed some of the consequences of relying on oil revenue in Nigeria to include: "neglect of the non-oil sector of the country's economy; the country's economy becoming a monoculture economy; bulk of the country's Gross Domestic Product (GDP) is attached to crude oil earnings; over 80 percent of the country's foreign exchange earning is dependent on oil revenue; excessive credit expansion. i.e., when revenue derives from oil gets to the domestic banking system, it likely to restructure "excessive credit expansion" and thereby threatening the financial stability of the country; and dependence on oil revenue takes resources and investment away from other sectors of the country's economy."<sup>50</sup>

### 1.2. The State of the Nigerian Economy

It is apt to point out that beyond the oil, Nigeria is endowed with many natural and mineral resources ranging from industrial materials such as iron ore, limestone, coal, lead, tin-ore, zinc, marble, bitumen, columbite and tar sand.<sup>51</sup> Statistically, exploitation of these vast minerals is very minimal to the level of the deposits found in the country.<sup>52</sup> It is believed

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<sup>48</sup> Victor Nwaoba Itumo, "Nigeria 's Mono -Cultural Economy : Impact Assessment and Prospects" (2016) 8:2 20.

<sup>49</sup> Itumo identified some of the consequences of relying on oil revenue in Nigeria as follows: acute shortage of infrastructural facilities in the country; high level of security risk and concerns; high rate of unemployment; and unpredictability of accruable revenue for country. See Itumo, *supra* note.

<sup>50</sup> Ijeh Chukwuemeka Anthony, "Assessing the Impact of Overdependence on Oil Revenue to Nigeria Economy" (Master of Business Administration, University of Nigeria, 2010) [Unpublished]

<sup>51</sup> Ewubare Dennis Brown & Kakain Stephen, "Natural Resource Abundance and Economic Growth in Nigeria (1980-2015)" (2017) 5:3 1. Online:< <http://www.eajournals.org/wp-content/uploads/Natural-Resource-Abundance-and-Economic-Growth-in-Nigeria1980-2015.pdf>>

<sup>52</sup> *Ibid.*

that exploring these other areas maximally will open the Nigerian economy, and provide the needed platform for implementation of robust tax policy.<sup>53</sup> This will, in turn, facilitate the business and investment operations in the country regarding the attraction of both domestic and foreign investors so long as the tax policies are business and environmental friendly.<sup>54</sup>

It is quite unfortunate that despite the series of natural resources that Nigeria is blessed with, the citizens still undergo poverty in the midst of plenty. In comparison with other African countries, the rate of poverty in Nigeria is very high despite its higher GDP.<sup>55</sup> This and many more revealed the urgency of economic diversification in the country.

It is therefore pertinent to state that diversification does not occur in a vacuum. Hence, there is a need for an enabling environment to make diversification a possibility or reality.<sup>56</sup> Thus, economic diversification will open a wider range of channels or sources of income which in turn strengthen economic stability in the country<sup>57</sup> in the midst of global economic crisis and recession such as the one hitting hard on Nigeria.<sup>58</sup> The government must resist economic crisis and strive to revive the economy through diversification.<sup>59</sup>

A sustainable economy improves a country's standard of living, create wealth and jobs, fosters new knowledge and technology, and promotes a stable political climate.<sup>60</sup>

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<sup>53</sup> *Ibid.*

<sup>54</sup> *Ibid.*

<sup>55</sup> See Escapadeng.com, "The importance of Agriculture towards the Development of Nigeria Economy". Available at: < <http://escapadeng.blogspot.com/2015/02/the-importance-of-agriculture-towards.html> >

<sup>56</sup> See OECD, Economic Diversification in Africa Economic Diversification in Africa: A Review of Selected Countries, (OECD Publishing 2011).

<sup>57</sup> Sandra Jednak, "The Effects of Economic Activities Diversification on Development : the Perspective of Serbia Efekti diversifikacije ekonomskih aktivnosti na razvoj": (2016) 44:2 23.

<sup>58</sup> Samuel Igbatayo, "The Challenges of the Global Economic Crisis and Nigeria ' s Financial Markets ' Stability CHANNELS TO" (2011) 2:6 497.

<sup>59</sup> Jednak, *supra* note 54.

<sup>60</sup> Richard Shediak et al, "Economic Diversification- The Road to Sustainable Development" (2008). Available at: < <https://www.strategyand.pwc.com/media/uploads/EconomicDiversification.pdf> >

Diversification remains limited in most African countries.<sup>61</sup> This is captured in Hyden words:<sup>62</sup>

“Despite its riches, African countries have not been very successful in wooing investors to the continent. A significant bottleneck for economic development in many countries of the region is its poor physical infrastructure. Essential services such as electric power, water, roads, railways, ports, and communications have been neglected, especially in rural areas. The most important things to reiterate about the region’s economy are that it remains undeveloped and is becoming increasingly marginalized in a competitive global economy where other developing regions are making the fastest headway. Africa continues to rely on exporting primary commodities. It cannot generate enough investment capital from within and is largely failing to attract foreign investments.”

Another fundamental reason why the country needs to diversify her source of revenue from the monocultural (oil based) economy is corruption which has eaten deep into the fabric of the country system and most importantly the oil and gas sector of the country. Note however that this very menace will only be discussed passively in this research work.

Corruption and fraud are prevalent in the country’s oil sector as billions of dollars in potential revenues are being cart away by oil bandits in the southeastern Niger Delta region of Nigeria.<sup>63</sup> Ogbeide and two others, describe the effect and grip of corruption over the lives of the Nigerian citizens and the country at large and stated as follows:

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<sup>61</sup> *Ibid.*

<sup>62</sup> Maria Chinecherem Uzonwanne, “Economic Diversification in Nigeria in the Face of Dwindling Oil Revenue” (2015) 6:4 61. See online at:< <http://iiste.org/Journals/index.php/JEDS/article/viewFile/19994/20522>>; For more on the plights of African countries in terms of economic retrogression cum challenges; See Sr. Maria Chinecherem Uzonwanne IHM, “The Ecclesiastical Input in Promoting good Economic Management and Sustainable Development in Nigeria” (2008), available at:< [https://www.researchgate.net/publication/272292319\\_THE\\_ECCLESIASTICAL\\_INPUT\\_IN\\_PROMOTING\\_GOOD\\_ECONOMIC\\_MANAGEMENT\\_AND\\_SUSTAINABLE\\_DEVELOPMENT\\_IN\\_NIGERIA](https://www.researchgate.net/publication/272292319_THE_ECCLESIASTICAL_INPUT_IN_PROMOTING_GOOD_ECONOMIC_MANAGEMENT_AND_SUSTAINABLE_DEVELOPMENT_IN_NIGERIA)>; See also Musa Foudeh, “The Effect of Privatization on Economic Growth in the Middle East and North Africa Region The Case of Egypt , Jordan , Morocco , Tunisia and Turkey” (2015) 6:12. Online at:< <http://iiste.org/Journals/index.php/JEDS/article/viewFile/23658/24096?>>

<sup>63</sup> E&E News, Shell's U.S. shale woes are no match for oil bandits in Africa, (November 22, 2013), online: <https://www.eenews.net/stories/1059990887> (accessed September 5, 2017).

Corruption is manifested in every phase and sector of the Nigerian socio-political economy, but it is more pronounced in the petroleum sector of the country. Because Nigeria so much depends on the petroleum sector as her source of living, income, economic growth, and development, any corrupt practice in the sector by any person or party automatically affect all other sectors of the economy.<sup>64</sup>

As a result of this ugly trend, the proceeds from the country's crude oil are laundered via world financial centers.<sup>65</sup> Within the first quarter of 2013 alone, the country is said to have lost at least 100,000 barrels of oil per day; this accounted for about 5 percent of total output each day.<sup>66</sup> Also, the Economist in its report tagged "Oil Theft in Nigeria: A Murky Business" dated October 3rd, 2013 attests to this unabated stealing of crude oil and its proceeds in Nigeria as follows:

"...Politicians, security forces, militants, oil-industry staff, oil traders and members of local communities all profit from "bunkering" of oil, so few have an interest in stopping it. When so many are feeding on the trough, it is doubtful if anyone in Nigeria has the political will to stop it.... Profits are laundered abroad in financial hubs, including New York, London, Geneva, and Singapore. Money is smuggled in cash via middlemen and deposited in shell companies and Tax Havens. Bank officials are bribed. Cash is laundered through legitimate businesses. Some of the proceeds—and stolen oil—end up in the Balkans, Brazil, China, Indonesia, Singapore, Thailand, the United States and other parts of West Africa..."<sup>67</sup>

Between June 2015 and May 2016, the sum of ₦82 million exchanged hand in the form of bribes by Nigerians in the public sector alone under which the oil industry and tax sector

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<sup>64</sup> O L Ogbeide et al, "Corruption in the Nigerian Oil and Gas Industry and Implication for Economic Growth" (2015) 14:2008 29. Online:< <http://iiste.org/Journals/index.php/JAAS/article/viewFile/26422/27065>>

<sup>65</sup> Christina Katsouris & Aaron Sayne, "Nigeria 's Criminal Crude : International Options to Combat the Export of Stolen Oil" (2013) September. Available online at : <[https://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Africa/0913pr\\_nigeriaoil\\_es.pdf](https://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Africa/0913pr_nigeriaoil_es.pdf)>; See also Market Watch Bulletin, Criminal crude: Profits from stolen Nigerian oil laundered overseas. Available online at:<<http://blogs.marketwatch.com/energy-ticker/2013/09/20/criminal-crude-profits-from-stolen-nigerian-oil-laundered-overseas/>> (accessed August 21 2017).

<sup>66</sup> See Chatham House, The Royal Institute of International Affairs, (September 1 2013), online: <https://www.chathamhouse.org/publications/papers/view/194254> (accessed September 5 2017).

<sup>67</sup> See The Economist on External News, Oil Theft in Nigeria: A murky business, October 3 2013). Available online at: <<https://www.economist.com/blogs/baobab/2013/10/oil-theft-nigeria>> (accessed August 26 2017).

belong).<sup>68</sup> However, the current Nigerian government deserves some commendations for recognizing taxation as a viable source of revenue for the development and sustainability of the country's economy. Between January to July 2017 the government has been able to generate revenue in the tune of ₦2.11 trillion by way of tax collection.<sup>69</sup> The present administration is also showing interest in the diversification of the country's economy and source of revenue.<sup>70</sup>

### 1.3. The Nexus between Economic Diversification and Sustainability

Economic diversification may be defined as the distribution of investment into different sectors of the economy to minimize the risk of overdependence on one or very few sectors.<sup>71</sup> In the Nigerian context, however, it may be redefined as “shifting investment towards the non-oil sectors to avoid risk and uncertainty.”<sup>72</sup> Economic diversification is a path to

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<sup>68</sup> National Corruption Survey 2017 carried out by Dr. Yemi Kale; The Statistician General of the Federation/CEO Nigerian National Bureau of Statistics. See Naij.com, online Newspaper. Available at:<<https://www.naij.com/1120559-most-corrupt-states-nigeria-revealed-national-corruption-survey-2017.html>> (accessed September 1 2017).

<sup>69</sup> “Note further that the progress report as released by the Federal Inland Revenue Service (FIRS) shown that consolidated tax revenue for the first seven month of the year was ₦62.3 billion, which already supersedes the ₦59.8 billion generated from the area in the entire 2016 financial year. Worthy of note also was the fact that non-oil tax revenue contribution was at 65.9 percent while oil and gas contribution to revenue for the year was at 34 per cent so far.” See Adelope.com, “FIRS generates ₦2.11 trillion in 7 months” (September 4, 2017). See Adelope.com, Online News. Available at:<<https://adelove.com/2017/09/04/firs-generates-n2-11tr-in-7-months/>>.

<sup>70</sup> “The present President Muhammadu Buhari-led administration has stated its commitment to diversify the sources of government revenues by significantly increasing tax to Gross Domestic Product (GDP) ratio, among other things.” - See Olumide K. Obayemi, “An Appraisal of the 2017 Joint LIRS and JTB’s Public Notices Seeking to Curb Tax Avoidance Techniques Arising from Voluntary Pension Contributions” (2017) Lagos State University’s Faculty of Law’s Readings in Law. Online: <<http://www.ajumogobiaokeke.com/assets/media/b6ef351c0c64c22eebfe465822e2cf17.pdf>>

<sup>71</sup> Akujuru Chukwunonye Abovu, “Revenue Allocation in Nigeria and the Dependency on Oil Revenue: The Need for Alternative Solutions” (2015) Vol.3, No.2. online:<<http://www.eajournals.org/wp-content/uploads/Revenue-Allocation-in-Nigeria-and-the-Dependency-on-Oil-Revenue-The-Need-for-Alternativ-Solutions.pdf>>

<sup>72</sup> *Ibid.*

sustainable development. Sustainability has been defined as the ability to support a specified level of economic production indefinitely.<sup>73</sup>

A diverse economy plays a crucial role in a sustainable economy.<sup>74</sup> Considering the pitiable state of the Nigerian economy,<sup>75</sup> the country cannot but have its source of revenue and economy diversified. More importantly, giving room for economic diversification has the inclination of meeting the fundamental need for sustainable development such as poverty alleviation which centres on the provision of food, job, shelter, clothing, and healthcare by opening array of economic activities and opportunities for people to explore.<sup>76</sup>

#### 1.4. Chapter One Observations

From the preceding, it could be observed that over-reliance on oil revenue or having a monocultural economy is unhealthy for the development and sustainability of the Nigerian economy. Although, there is no doubt that the oil sector has in no small magnitude contributed to the country's economic growth and development but it is worrisome that despite the fact that Petroleum production and export occupy a key position in Nigeria's economy and contribute about 90 percent of her gross income; other sector such as agriculture which happened to be the conventional mainstay of the country's economy way back in the early fifties and sixties has been neglected.<sup>77</sup>

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<sup>73</sup> See Thwink.org, Finding and Resolving the Root Causes of the Sustainability Problem. Available online at: < [www.thwink.org/sustain/glossary/EconomicSustainability.htm](http://www.thwink.org/sustain/glossary/EconomicSustainability.htm)>

<sup>74</sup> *Ibid.* at 55

<sup>75</sup> Anyaehie M. & Areji A., "Economic Diversification for Sustainable Development in Nigeria" (2015), Open Journal of Political Science, 5, 87-94. Available at:< <http://www.scirp.org/journal/ojps>>; See also Olaopa O R et al, "The Nigerian state and global economic crises : Socio- political implications and policy challenges" (2012) 4:February 45.

<sup>76</sup> Michael Chugozie Anyaehie & Anthony Chukwudi Areji, "Economic Diversification for Sustainable Development in Nigeria" (2015) 5:March Open J Polit Sci 87, online:

<[http://file.scirp.org/pdf/OJPS\\_2015030609345277.pdf](http://file.scirp.org/pdf/OJPS_2015030609345277.pdf)>; See also Anyaehie *supra* note at 75.

<sup>77</sup> Adamu *supra* note at 10., See also Gabriel Chine Ufomba, "History of the Nigerian Petroleum Industry" (2015), online at: <<https://www.linkedin.com/pulse/history-nigerian-petroleum-industry-gabrich-gabrich-global>>; See Chinecherem Uzonwanne, "Economic Diversification in Nigeria in the Face of Dwindling Oil

However, in an attempt to diversify or change the economic dynamics of the country, it will undoubtedly come with some challenges, but it is somewhat beneficial to tread this path as there lies ahead numerous dividends attached to having a diversified economy and along with credible tax policy. The benefits include but not limited to: increase in trade and investment, the attraction of foreign investors, higher productivity of capital and labour, poverty reduction, human and social development and economic integration.<sup>78</sup>

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Revenue" (2015) 6:4 J Econ Sustain Dev 61, online:  
<[https://www.researchgate.net/publication/273882540\\_Economic\\_Diversification\\_in\\_Nigeria\\_in\\_the\\_Face\\_of\\_Dwindling\\_Oil\\_Revenue](https://www.researchgate.net/publication/273882540_Economic_Diversification_in_Nigeria_in_the_Face_of_Dwindling_Oil_Revenue)>.

<sup>78</sup> Department for International Development (DFID), "Growth Building Jobs and Prosperity in Developing" (2007) Why Growth Should be Hear Dev Policy 1. Available at:<<https://www.oecd.org/derec/unitedkingdom/40700982.pdf>>

## CHAPTER TWO: TAXATION AND ECONOMIC SUSTAINABILITY

### I. General Context:

#### 2.0. Introduction

Taxation policy plays significant role in enhancing the growth potential of a country's economy.<sup>1</sup> It is imperative to have a broad understanding of taxation policy and its relevance in a sustainable economy drive vis-à-vis its attributes and criterion evaluation fulfilments. This necessitates the need to examine taxation from the general and Nigerian context.

#### 2.1. Understanding Tax Policy

Countries no longer have the luxury of designing and implementing their tax systems in isolation. The interdependence of national economies has always been a factor in shaping and implementing social, industrial, economic, and tax policy.<sup>2</sup>

Taxation policy is a crucial component which helps in promoting investment and economic development. It also plays an essential role in enhancing economy sustainability.<sup>3</sup> Tax policy seeks to balance many goals which include revenue generation, economic efficiency, redistribution, equity, and stabilization.<sup>4</sup> An economically and sustainable tax system should be capable of generating sufficient revenues to finance government activities<sup>5</sup> and policymakers must ensure that proper analysis of the prevailing situation in the country is

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<sup>1</sup> See European Commission, Taxation Papers- Tax Reforms in EU member States, Working Paper No. 28 2011. Available at:<  
[https://ec.europa.eu/taxation\\_customs/sites/taxation/files/resources/documents/taxation/gen\\_info/economic\\_analysis/tax\\_papers/taxation\\_paper\\_28\\_en.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_28_en.pdf)>; See also Arnelyn Abdon et al, Fiscal Policy and Growth in Developing Asia (Economics Working Paper No. 412). Available at:<  
<https://www.adb.org/sites/default/files/publication/110986/ewp-412.pdf>>

<sup>2</sup> Heather Kerr, Ken McKenzie & Jack Mintz, Tax Policy in Canada" (2012), Canadian Tax Foundation; Also contained in the eJournal of Tax Research (2013) vol. 11, no. 3, p. 245. Available at:<  
[https://www.business.unsw.edu.au/research-site/publications-site/ejournaloftaxresearch-site/Documents/eJTR\\_Vol11-No3\\_2013.pdf?>](https://www.business.unsw.edu.au/research-site/publications-site/ejournaloftaxresearch-site/Documents/eJTR_Vol11-No3_2013.pdf?>)

<sup>3</sup> International Chambers of Commerce (ICC), POSITION PAPER TAX AND THE UNITED NATIONS Sustainable Development Goals" (2015) Icc 1. Available at:<  
<https://cdn.iccwbo.org/content/uploads/sites/3/2018/02/icc-position-paper-on-tax-and-the-un-sdgs.pdf>>

<sup>4</sup> Ian Ayres et al, "Stabilizing the Economy Through the Income Tax Code tax notes Stabilizing the Economy" (2009).

<sup>5</sup> *Ibid.*

carried out to ascertain the relevant mix of taxes capable of generating adequate revenue.<sup>6</sup> Failure to put this into consideration might render the whole policy and its implementation an exercise in futility more especially in the developing nations.

## 2.2. The Purposes of Taxation

Taxation is the instrument adopted by the government to actualize its social and economic goals.<sup>7</sup> It aims to stabilize the economy; to assist the government to provide social development; accord government power to allocate resources; constitute and define the marketplace and spur optimal economic growth.<sup>8</sup> Taxes are the essential instruments of fiscal policy.<sup>9</sup> Therefore, a good tax system must be capable of attracting economic growth, stabilization of the economic and distribution of income.<sup>10</sup> Using tax to achieve economic growth, it appears that there is little or no restriction to tax mechanism adopted by nations all over the world.<sup>11</sup> Most countries (especially the developing ones) endeavor to spur economic growth with the use of tax incentives to encourage foreign direct investment.<sup>12</sup> Others impose high rate on retained proceeds than the circulated proceeds.<sup>13</sup>

Taxation is also used for stabilization of the economic. It is used to regulate government spending and expenditure. For instance, when tax returns rise as national income increases,<sup>14</sup> governments are left with least need to rely on arrears financing to secure and

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<sup>6</sup> Lisa Kayaga, "Tax Policy Challenges Facing Developing Countries: A Case Study of Uganda" (Master of Laws, Queen's University, 2007) [Unpublished].; See also M Schratzenstaller, "Sustainable tax policy: Concepts and indicators beyond the tax ratio" (2015) 141:5 Rev l'OFCE

<sup>7</sup> Lisa Kayaga *supra* note at 6.

<sup>8</sup> *Ibid.*

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> Ibrahim F.I. Shihata, "Promotion of Foreign Direct Investment -- A General Account with Particular Reference to the Role of the World Bank Group" (1991), 6:2 ICSID Review Foreign Investment Law Journal, 484., See also Andrea Fosfuri et al., "Foreign Direct Investment and Spillovers through Workers' Mobility" (2001), 53 J. Int'l of Eco. Available at: < <https://core.ac.uk/download/pdf/6419996.pdf> >

<sup>13</sup> *Ibid.*

<sup>14</sup> *Ibid.*

increase the level of public sector activity in an expanding economy.<sup>15</sup> Also, a good tax system is used for distribution and redistribution of income. For instance, in some countries, there is income inequality where big earners reserve to themselves a huge share of the overall income gains, while others income earners are left with only a little to share.<sup>16</sup> In such a situation, taxation could be used to discourage such inequality by imposing high rates on the top earners and low rates on the small earners.<sup>17</sup>

### 2.3. Taxation and Its Evaluation Criteria

Measurements of sound tax policy are equity, neutrality, and simplicity to which essential governmental goals are targeted in a way that is fair and just.<sup>18</sup> Other criteria include competitiveness, efficiency, effectiveness, fairness, certainty, administrability, flexibility, transparency, and accountability.<sup>19</sup> Therefore, it is important for policymakers to put into consideration these evaluative criteria whenever they are about to formulate tax policy. Each of this will be briefly explained.

#### Equity

The principle of equity in taxation reveals the notion that tax fairness should be one of the principles that guide tax policy.<sup>20</sup> It is expected that subjects of every nation ought to lend

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<sup>15</sup> *Ibid.* See also Ayres et al, *supra* note 4.

<sup>16</sup> Peter Hoeller et al, "Reducing Income Inequality While Boosting Economic Growth: Can It Be Done? Evidence From Oecd Countries" (2014) 59:01 Singapore Econ Rev 1450001, online: <<http://www.worldscientific.com/doi/abs/10.1142/S0217590814500015>>.

<sup>17</sup> *Ibid.*

<sup>18</sup> Tax Working Group Secretariat, Tax and fairness: Background Paper for Session 2 of the Tax Working Group, February 2018). Prepared by Inland Revenue Department and the New Zealand Treasury., See also Clinton Alley et al, "A remodelling of Adam Smith ' s tax design principles Tax Design Principles" (2005).

<sup>19</sup> Clinton Alley et al, "A remodelling of Adam Smith ' s tax design principles Tax Design Principles" (2005).

<sup>20</sup> Musonda Kabinga et al, Principles of Taxation, Paper 5 of the Introduction to the Project "Tax Justice & Poverty" 2016). Available at:<<https://pdfs.semanticscholar.org/d350/83fc0fbee8244e4f095a8d6fc446507d52eb.pdf>>; See also Yonas Girma Adimassu & Ümit Süleyman ÜSTÜN, "A Review of Constitutional Principles Regarding Taxation: Ethiopian and Turkish Perspective" (2017). Available at:<<http://docplayer.net/52554325-And-turkish-perspective.html>>

their supports to the government in measure to the quantum of the revenue which they respectively benefit from.<sup>21</sup>

Tax equity can either be horizontal or vertical. A succinct definition and explanation of tax equity as follows:

“Horizontal Equity addresses questions of whether or not a tax system makes arbitrary distinctions among taxpayers or distinctions based on irrelevant criteria. For example, it violates the principle of horizontal equity if one person buys an item in a local store and must pay sales tax, while another person buys the same item over the Internet, and does not pay sales tax. Vertical Equity addresses questions of how people at different income levels should be taxed, taking into account their relative abilities to pay. With vertical equity, it is expected that high-income earners pay a larger percentage of their income in taxes than lower income earners.”<sup>22</sup>

According to OECD, “equity may also refer to inter-nation equity. As a theory, inter-nation equity is focused on the allocation of national gain and loss in the international context and aims to ensure that each country receives an equitable share of tax revenues from cross-border transactions.”<sup>23</sup> The concept of inter-nation equity is therefore of great importance to any nation that is trying to embark on formulating tax policy because the present international tax system apportions the taxation of cross-border income by considering the residence of the taxpayer or the origin of income.<sup>24</sup> With the governing rules embedded in

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<sup>21</sup> *Ibid.*

<sup>22</sup> Musonda Kabinga *supra* note at 20.; See also Wise, K./Berger, N. (2010). Understanding Our Tax System: A Primer for Active Citizens. Massachusetts Budget and Policy Centre. Retrieved 23 February, 2015, online:<[http://massbudget.org/report\\_window.php?loc=Tax\\_Primer\\_83110.html](http://massbudget.org/report_window.php?loc=Tax_Primer_83110.html) (as cited in *Ibid.* 16); See also Australian Council of Trade Unions (ACTU), *Paying Our Way: Restoring Fairness to Personal Income Tax*, Taxation Paper No. 4, Oct. 7, 2011.

<sup>23</sup> Godfried Toussaint, “Fundamental Principle of Taxation” (2005), online:<[http://www.ase.ro/upcpr/professori/758/Scan\\_OsECD\\_Principles%20of%20Taxation.pdf](http://www.ase.ro/upcpr/professori/758/Scan_OsECD_Principles%20of%20Taxation.pdf)>. See also Finalising and Implementing the BEPS Agenda, available at:<[https://sydney.edu.au/content/dam/corporate/documents/sydney-law-school/research/centres-institutes/Finalising\\_and\\_Implementing\\_BEPS\\_Agenda\\_Program\\_Papers.pdf?>](https://sydney.edu.au/content/dam/corporate/documents/sydney-law-school/research/centres-institutes/Finalising_and_Implementing_BEPS_Agenda_Program_Papers.pdf?>)

<sup>24</sup> Jinyan Li, “Improving Inter-nation Equity through Territorial Taxation and Tax Sparing” (2010) *Glob Its Tax Discontents* 117, online:<<http://www.jstor.org/stable/10.3138/9781442660021.9%0Ahttps://books.google.com.cy/books?id=wIkX>

the local tax laws and bilateral tax treaties of such nations.<sup>25</sup> Going further on the concept of inter-nation equity, Li Jinyan<sup>26</sup> posited to share the view of Professor Easson on the concept of Inter-nation equity as follow:

The current regime of tax allocation is not based on any real agreement between nations and cannot be rationalized by any “obvious principle of fairness.” In fact, it is biased in favour of the capital exporting nations that devised the rules of the game. In order to improve fairness. Hence, it is desirable to have some “redistribution” in favour of less developed, net capital-importing nations.<sup>27</sup>

Tax equity, both internal and external equity are of importance when it comes to tax policy.<sup>28</sup> From the above, it will suffice to say that policymakers cannot afford to lose sight of attaching probative value to the concept of tax equity when considering the formulation of tax policy for their respective nations.<sup>29</sup>

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4uXRtZkC&pg=PA7&lpg=PA7&dq=The+economic+allegiance+doctrine&source=bl&ots=ISg5F9iBpr&sig=\_wOKIEcPEdN8kXKtAJifC5K5Fo&hl=el&sa=X&ved=0ahUKEwjwksqe8aTWAhWG7RQKHU\_>.

<sup>25</sup> *Ibid.* See also Arthur J. Cockfield, “The Limits of the International Tax Regime as a Commitment Projector” (2013), *Virginia Tax Review*. Summer 2013, Vol. 33 Issue 1, p59-113. 55p.

<sup>26</sup> *Ibid.* at 20

<sup>27</sup> Li, *supra* note 24.

<sup>28</sup> *Ibid.*

<sup>29</sup> Li Jinyan cited countries like Canada, New Zealand, United Kingdom, and United States who in their recent bids to reform international tax system placed attention on economic efficiency, virtually to the exclusion of all other values, as a criterion for international tax policy. She gave a vivid illustration of the Advisory Panel of Canada’s System of International Taxation that not too long published a consultation paper titled “Enhancing Canada’s International Tax Advantage” wherein 33 policy frameworks to include attracting foreign investment, competitiveness, simplicity, and fairness were identified. *Ibid.* at 20; See Advisory Panel on Canada’s System of International Taxation, *Enhancing Canada’s International Tax Advantage* (April 2008); Also cited are the following: “U.S., Department of the Treasury, Office of Tax Policy, *Approaches to Improve the Competitiveness of the U.S. Business Tax System for the 21st Century* (December 2007); UK, HM Treasury and HM Revenue & Customs, *Taxation of Companies’ Foreign Profits: Discussion Document* (June 2007); Department of the Treasury, Australia, *Review of International Taxation Arrangements: A Consultation Paper* (August 2002); Inland Revenue Department, Policy Advice Division, *New Zealand’s International Tax Review: A Direction for Change* (December 2006); and Inland Revenue Department, Policy Advice Division, and New Zealand Treasury, *New Zealand’s International Tax Review: Developing an Active Income Exemption for Controlled Foreign Companies* (October 2007). For an overview, see Sandra Slaats, “Financing Foreign Affiliates: An Overview of the Canadian Proposals and the Rules in Selected Countries,” *Canadian Tax J.* 55 (2007) 676; UK, *Taxation of Companies’ Foreign Profits: Discussion Document*, 9-10. The focus on neutralities and competitiveness in international tax reforms can be traced to the 1960s when the current Subpart F rules were debated, which provided a blue print for other OECD countries’ controlled foreign corporation (CFC) rules.”

## Neutrality

Generally, the tax system is required to be neutral so as to give room for merit when making decisions and not just for mere tax purposes only.<sup>30</sup> Therefore, tax neutrality will encourage efficiency by ensuring that the adequate distribution of the means of production is actualized.<sup>31</sup> This is germane because taxation owns it as a form of duty to allow neutrality and equity between groups of business activities. A neutral tax ensures that maximum allocation of the means of production is attained.<sup>32</sup> Neutrality helps in raising of revenue with the barest minimum the discrimination of any specific economic choice.<sup>33</sup> It also evaluates the impacts of the tax laws on the taxpayers. This is to ascertain whether the laws cause the taxpayers to indulge in basically different exercises to dodge paying taxes.<sup>34</sup>

## Simplicity

This is another major principle of taxation and a fundamental criterion that must be given credence by policymakers when formulating tax policy. A simple tax ensures a clear and easy understanding of tax rule.<sup>35</sup> Having a simple tax system in place, avails the taxpayers the opportunity of anticipating ahead of time the tax consequences of an action.<sup>36</sup> Simplicity minimizes the condition for money and time to be expended on engaging the services of tax

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<sup>30</sup> Jason Furman, "The Concept of Neutrality in Tax Policy" (2008) 1, online: <[http://www.brookings.edu/~media/research/files/testimony/2008/4/15-tax-neutrality-furman/0415\\_tax-\\_neutrality\\_furman.pdf](http://www.brookings.edu/~media/research/files/testimony/2008/4/15-tax-neutrality-furman/0415_tax-_neutrality_furman.pdf)>.

<sup>31</sup> Musonda Kabinga *supra note* 20

<sup>32</sup> *Ibid.*

<sup>33</sup> *Ibid.*

<sup>34</sup> Richard M. Bird, *Tax Policy and Economic Development* (Baltimore: John Hopkins Press, 1992) at 8 cited in Lisa Kayaga, "Tax Policy Challenges Facing Developing Countries: A Case Study of Uganda" (Master of Laws, Queen's University, 2007) [Unpublished].

<sup>35</sup> Beveridge Crawford, *Principles for a Modern and Efficient Tax System for an Independent Scotland* (2013). Available at: <<https://www.gov.scot/Resource/0043/00434977.pdf>>

<sup>36</sup> *Ibid.*

specialists.<sup>37</sup> Tax simplicity, fosters transparency, political and administrative accountability.<sup>38</sup>

### **Certainty**

The principle of certainty is pivotal to every tax system.<sup>39</sup> This is sometimes used in a similar context as stability.<sup>40</sup> A tax system that is built on certainty would be most likely stable. Certainty of tax system is very essential in the sense that when the government is planning for its spending, such plans must be based on certain estimated revenue.<sup>41</sup> The tax an individual is bound to pay must not be arbitrary but certain.

### **Administrability**

Tax administration is fundamental to the development and industrialization of a nation. For a tax system to work effectively, it must be easy to administer. To this effect, an effective tax policy sets out clear guidelines on crucial tax administration issues.<sup>42</sup>

### **Low Cost of Administration**

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<sup>37</sup> *Ibid.*

<sup>38</sup> *Ibid.*

<sup>39</sup> Mobolanle O. Oduntan, "The Role of Taxation in Nigeria's Oil and Gas Sector Reforms-Learning from the Canadian Experience", (Master of Laws, University of Saskatchewan, 2015) [Unpublished].

<sup>40</sup> The concept was emphasized by members of the panellists at a two-day stakeholders' forum organized by the Nigerian National Assembly between 6<sup>th</sup> and 7<sup>th</sup> June 2016 on the theme: "Realizing the Full Potentials of the Nigerian Economy through Proactive Capital Market Legislation." The consensus reached is that certainty of government policy is a vital ingredient for obtaining investors confidence, most especially in sectors where long-term commitment is required, See online at:

<<http://www.heirsholdings.com/profile-news/deepeningnigerian-capital-market-include-privatized-systemically-important-entities/>>; See also Mobolanle O. Oduntan, "The Role of Taxation in Nigeria's Oil and Gas Sector Reforms-Learning from the Canadian Experience", (Master of Laws, University of Saskatchewan, 2015) [Unpublished].

<sup>41</sup> Association of Chartered Certified Accountants (ACCA), "Certainty in Tax" (2015). Available online at:<<http://www.accaglobal.com>>; See also *Ibid.* at 23

<sup>42</sup> *Ibid.* at 23

The feasibility of a good tax administration is equally dependent on it not having an undue running-cost that will shrink the public purse.<sup>43</sup> To this effect, every tax policy must ensure that a comprehensive analysis of the cost-benefit of such tax on the citizens before such is imposed on them. Also, the administrative cost of collecting the tax and having the tax laws enforced must foster efficiency.<sup>44</sup> Simply put, tax administration must not be unduly complex. Hence, enforcement within the administration must be as efficient as possible as this can be.<sup>45</sup>

### **Competitiveness**

Competition is another consideration that must be factored in. This relates to the international dimension and taking into consideration the tax policy of other countries.<sup>46</sup> For instance, a competitive tax system should offer reasonable rates not too high compared with other countries.<sup>47</sup> A country with the high tax rate, risk pushing investment elsewhere.<sup>48</sup> Such country must also strike a balance and ensure that the tax rates are not ridiculously low which might lead the country to becoming a haven of illegal proceed.<sup>49</sup>

To this effect, there is a need to establish good relations between nations at regional and international levels towards having a credible and sustainable tax policy across the globe.

### **Flexibility**

“The systems for taxation should be flexible and dynamic to ensure that they keep pace with technological and commercial developments.”<sup>50</sup>

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<sup>43</sup> Eason, A. and Zolt E.M, “Tax Incentives”, (2003); Paper prepared for World Bank course on practical issues of tax policy in developing countries, April 28-May 1. at 11.

<sup>44</sup> *Ibid.*

<sup>45</sup> Michael Carnahan, “Taxation Challenges in Developing Countries” (2015) 2:1 Asian Pac L & Pol’ J 169 at 172.

<sup>46</sup> Alex Easson *Supra* note.

<sup>47</sup> *Ibid.*

<sup>48</sup> *Ibid.*

<sup>49</sup> *Ibid.*

<sup>50</sup> Canada, Report of the Royal Commission on Taxation (‘Carter Report’) Vol 2, The use of the tax system to achieve economic and social objectives (1966) ch 1., See also Alley et al, *supra* note 18.

Flexibility suggests that the tax system should be able to accommodate changes within local and international fiscal sphere.<sup>51</sup> It also states that the procedure of adjusting both new and existing taxes must be designed in a manner that will not pose any undue difficulties to the process of tax administration as it is essential to the functionality of the system.<sup>52</sup>

### **Transparency and Accountability**

In every democratic society, citizens should have complete information about the impact of various taxes in order to decide the extent to which they support a government's programmes and objectives.<sup>53</sup>

It is important that taxation be transparent. This will aid businesses and individuals to understand the cost of transactions, their tax liability and how the paid taxes are being utilized.<sup>54</sup> Knowledge of how their taxes are utilized tends to encourage compliance.<sup>55</sup> People are more willing to pay their taxes when processes are transparent.<sup>56</sup>

In this, corruption in tax administration in Africa (Nigeria inclusive) poses as a huge barrier to having fair and effective taxation and establishing of confidence between the citizens and government.<sup>57</sup> Transparency and accountability become a must for the Nigerian tax policy.

#### **2.4. The connection between Taxation Policy and Economic Sustainability**

“A policy is not stabilizing or destabilizing in the abstract. Instead, policies are only stabilizing concerning alternative policies.”<sup>58</sup>

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<sup>51</sup> *Ibid.*

<sup>52</sup> Alley et al, *supra* note.

<sup>53</sup> Woellner RH et al, “Australian Taxation Law” (2002) (12th ed, 2002) 37., See also Alley et al, *supra* note.

<sup>54</sup> Alley et al, *supra* note 19.; See also Woellner RH et al *Supra* note.

<sup>55</sup> *Ibid.*

<sup>56</sup> Lise Rakner & Siri Gloppen, “Tax Reform and Democratic in Sub-Saharan Africa”, online:<  
<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.512.3340&rep=rep1&type=pdf>>

<sup>57</sup> Anti-Corruption Resource Centre et al, “Approaches to curbing corruption in tax administration in Africa Query 1 Corruption in tax administration in Africa Overview Evidence of corruption in tax” (2014) June.

<sup>58</sup> Ayres et al, *supra* note 4.

Economic sustainability is the preservation of long-term fiscal sustainability in public finances.<sup>59</sup> Taxation policy on the other hand, is capable of contributing to sustainability attainment.<sup>60</sup> Sustainable tax systems also contribute to steady and strong financial sectors.<sup>61</sup> Economic sustainability furthers employment and reduces unemployment.<sup>62</sup> It is said that in the face of capital account liberalization, economic instability emerged often.<sup>63</sup> Progressive income tax policy is capable of enhancing more income equality and stable growth.<sup>64</sup>

Taxation can influence economic growth and development.<sup>65</sup> According to S.A. Adudu and Ojonye M. Simon, the duo while examining the economic growth and sustainability stated that “low-income tax rates influence economic development and are necessary conditions for sustained economic growth”<sup>66</sup> There is a string between tax policy and economic sustainability. However, the impact could be positive or negative.

## **Positive Impacts**

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<sup>59</sup> Margit Schratzenstaller, “Sustainable Tax Policy beyond the Tax Ratio for the EU as core element of a ‘Fiscal Union’” (2015) December 2012 1.

<sup>60</sup> *Ibid.*

<sup>61</sup> *Ibid.*. See also Oesterreichische National Bank, “Toward a Genuine Economic and Monetary Union”, Proceedings of OeNB Workshops, Workshop No 21, September 10 and 11, 2015).

<sup>62</sup> *Ibid.*

<sup>63</sup> *Ibid.*

<sup>64</sup> Christian E. Weller & Manita Rao, “Progressive Tax Policy and Economic Stability” (2014), Journal of Economic Issues, 44:3, 629-659, DOI: 10.2753/JEI0021-3624440304

<sup>65</sup> S.A. Adudu & Ojonye M. Simon, “The Impact of Tax Policy on Economic Growth in Nigeria” (2015), Vol.6, No.8, Journal of Econ and Sustainable Development, online at:<  
<http://www.iiste.org/Journals/index.php/JEDS/article/view/21913>>

<sup>66</sup> S.A. Adudu & Ojonye M. Simon, “The Impact of Tax Policy on Economic Growth in Nigeria” (2015), Vol.6, No.8, Journal of Econ and Sustainable Development, online at:<  
<http://www.iiste.org/Journals/index.php/JEDS/article/view/21913>>

According to Helms<sup>67</sup> economic growth is strengthened when the government use revenue to fund established public services rather than transfer payments.<sup>68</sup> Labour and business value these services and thereby incentivize public services.<sup>69</sup> Using tax Transfer payments or redistribution negatively affect economic growth.<sup>70</sup> In China, study revealed that at the provincial level increase in taxes may not have a negative effect on growth by adjusting the tax multiplier formula in their technology.<sup>71</sup> Reforming indirect tax to direct tax brings about more pleasant impacts on growth, as well as coordinating government expenditure, enhances standards of living through social security, medical support system, and other social programmes.<sup>72</sup>

Gale and Samwick,<sup>73</sup> when looking at income taxes, revealed that reforms which focus on base-broadening measures positively impact the economic as a result of “the reallocation of resources from sectors that are presently tax-preferred to the ones that have the highest economic (pre-tax) return, which should increase the overall size of the economy”.<sup>74</sup> The duo also defines economic growth to mean “the expansion of the supply side of the economy and potential Gross Domestic Product (GDP).”<sup>75</sup>

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<sup>67</sup> Helms L. J, “The Effect of State and Local Taxes on Economic Growth: A Time Series-Cross Section Approach” (1985) *The Review of Economics and Statistics*, 67:4, MIT Press. Online at:<<http://www.jstor.org/stable/1924801>> as cited in footnote 45.

<sup>68</sup> Lareto Riba, “The Relationship Between Tax and Economic Growth: A South African Perspective” (Master of Commerce in Development Finance Degree, University of Cape Town, 2016) [Unpublished].

<sup>69</sup> *Ibid.*

<sup>70</sup> *Ibid*

<sup>71</sup> Yi F. & Suyono E., “The Relationship between tax revenue and economic growth of Hebei Province based on the tax multiplier effect” (2014) *Global Economy and Finance Journal*, 7:2, 1 – 18

<sup>72</sup> *Ibid.* See also Abdul Latif Alhassan, “The Relationship between Tax and Economic Growth: A South African Perspective”, (Master of Commerce in Development Finance, University of Cape Town, 2016), [Unpublished].

<sup>73</sup> Gale W.G & Samwick A. A, “Effects of Income Tax Changes on Economic Growth” (2016), Brookings Institute, Available at:<<http://www.brookings.edu/research/papers/2014/09/09effectsincometaxchangeseconomicgrowthgal-esamwick>>; See also Lareto Riba, “The Relationship Between Tax and Economic Growth: A South African Perspective” (Master of Commerce in Development Finance Degree, University of Cape Town, 2016) [Unpublished].

<sup>74</sup> *Ibid.* See also Abdul Latif *supra* note at 70.

<sup>75</sup> *Ibid.* at 72

## Negative Impacts

Taxation can also have a negative impact on economic growth. Kimel,<sup>76</sup> in studying the relationship of taxes to growth mentioned that “as soon as tax rates exceed 50 percent, taxpayers shift from investment to consumption”. i.e., the correlation between the top marginal tax rate and the ratio of investment to consumption for marginal tax rates below 50 percent stands at 55 percent which indicates that an increase in tax rates increases the ratio of investment to consumption when tax rates are below 50 percent. While on the other hand, the correlation is negative when tax rates are above 50 percent”.<sup>77</sup> Therefore, an expansion in investment choice meaningfully impacts economic growth. In the same vein, Levin reveals that “when tax policy reduces investment incentives, it negatively affects growth”.<sup>78</sup> Gale, Krupkin, and Rueben<sup>79</sup>, note “that neither tax revenues nor top income tax rates have a significant relationship to economic growth.”<sup>80</sup> Finally, Koch, Schoeman, and Van Tonder<sup>81</sup> identify this aspect of study most especially on the developing nations. In their study on South Africa, they came across a divergent relationship that is prominent with developed nations of lowering their tax burden as attracting a positive impact on growth.<sup>82</sup>

## II. The Nigerian Context

### 2.5. An Overview of Nigerian Taxation

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<sup>76</sup>Kimel M, “How Tax Rates Affect Investment and Consumption a Look at the Data” (2011), online at:<  
<http://www.businessinsider.com/howtaxratesaffectinvestmentandconsumptionlookatthedata201111>>

<sup>77</sup> *Ibid.* See also Abdul Latif *supra* note 70.

<sup>78</sup> Levin Ross, “Stock Markets, Growth, and Tax Policy” (1991), *The Journal of Finance*, Vol. 46, Issue 4.

<sup>79</sup> Gale W.G et al, “The relationship between taxes and growth at the state level: New evidence” (2015), *National Tax Journal*, 68:4, p. 919–942 as cited in *Ibid.* 45

<sup>80</sup> *Ibid.*

<sup>81</sup> Steven F Koch et al, “Economic Growth and the Structure of Taxes in South Africa: 1960 - 2002” (2002)., See also *Ibid.* 45

<sup>82</sup> *Ibid.* at 72; See also Abdul Latif *supra* note 70

Taxation in Nigeria could be traced as far back as 1904. The year personal income tax came into being under the administration of the colonial masters.<sup>83</sup> Since inception, taxation in Nigeria has continued to revolve<sup>84</sup> but with all its potentials as a progressive instrument for sustainability of national development but Nigerian tax system is far from actualizing its objectives.<sup>85</sup> However, Nigeria has continued to invest in the use of strategic taxation to achieve economic growth and sustainability.

## 2.6. The National Tax Policy 2012

The Nigerian government in its quest to strengthen the economy through taxation formed a study group in 2002 to review the Nigerian tax system and come up with relevant suggestions that could foster a more excellent tax policy and well developed tax administration in the country.<sup>86</sup> The group after a long and wide range of consultations in 2012 came up with the National Tax Policy. The National Tax Policy 2012 is a document which sets out comprehensive measures for taxation and other related matters.<sup>87</sup> It also expresses the ambition and aspiration of the Nigerian government in becoming one of the twenty largest economies in the world<sup>88</sup>

In 2016, four years after, the development of the National Tax Policy, the Nigerian government agreed to adopt the new strategies contained in the document. Giving its influence, it is imperative to examine this document.

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<sup>83</sup> Eze Judith Chinwendu, "Effectiveness of Taxation as an Instrument for control of Money in Circulation", (Master of Business Administration, University of Nigeria, 2012) [Unpublished].

<sup>84</sup> *Ibid.*

<sup>85</sup> Federal Executive Council (Nigeria), Final Draft on National Tax Policy 2012. Available online at:<  
<http://9jalegal.com.ng/downloads/Cases/Tax/Nationaltax%20policy%20document.pdf>>

<sup>86</sup> *Ibid.*

<sup>87</sup> *Ibid.*

<sup>88</sup> National Tax Policy, Federal Ministry of Finance, 2016. Available at:<  
<http://pwcnigeria.typepad.com/files/revised-ntp-28-sep-2016.pdf>>

## 2.7. The Rationale for National Tax Policy

Over the years, our efforts to diversify the Nigerian economy and reduce our dependency on oil resources that are subject to price fluctuations in the world market have not been successful due to lack of specific policy direction for tax matters in Nigeria and the absence of laid down procedural guidelines for the operation of the various tax authorities.<sup>89</sup>

It is important to state that the rationale for having a credible and robust tax policy goes beyond the monoculture nature of the Nigerian economy.<sup>90</sup> Other economic shortcomings call for redemption including sustainable economic growth and development.<sup>91</sup> A perennial problem in the tax collection, multiple taxations power cuts across the three levels of government and lack of accountability for the remission of tax revenue and clarity on taxation powers of each level of government.<sup>92</sup> Collectively, these impact the investment climate in Nigeria negatively.<sup>93</sup>

Another important rationale for coherent tax policy is the nature of the country's tax system which is tripartite in structure bothering on policy, law, and administration.<sup>94</sup> The need for a tax policy strategy reflects the need to create an effective system. This is pivotal for economic development.<sup>95</sup>

National Tax Policy can serve as a platform to tackle the tax challenges in the country. However, it is a mere document, and failure to implement it adequately will by no means

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<sup>89</sup> *Ibid.* at 85

<sup>90</sup> *Ibid.*

<sup>91</sup> *Ibid.*

<sup>92</sup> *Ibid.*

<sup>93</sup> *Ibid.*

<sup>94</sup> Mark Anthony C Dike, "An Overview of the Nigerian Tax System: Implications for Foreign Investors by President and Chairman of Council of the Chartered Institute of Taxation of Nigeria of Nigeria (CITN) at the Nigerians in Diaspora Organization (NIDO) UK South Investment Conference on the 17th –18th March 2014".

<sup>95</sup> *Ibid.*

benefit the country.<sup>96</sup> A collective will to implement the policy as envisaged, harness and deploy resources will enhance economic growth, good quality of life for all Nigerians.<sup>97</sup>

## 2.8. The Objectives of National Tax Policy

The National Tax Policy set out the guidelines for the smooth and orderly development of the Nigeria tax system.<sup>98</sup> The document sets out the following objectives:<sup>99</sup>

- (a). guide the operation and review of the tax system;
- (b). provide the basis for future tax legislation and administration;
- (c). serve as a point of reference for all stakeholders on taxation;
- (d). Provide a benchmark on which stakeholders shall be held accountable;
- (e). provide clarity on the roles and responsibilities of stakeholders in the tax system;
- (f). promote fiscal responsibility and accountability;
- (g). facilitate economic growth, development, and stabilization;
- (h). provide the government with stable resources for the provision of public goods and services;
- (i). address inequalities in income distribution.
- (j). pursue fairness and equity; and
- (k). correct market failures.<sup>100</sup>

### 2.8.i. National Tax Policy and its Implementation Measures

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<sup>96</sup> Federal Executive Council (Nigeria) Final Draft on National Tax Policy *supra* note 86.

<sup>97</sup> *Ibid.*

<sup>98</sup> Taiwo Oyedele et al, "Nigeria's New National Tax Policy: A new dawn or another false start?" Online:< <https://www.pwc.com/ng/en/assets/pdf/new-national-tax-policy.pdf>>; See also National Tax Policy, "Federal Ministry of Finance" (2016); online at:< <http://pwcnigeria.typepad.com/files/revised-ntp-28-sep-2016.pdf>>

<sup>99</sup> *Ibid.* at 86; See also Taiwo Oyedele *supra* note 96.

<sup>100</sup> *Ibid.* at 85; See also Regulatory Services & Review Committee, "Inside the new National Tax Policy" (March 1, 2017). This set of objectives were couched by the national tax policy review committee inaugurated on 10 August 2016 by the finance minister with the mandate given to the committee to review and update the National Tax Policy. The mandate also includes recommending a workable implementation strategy. Notably, the committee completed its assignment and on 29 September 2016 submitted the revised Policy to the finance minister.

The National Tax Policy sets out some measures for effective tax administration in Nigeria:<sup>101</sup>

- i. The establishment of a National Tax Policy Implementation Committee saddle with the responsibility of monitoring compliance, regularly review the Policy and suggesting appropriate recommendations;
- ii. Recognition of only one Revenue agency by the Nigerian government per each level of government in order to streamline revenue administration and improve the efficiency of revenue collection;
- iii. Establishing an Office of Tax Simplification to foster continuous improvement of the country's tax legislation and administration;
- iv. Forming a reporting framework through heads of relevant MDAs can give periodic reports to the Ministry of Finance on the level of implementation of the National Tax Policy. While the minister of finance will, in turn, report the status of implementation periodically to the National Economic Council;
- v. Developing Key Performance Indices by the tax authorities in Nigeria towards attaining one of the top 50 position on the global index in term of ease payment of taxes by the year 2020 along with having consistent improvement in ranking;
- vi. Establishment of a Taxation Committee by the National and State Houses of Assembly to encourage the Taxation Committee on focusing on tax matters and in conjunction with the Tax Policy Implementation Committee;
- vii. Promoting tax awareness and a tax culture in Nigeria, with the Federal and State tax authorities through the Joint Tax Board setting aside a uniform day as Tax Day in Nigeria;
- viii. Establishment of administrative framework by the tax authorities for adopting amnesty and whistleblowing as part of the strategies for curbing evasion and widening the tax net in Nigeria;
- ix. Proposed an Establishment Act for the Joint Tax Board towards strengthening and repositioning the development of the Nigeria tax system through broader mandate beyond its current advisory role;
- x. Recognizing the importance of Independent National Electoral Commission shall by necessary Regulation and Rules mandate political parties to articulate, prepare, provide and make public their tax agenda before and during election campaigns with the aim of

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<sup>101</sup> Final Draft on National Tax Policy 2012, *supra* note 83., See also Taiwo Oyedele *Supra* note 96.

helping the taxpayers to know the preferences of each party on tax matters and take an informed decision;

- xi. Qualification for the lower income tax rate applicable to small businesses and its review in line with the present economic realities. To also encourage reduction of the income tax rate for small businesses as a form of incentive to foster compliance and promote Micro, Small and Medium Enterprises (MSMEs);
- xii. Introduction of a minimum threshold for Value Added Tax (VAT) registration to protect microbusinesses; and
- xiii. Establishing a form of collaboration between the Ministry of Finance and Ministry of Justice towards sponsoring a bill for the establishment of a tax court as an independent body to adjudicate in tax matters.

In placing side by side the tax policies and the implementation measures mentioned above, there is no iota of doubt that they are promising, but the big question is in what way have they contributed to the growth and sustainability of the Nigerian economy? It is apt to state that they are far from producing the desired results due to the challenges be delving them.

## 2.8. ii. National Tax Policy and its Sustainable Development Drive

The concept of sustainable development is defined as the “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”<sup>102</sup> Sustainable development as a cardinal drive of the national tax policy aimed at having a well-structured revenue generation system capable of meeting the needs of the present generation of Nigerians without jeopardizing the needs and interests of the future generations coming behind.<sup>103</sup>

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<sup>102</sup> Gro H Brundtland, *Our Common Future: Report of the World Commission on Environment and Development*, 1987) 4:1 United Nations Comm 300. Available at: <<http://www.un-documents.net/our-common-future.pdf>>; See also Rachel Emas, “The Concept of Sustainable Development: Definition and Defining Principles” (2015) Br GSDR 1. Available at: <[https://sustainabledevelopment.un.org/content/documents/5839GSDR%202015\\_SD\\_concept\\_definiton\\_rev.pdf](https://sustainabledevelopment.un.org/content/documents/5839GSDR%202015_SD_concept_definiton_rev.pdf)>

<sup>103</sup> *Ibid.* See also Water Leal Fiho et al., “Towards a Sustainable Bioeconomy: Principles, Challenges and Perspectives” (2018), Springer Intl. Publishing. Available at: <<https://link.springer.com/book/10.1007%2F978-3-319-73028-8>>

Generally, a stable tax system will avail sustainable revenue which in turn provide the citizens (taxpayers) with public benefits such as good roads, hospital, educational system, job and employment creations, investment opportunities among others.<sup>104</sup> As it stands, Nigeria is seen as a mono-product economy with heavy dependence on oil revenue which could be traced to the economic history of the country.<sup>105</sup> Considering the present state of the Nigerian economy, it is crystal clear that the country's economy calls for instant diversification.<sup>106</sup> A well robust tax structure will assist the government to shift focus from reliance on oil to other sectors towards boosting the country's economy.<sup>107</sup>

Each level of government, i.e., federal, states and local governments all have significant roles to play about the fiscal policies, reforms and implementations measures as the revenue sharing formula, tax system, and administration must be fair, transparent and equitable to all and sundry. This will foster a sense of belonging and the spirit of compliance among the citizens; attract investment viability and infrastructural development.

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<sup>104</sup>Neil Brooks & Thaddeus Hwong, "The Social Benefits and Economic Costs of Taxation", A Report of Canadian Centre Policy Alternatives (CCPA), December 2006). Available at:< [https://www.taxjustice.net/cms/upload/pdf/Benefits\\_and\\_Costs\\_of\\_Taxation.pdf](https://www.taxjustice.net/cms/upload/pdf/Benefits_and_Costs_of_Taxation.pdf)>; Cornelius M Ojong et al, "The Impact of Tax Revenue on Economic Growth: Evidence from Nigeria" (2016) 7:1 32; See also Chandra Pasma, Taxes and the Common Good, A CPJ Backgrounder on Taxation, Publication of Citizens for Public Justice 2011). Available at:< [https://www.cpj.ca/files/docs/CPJ\\_backgrounder\\_on\\_taxation.pdf](https://www.cpj.ca/files/docs/CPJ_backgrounder_on_taxation.pdf)>

<sup>105</sup> Robert O. Dode, "Nigeria Mono-Product Economy & The Global Economic Recession: Problems & Perspectives (2012), Vol. 12 Iss. 11. Global Journals Inc. Available at:< [https://globaljournals.org/GJHSS\\_Volume12/6-Nigeria-Mono-Product-Economy.pdf](https://globaljournals.org/GJHSS_Volume12/6-Nigeria-Mono-Product-Economy.pdf)>

<sup>106</sup> Maria Chinecherem Uzonwanne, "Economic Diversification in Nigeria in the Face of Dwindling Oil Revenue" (2015) 6:4 61. Online:< <http://iiste.org/Journals/index.php/JEDS/article/viewFile/19994/20522>>; Michael Chugozie Anyaehie & Anthony Chukwudi Areji, "Economic Diversification for Sustainable Development in Nigeria" (2015) 5: March Open J Polit Sci 87, online: <[http://file.scirp.org/pdf/OJPS\\_2015030609345277.pdf](http://file.scirp.org/pdf/OJPS_2015030609345277.pdf)>; Adams Oluwadamilola Kemi, "Diversification of Nigeria Economy through Agricultural Production" (2016) 7:6 104. Online:< <http://www.iosrjournals.org/iosr-jef/papers/Vol7-Issue6/Version-3/N070603104107.pdf>>; See also Onodugo Ifeanyi Chris et al, "Diversification of the economy: A panacea for Nigerian economic development" (2015) May 477.

<sup>107</sup> Oyewo Babajide Michael, "Taxation and Tax policy as government strategy tools for Economic development in Nigeria" (2013) 13:5 34. Online:<<http://www.iosrjournals.org/iosr-jbm/papers/Vol13-issue5/E01353440.pdf>>; See also Nwadiakor Eugene & Ekezie Chineze Abigail, "Effect of Tax Policy on Economic Growth in Nigeria (1994-2013)" (2016) 7:1 50. Online:<<http://ijba.sciedupress.com>>

It is, however, doubtful if the National Tax Policy has been able to actualize its objectives considering the systemic problems confronting the Nigerian tax administration. This will be considered in the next chapter.

## **2.9. Chapter Two Observations**

The chapter is divided into two by looking at taxation policy from both the general and Nigerian context. It reveals the significance of taxation as a tool capable of enhancing economic efficiency, encourage investment and redistribution of wealth among taxpayers in the country. The chapter also examines the connection between taxation and economic growth. It shows the impact of taxation on the economy which could either be positive or negative.

The chapter considers the National Tax Policy (NTP), its objectives, and sustainability drive towards attaining a sustainable economy in Nigeria. It concludes by establishing taxation policy as a tool for shaping and boosting the economy.

## CHAPTER THREE: THE SYSTEMIC PROBLEMS OF TAXATION POLICY IN NIGERIA

### 3.0. Introduction

The word "policy" is not a tightly defined concept but a highly flexible one, used in various ways on numerous occasions. Webster's Dictionary defines it as: -

A definite course or method of action selected (by government, institution, group or individual) from among alternatives and in the light of given conditions to guide and, usually, to determine present and future decisions; A specific decision or set of decisions designed to carryout such a course of action; and A projected programme consisting the of desired objectives and the means to achieve them.<sup>1</sup>

Tax policy guides the orderly development of the laws and administration of tax. It forms the foundation of the tax system.<sup>2</sup> It is therefore pertinent to state that where tax policies are weak or inconsistent, the entire tax system is bound to be dysfunctional.<sup>3</sup>

Most importantly, the world in which we live is revolving and to keep pace with this change; tax systems must not be static but evolving as well.<sup>4</sup> As mentioned in the previous chapter, taxation remains a veritable tool for national development.<sup>5</sup> Hence, a well-structured tax policy can go a long way in stimulating the economic growth and guarantee job creation through its

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<sup>1</sup> Food and Agriculture Organization of the United Nations (FAO), Animal feed resources for small-scale livestock producers- Corporate Document Repository. Available at:< <http://www.fao.org/wairdocs/ilri/x5547e/x5547e05.htm>> (accessed on October 18, 2017).; See also Manual of ILCA, Livestock Policy Analysis, International Livestock Research Institute Addis Ababa, Ethiopia, May 1995). Available at: [https://pdf.usaid.gov/pdf\\_docs/PNABW979.pdf](https://pdf.usaid.gov/pdf_docs/PNABW979.pdf)>

<sup>2</sup> See CISLAC, Policy Brief on Expanding the Tax Base in the Nigerian Informal Sector, A Publication of Civil Society Legislative Advocacy Centre. Available at:<<http://maketaxfair.net/assets/policy-brief-on-informal-sector.pdf>>

<sup>3</sup> *Ibid.*

<sup>4</sup> Australian Tax Reform Commission, Tax reform: A better way The Case for an Australian. Available online at:< [http://www.ey.com/Publication/vwLUAssets/EY-tax-reform-a-better-way/\\$FILE/ey-tax-reform-a-better-way.pdf](http://www.ey.com/Publication/vwLUAssets/EY-tax-reform-a-better-way/$FILE/ey-tax-reform-a-better-way.pdf)>

<sup>5</sup> Oliver Ike Inyama et al, "Relevance of Tax Revenue Resources to Infrastructural Development of Nigeria" (2017) 5:10 74.; See also Nwadiakor Eugene & Ekezie Chineze Abigail, "Effect of Tax Policy on Economic Growth in Nigeria (1994-2013)" (2016) 7:1 50. Available at:< <https://www.arcjournals.org/pdfs/ijmsr/v5-i10/7.pdf>>

influence on investment and capital formulation in the economy.<sup>6</sup> Aside from being a cardinal source of generating revenue for the government, taxation avails the citizens with the opportunity to access goods and services.<sup>7</sup> In this regard, implementation and reform are keys to the tax system. They drive equity, effectiveness, and efficiency which are conditions for healthy public revenue.<sup>8</sup> According to Harrison, “taxes as they are, will not actualize any macro objective for the economy without having tax re-engineering and reforms approach before such an objective can be realized.”<sup>9</sup> Moreover, it is apt to state that the formation of policy in itself is not sufficient without enjoying the necessary legislative and administrative backing that could propel its effectiveness and efficiency. No wonder Bird states that “policy change without administrative change is nothing.”<sup>10</sup> Bird’s postulation as well captured the view of Milka Casanegra de Jantscher<sup>11</sup> who said that “tax administration is tax policy.”<sup>12</sup>

Nigeria in its tax administration adopted some policies to tackle the issues of tax system and collection in the country<sup>13</sup> such as: the introduction of the Taxpayers Identification Number (TIN)<sup>14</sup>; Automated Tax System to track individual taxpayer’s positions and challenges;

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<sup>6</sup> Halima Funmilola Olodo, “A Critical Analysis of Tax Sector Reforms in Nigeria from 1972-2012” (Master of Laws (LL.M) Thesis, Ahmadu Bello University, Zaria, Nigeria, 2014) [Unpublished]; See also Federal Executive Council (Nigeria), Final Draft on National Tax Policy 2012.

<sup>7</sup> *Ibid.*

<sup>8</sup> *Ibid.*

<sup>9</sup> See Harrison, F. “Tax Policy and Investment” (2002), Cicinati Free Press. Cited in Port Harcourt et al, “Tax Reforms in Nigeria: Case for Value Added Tax (VAT)” (2015) 9:39 277., See also Omesì Israel & Nuka Peter Nzor, “Tax Reforms in Nigeria: Case for Value Added Tax (VAT)” (2015), Vol. 9(4), No. 39. Available at: <<http://dx.doi.org/10.4314/afrev.v9i4.21>>

<sup>10</sup> Mohammed Abdullahi Umar & Nyende Festo Tusubira, “Challenges of Tax Administration in Developing Countries: Insights from the 5th Annual Tax Administration Research Centre Workshop, 2017.” (2017) 3 108.

<sup>11</sup> He is a fiscal expert and former deputy director of the IMF’s Fiscal Affairs Department in the 1980s and 1990s.

<sup>12</sup> Umar & Tusubira, *supra* note 11.

<sup>13</sup> See Abiola Fajimi, “Key Issues and Challenges of Nigerian Taxation System” (2017). Available online at: <[www.pml.com.ng/key-issues-challenges-nigerian-taxation-system/](http://www.pml.com.ng/key-issues-challenges-nigerian-taxation-system/)>

<sup>14</sup> Taxpayer Identification Number (TIN) was launched by the former President of the Federal Republic of Nigeria in person of Goodluck Jonathan on 5th April, 2012 at the Council Chambers in Abuja. The launching was done in harmonization with National Tax Policy. The set of goals of the Taxpayer Identification Number (TIN) are as follow: i. The scheme aimed at having reliable and centralized information on all taxpayers in the country which could, in turn, facilitate the adequate sharing of among the tax authorities in the country; ii. The scheme also aimed at creating a platform that is broad enough to adequately cater for the registration and allocation of the unique taxpayer identification number U-TIN geared towards having an effective and efficient tax administration

Launching of an e-payment system to encourage smooth payment procedure and reduce the incidence of tax tout in the country<sup>15</sup>; Voluntary Assets and Income Declaration Scheme (VAIDS)<sup>16</sup>; transferability of funds to provide effective protection for foreign investor in an enterprise in Nigeria, the Nigerian Investment Promotion Commission Act guarantees “unconditional transferability of funds through authorized dealer in freely convertible currency of, dividends or profit (net of taxes) attributable to the investment; payment in respect of loan servicing where a foreign loan has been obtained; remittance of proceeds (net of all taxes) and other obligations in the event of a sale or liquidation of the enterprise or any interest attributable to the investment.”<sup>17</sup>

The policies are promising. However, the big question is in what way have they contributed to the growth and development of the Nigerian economy? Therefore, this chapter will examine the systemic problems bedeviling taxation in Nigeria regarding its implementation and the need for reform.

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process in the country; iii. The scheme also aimed at automating tax registration activities at all levels of governments (federal, states and local governments) to guaranty a sustainable avenue for revenue generation. See Joint Tax Board (JTB), online: Joint Tax Board (JTB) online:<<http://www.jtb.gov.ng/president-goodluck-jonathan-launches-tin-taxpayer-identification-number>> (accessed on February 01 2018); See Busayo O. Oke, “Taxpayers Rights Protection in Nigeria” (MA International Taxation, University of London, 2011/2012) [Unpublished].

<sup>15</sup> *Ibid.* See also CISLAC, “Expanding the Tax Base in the Informal Sector in Nigeria” Available at:<<http://www.maketaxfair.net/assets/policy-brief-on-informal-sector.pdf>>

<sup>16</sup> EXECUTIVE ORDER NO . 004 OF 2017. Voluntary Assets & Income Declaration Scheme, 2017): The objective of the scheme is to increase the number of taxpayers in the tax net and raise revenue. Most especially, to: i. Increase Nigeria’s tax to GDP ratio from the current 6% to between 10% and 15%; ii. Broaden the national tax base; iii. Curb non-compliance with existing tax laws; and iv. Discourage illicit financial flows and tax evasion. See also PWC, “Voluntary Assets and Income Declaration Scheme (VAIDS) has been launched” (2018) June 2017.

<sup>17</sup> See Section 24 of the Nigerian Investment Promotion Commission Act, Chapter N117 (formerly known as Decree No 16 of 1995). Available at:<<http://www.nigerialaw.org/Nigerian%20Investment%20Promotion%20Commission%20Act.htm>>; See also Oyewo Babajide Michael, “Taxation and Tax policy as government strategy tools for Economic development in Nigeria” (2013) 13:5 34.

### 3.1. Systemic Challenges to the Implementation of Taxation Policy in Nigeria

#### 3.1. ai. Administrative Barrier

This is one of the problems confronting the Nigerian tax system as regards the actualization of its set goals and objectives. As earlier mentioned by Bird: “a policy change without administrative change is nothing.”<sup>18</sup> It is also said that “since the best tax policy in the world is worth little if it cannot be implemented effectively, tax policy design must as well take into account the administrative dimension of taxation.”<sup>19</sup> Often, tax administration suffers some form of limitations regarding having the well-trained personnel, relevant tools, and machinery for the discharge of its responsibilities.<sup>20</sup> Moreover, the lack of the administrative capacity in the Nigerian tax sector also stands as an impediment militating against the efforts of government in raising the adequate revenue needed for the economic growth and sustainability of the country.<sup>21</sup> Poor remuneration packages also get the personnel discouraged and caused them not to adequately give their very best when carrying out the task assigned to them.<sup>22</sup> It could also be observed that out of the numbers that formed the tax workforce in Nigeria, a very few numbers are professionals, while a large percentage of them are

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<sup>18</sup> Umar & Tusubira, *supra* note 11.

<sup>19</sup> See Heather Kerr et al, “Tax Policy in Canada” (2012), Canadian Tax Foundation Print, Canada., See also Richard M. Bird & J. Scott Wilkie, “Designing Tax Policy: Constraints and Objectives in an Open Economy” (2012) April. Available online at:<<https://icepp.gsu.edu/files/2015/03/ispwp1224.pdf>> (accessed July 19, 2018).; See also Binh Tran-Nam et al., “eJournal of Tax Research” (2013), Vol. 11 No. 3. Available at:<[https://www.business.unsw.edu.au/research-site/publications-site/ejournaloftaxresearch-site/Documents/eJTR\\_Vol11-No3\\_2013.pdf](https://www.business.unsw.edu.au/research-site/publications-site/ejournaloftaxresearch-site/Documents/eJTR_Vol11-No3_2013.pdf)>

<sup>20</sup> John Olushola Magbadelo, “Reforming Nigeria??s federal civil service: Problems and prospects” (2016) 72:1 India Q 75.

<sup>21</sup> Leyira Christian et al, “READ Tax System in Nigeria – Challenges and the Way Forward” (2012) 3:5 Res J Financ Account 9. Available at:<[www.iiste.org](http://www.iiste.org)>.; See also Anthony Obayi Onyishi et al, “Problems of personnel management in Nigeria: The Nigerian local government system experience” (2012) 1:16 Arab J Bus Manag. Rev (OMAN Chapter Arab J Bus Manag. Rev (OMAN Chapter) 36. Available at: <[https://www.arabianjbm.com/pdfs/OM\\_VOL\\_1\\_\(6\)/3.pdf](https://www.arabianjbm.com/pdfs/OM_VOL_1_(6)/3.pdf)>.

<sup>22</sup> Abiola Sanni, “Multiplicity of Taxes in Nigeria: Issues, Problems and Solutions” (2012) 3:17 Internaltional J Bus Scocial Sci 286, online: <[www.ijbssnet](http://www.ijbssnet)>.

mere supportive staff.<sup>23</sup> This very trend seems terrible for the Nigerian tax sector where a high level of expertise and professional services are required.<sup>24</sup> Hence, the tax administration is feeble regarding workforce, data coverage and having up to date information.<sup>25</sup>

### 3.1.a.iii. **Distinction Between Administrative and Tax Reform**

It is apt to distinguish between administrative and tax reform. Tax reform is regarded as ‘the process of changing the way taxes are collected or managed by the government and is usually undertaken to improve tax administration or to provide economic or social benefits.’<sup>26</sup> Israel Omesi defines “tax reform as the series of action taken by the government (Nigeria) to promote the tax system.”<sup>27</sup> He refers to an ongoing process where tax policymakers and tax administrators continually adopt the tax systems to reflect the change in economic, social and political circumstances of the country.<sup>28</sup> Regarding administrative reform, there is no universally accepted definition, but there is a fundamental consensus among scholars and researchers of public administration who believed that improvement to administrative capability and capacity in developing countries, are essential to achieving national goals.<sup>29</sup> Administrative reform could also

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<sup>23</sup> Ademola Eytipe Ojo & Francis Olukayode Oladipo, “Tax And Taxation In Nigeria: Implications on The Construction Industry Sector” (2017) 5:4 Int J Civ Eng Constr Estate Manag 44.

<sup>24</sup> The tax officials most times are not expose to adequate and regular training to keep them abreast of the developments and new happenings in tax sector nationally and globally.

<sup>25</sup> James Abiola & Moses Asiweh, “Impact of Tax Administration on Government Revenue in a Developing Economy – A Case Study of Nigeria” (2012) 3:8 Int J Bus Soc Sci 99, online: <[www.ijbssnet.com](http://www.ijbssnet.com)>.; See also Richard Bennet, “A Change Agent in the Tax Office: Nigeria’s Federal Inland Revenue Service, 2004 - 2009” (2004).

<sup>26</sup> Wikipedia The Free Encyclopedia, “Taxation in New Zealand”. Available online at:<[https://wikivisually.com/wiki/Taxation\\_in\\_New\\_Zealand](https://wikivisually.com/wiki/Taxation_in_New_Zealand)> and <[https://en.wikipedia.org/wiki/Tax\\_reform](https://en.wikipedia.org/wiki/Tax_reform)> (accessed on October 19, 2017).

<sup>27</sup> Omesi Israel *supra* note 9; See also Port Harcourt et al, “Tax Reforms in Nigeria : Case for Value Added Tax ( VAT )” (2015) 9:39 277.

<sup>28</sup> Nwosu M Eze et al, “The Challenges and Imperative of Tax System Reform in Nigeria” (2016) 8:3 Intl J Econ Financ 151. Available at: <<http://ccsenet.org/journal/index.php/ijef/article/view/57651>>.

<sup>29</sup> Hj Malek Shah & Mohd Yusoff, “An Overview of the Administrative Reform in the Malaysian Public Service” (1976). Available at:<<http://unpan1.un.org/intradoc/groups/public/documents/apcity/unpan003924.pdf>>

be both an event and a process. It is an event based on the fact that it had a beginning and associated with time and personalities, who are saddled with the responsibility of formulating and implementing the reform policies, or governments themselves.<sup>30</sup> On the other hand, it is a process in the sense that when it commences, its implementation becomes a process until the set objectives are achieved or not, and other reforms are made or until it becomes internalized and becomes a routine work.<sup>31</sup>

Administrative capability in Nigeria is complicated by conflict of interest among the three tiers of government (federal, states and local governments) in Nigeria when it comes to tax collection and policies implementation. Often, this leads to double taxation. There is lack of efficiency and high display of nonchalant attitudes on the part of the tax administrators' as a result of their belief that there exist certainly revenue in the oil sector to be shared on a monthly basis.<sup>32</sup> to this effect, they care less.<sup>33</sup>

### 3.1. b. **Corruption on the part of Tax Officials**<sup>34</sup>

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<sup>30</sup> *Ibid.* at 7

<sup>31</sup> *Ibid.*

<sup>32</sup> Echekoba Felix Nwaolisa & Ezu Gideon Kasie, "The Effect of Poor Implementation of Tax Policies on Developing Economies : a Study of Nigerian Economy , ( 1999-2010 )" (2012) 1:2 Rev Public Adm Manag 26.

<sup>33</sup> *Ibid.*

<sup>34</sup> It is said that "the degree of corruption and reckless misappropriation of public fund with impunity on the part of the government officials also served as another bane to the development of the Nigerian economy. Nigeria being the Africa's biggest oil producer with a daily output of 2.6 million barrels at peak production, it however saddens one's heart that the country still commands a long history of severe power shortages being caused by insufficient capacity and problems with transmission lines. In a bid to address Nigeria's intractable power crisis, former President Olusegun Obasanjo committed about \$16 billion to the sector, during his eight-year rule. The administration had targeted the goal of 10,000 megawatts of electricity by the end of it's tenure in 2007." However, it is unfortunate, that power generation still remained stagnant and epileptic in Nigeria to date. See Voice of America (VoA), "Nigerian Lawmakers Probe \$16 Billion Spending on Power" (November 01, 2009). Online:< <https://www.voanews.com/a/a-13-2008-02-12-voa36/404906.html>> (accessed 18 January 2017); See Action Aid Nigeria, "Corruption and Poverty in Nigeria" A Report, 2015). Available online at:<[http://www.actionaid.org/sites/files/actionaid/pc\\_report\\_content.pdf](http://www.actionaid.org/sites/files/actionaid/pc_report_content.pdf)>; See also Michael M Ogbeidi, "Political Leadership and Corruption in Nigeria Since 1960: A Socio-economic Analysis" (2012) 1:2 J Niger Stud 1. Available at:<[http://www.unh.edu/nigerianstudies/articles/Issue2/Political\\_leadership.pdf](http://www.unh.edu/nigerianstudies/articles/Issue2/Political_leadership.pdf)>; See also PricewaterhouseCoopers Ltd, "Impact of Corruption on Nigeria's Economy", 2016). Available at:<<https://www.pwc.com/ng/en/assets/pdf/impact-of-corruption-on-nigerias-economy.pdf>>

Corruption also thrives highly regarding reforms to tax administration in Nigeria.

Tax revenues are necessary for any state to meet the basic needs of its citizens. In Africa, tax revenues will be essential for establishing independent states of free citizens, less reliant on foreign aid and the vagaries of external capital.<sup>35</sup>

However, as a result of high degree of corrupt practices in Nigeria both in the tax and other sectors of the country's economy, the very pivotal role of taxation in the nation and economic development seems to be far from realization.<sup>36</sup> The rationale for saying this can be hinged on the adverse effects of corruption on an organization, society or nation as a whole.

According to Léonce Ndikumana, corruption causes severe waste and misallocation of financial, human, and natural resources; hence, retarding growth and social development.<sup>37</sup> It is also regarded as “the abuse of public interest and the undermining of public confidence as regards integrity of rules, systems, and institutions which are designed to foster public interest.”<sup>38</sup> Also, the United Nations Office on Drugs and Crime reported that “in Nigeria, it is quite alarming to hear that nine out of every ten pay bribes to public officials in Nigeria (to which tax officials are among) in cash.”<sup>39</sup> The report further revealed that the whole amount of bribes paid to public officials in the country within the space of twelve (12) months came up to ₦400 billion (Nigerian

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<sup>35</sup> Richard Murphy & John Christensen, “Tax Us If You Can” (2013) 2nd Tax Justice Netw 68. Available at:< [http://www.taxjustice.net/cms/upload/pdf/tuiyc\\_africa\\_final.pdf](http://www.taxjustice.net/cms/upload/pdf/tuiyc_africa_final.pdf)>

<sup>36</sup> Fatima Bintaharuna et al, “Implementation of Single Treasury Account : Towards Curbing Corruption in Nigeria for Good Governance” (2017) 22:11 11., See also Africa Tax Spotlight, “Taxation and Gender: Why Does It Matter? Quarterly Newsletter of Tax Justice Network Africa. Available at:< [http://www.taxjustice.net/cms/upload/pdf/Africa\\_Tax\\_Spotlight\\_5th\\_edition.pdf](http://www.taxjustice.net/cms/upload/pdf/Africa_Tax_Spotlight_5th_edition.pdf)>

<sup>37</sup> Léonce Ndikumana, “The private sector as culprit and victim of corruption in Africa.” (2013) 330 PERI Work Pap. Available at:< [http://www.peri.umass.edu/fileadmin/pdf/working\\_papers/working\\_papers\\_301-350/WP330.pdf](http://www.peri.umass.edu/fileadmin/pdf/working_papers/working_papers_301-350/WP330.pdf)>

<sup>38</sup> *Ibid.* at 35.

<sup>39</sup> UNODC, “Corruption in Nigeria - Bribery: Public Experience and Response”; A Report by Data Development and Dissemination Unit of the United Nations Office on Drugs and Crime (UNODC), July 2017) 131. Available at:< [https://www.unodc.org/documents/data-and-analysis/Crime-statistics/Nigeria/Corruption\\_Nigeria\\_2017\\_07\\_31\\_web.pdf](https://www.unodc.org/documents/data-and-analysis/Crime-statistics/Nigeria/Corruption_Nigeria_2017_07_31_web.pdf)>

Naira).<sup>40</sup> The amount that exchanged hands by way of bribes is said to be equivalent to thirty-nine percent (39%) of the entire federal and state education budgets combined for the year 2016.<sup>41</sup> Also, according to News24 online released on September 2016, it stated that in the recent push of the Nigerian government to sanitize and ward off the system of corrupt practices about tax evasion and avoidance, the government identified 700,000 firms that have never paid taxes.<sup>42</sup>

Therefore, in taking the aforementioned into account, the issue of the fight against corruption and corrupt practices within the tax sector and other sectors of the country is non-negotiable. Hence, such must not be handled with a kid glove treatment but rather be accorded a serious approach both political and administrative wise. It is by so doing that Nigeria can transform its tax system and make it attractive, viable and fits for generating the needed revenue for economic growth and sustainability.

### 3.1. c. **Legislative Barrier**

The fact that tax policy in Nigeria is to create the basic principles guiding the orderly development of the country's tax system in attaining its overall objectives indicates that the legislative process along with legislatures or statutes being promulgated in the country is pivotal to the success or otherwise of the formulated tax policies in Nigeria.<sup>43</sup> According to Tanzi<sup>44</sup> "tax system itself is often a source of corruption, particularly in those cases where the underlying legislation is unclear or otherwise difficult to

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<sup>40</sup> *Ibid.*

<sup>41</sup> *Ibid.*

<sup>42</sup> GAN Business Anti-Corruption Portal, "Nigeria Corruption Report" (May 2017) Online:<<https://www.business-anti-corruption.com/country-profiles/nigeria>>

<sup>43</sup> Final Draft & Federal Executive Council, "National Tax Policy". Available at:<<http://pwc-nigeria.typepad.com/files/revised-ntp-28-sep-2016.pdf>>

<sup>44</sup> Tanzi Vito, "Corruption Around the World, Causes, Consequences, Scope, and Cures" (1998), IMF Staff Papers, Vol. 45, No. 4, 559-594.

understand, presumably giving tax inspectors and auditors considerable leeway in interpretation. Hence, unclear tax laws will give rise to unwholesome ‘compromise’ between tax inspectors and taxpayers.”<sup>45</sup> It is so pathetic that Nigeria’s tax system is typified by distortion, complexity, and largely inequitable taxation laws.<sup>46</sup> The economy is dominated by informal sectors.<sup>47</sup> It must also be pointed out that a sizeable number of tax laws are obsolete.<sup>48</sup> Therefore, attainment of sustainable economic growth will be little if not practically impossible except the obsolete tax laws are reviewed on a regular basis.<sup>49</sup> This, in turn, will spur the tax personnel and government officials managing the tax revenue to imbibe accountability and transparency.<sup>50</sup> Also, it is revealed that administrative cost for compliance with the tax laws, especially as the complicated tax laws increase compliance cost constitutes a serious burden to the taxpayers.<sup>51</sup>

In light of the preceding, tax legislation is highly crucial to the success or otherwise implementation of tax policy in Nigeria.

### 3.1. d. **The dominance of Informal Economy**

Informal economy could be described as “activity that falls outside the purview of government accounting, which is known by various names; such as shadow, informal,

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<sup>45</sup> Augusto López Claros, “Removing Impediments to Sustainable Economic Development The Case of Corruption” (2013) November.

<sup>46</sup> Ayodele Odusola, “Tax policy reforms in Nigeria” (2006). Online:<  
<https://www.wider.unu.edu/sites/default/files/rp2006-03.pdf>>

<sup>47</sup> *Ibid.*

<sup>48</sup> Federal Ministry of Finance, National Tax Policy (2016)., online:<  
<http://pwc-nigeria.typepad.com/files/revised-ntp-28-sep-2016.pdf>>

<sup>49</sup> G N Ogbonna & Appah Ebimobowei, “Impact of tax reforms and economic growth of Nigeria: A time series analysis” (2012) 4:1 *Curr Res J Soc Sci* 62. Online:<<http://maxwellsci.com/print/crjss/v4-62-68.pdf>>

<sup>50</sup> *Ibid.*

<sup>51</sup> *Ibid.* at 43

hidden, black, underground, gray, clandestine, illegal and parallel.”<sup>52</sup> One striking feature of this sector is that of being highly characterized by under-regulation and predominantly falling outside the purview of the government.<sup>53</sup>

The prevalence of informal economy in Nigeria triggers a high rate of tax non-compliance.<sup>54</sup> Also, as a result of the informal economy, most of the business transactions are carried out in cash as some of the establishment would not even accept bank cheques in exchange for transaction monies.<sup>55</sup> Since most of the transactions are in cash, it creates an avenue for the businessmen to manipulate their business records and conceal taxable profits.<sup>56</sup> Generally, an informal economy opens a floodgate for tax evasion, and Nigeria is not exempt from this ugly trend.<sup>57</sup> The issue of tax evasion remains one of the most serious threats to revenue generation and the entire economic system of a Nation.<sup>58</sup> It is said that tax evasion can influence misleading of allocation of resources and income redistribution if viewed through the lens of market perfection principle.<sup>59</sup> The resultant of which the expected economic growth of the country ends up being stagnant and also prevents it from the reach of socio-economic impact and benefits to the public.<sup>60</sup> Another feature of the informal economy is that of inadequate

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<sup>52</sup> Suresh N. Shende, “Informal Economy, the Special Tax Regime for Small Micro Businesses: Design and Implementation”. Online:<<http://unpan1.un.org/intradoc/groups/public/documents/un/unpan006632.pdf>>

<sup>53</sup> Olaitan Veronica, “The Informal Sector and Tax Revenue Drive: A Nigerian Case Study” (Master of Economic, University of Winnipeg, 2016) [Unpublished]

<sup>54</sup> See Okoye V.C. Pius et al, “Promoting Sustainable Tax Compliance in the Informal Sector in Nigeria” (2012), online at:<<https://www.researchgate.net/publication/275712576>>

<sup>55</sup> *Ibid.*

<sup>56</sup> *Ibid.*

<sup>57</sup> Ohaka John & D John, “Taxation and Sustainable Development in Nigeria : Informal Sector Challenges” (2015) 6:10 249.

<sup>58</sup> Sani Saidu & Umar Dauda, “Tax Evasion and Governance Challenges in the Nigerian Informal Sector” (2014) 2:5 J Financ Econ 156, online: <<http://pubs.sciepub.com/jfe/2/5/4/index.html>>.

<sup>59</sup> *Ibid.*

<sup>60</sup> Zakariya Gurama et al, “Tax Evasion and Nigeria Tax System : An Overview” (2015) 6:8 Res J Fimance Account 202. Available at:<<http://repo.uum.edu.my/16182/1/88.pdf>>

data collection (information)<sup>61</sup> that translate into not having adequate information about the taxpayers. This is also one of the prevalent situations that give rise to tax evasion and avoidance in Nigeria.<sup>62</sup> Therefore, the author suggests that the government should endeavour to embark on formulating policies that will address the prevalence of informal economy in Nigeria towards eradicating corruption and promoting accountability and transparency in the country.<sup>63</sup>

### 3.1. e. Multiple Taxation

“One of the difficulties or frustration you find, from business people is where they have to pay similar taxes at the local, state and federal levels. There is a lot of duplication even from State to State. You see people moving goods from Sokoto State to Lagos, and by the time they do that, they are made to pay similar taxes along the way at various inter-state and local government checkpoints”- Senator Bukola Saraki.”<sup>64</sup>

The issue of tax multiplicity is identified as a major problem being faced in Nigeria.<sup>65</sup> Often, individuals (taxpayers) and corporate bodies complain about duplication of taxes and the adverse effects of such on them and their businesses.<sup>66</sup> This problem is mostly occasioned by the mismatch of fiscal powers or jurisdiction which exist among the

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<sup>61</sup> Muzainah Mansor, “Factors Influencing Tax Evasion in Gombe State Nigeria” (2016) 89, online: <<http://www.futureacademy.org.uk/files/images/upload/ISSC 2016 13.pdf>>.

<sup>62</sup> PricewaterhouseCoopersLtd, “Impact of Corruption on Nigeria’s Economy” (2016) PWC Rep 1., online:<<https://www.pwc.com/ng/en/assets/pdf/impact-of-corruption-on-nigerias-economy.pdf>>; See Mansor, *supra* note.

<sup>63</sup> David U Enweremadu, “Anti-Corruption Policies in Nigeria” (2014) Exp Mol Pathol, online: <<http://www.pubmedcentral.nih.gov/articlerender.fcgi?artid=3956479&tool=pmcentrez&rendertype=abstract>>.

<sup>64</sup> This statement was made by Senator Bukola Saraki, President of the Senate of the Federal Republic of Nigeria at the inauguration of the Technical Committee on Reforming Nigeria’s Tax System at the National Assembly in Abuja, Nigeria. See Adelove.com, Online Newspaper, at:<<http://adelove.com/2018/03/28/saraki-condemns-multiple-taxation-in-nigeria/>> (accessed on March 28 2018). See also Vanguard, “Saraki Calls for Reviews of Nigeria’s Tax Laws” (March 28, 2018). Available at:<<https://www.vanguardngr.com/2018/03/saraki-calls-review-nigerias-tax-laws/>>

<sup>65</sup> Sanni, *supra* note 23.

<sup>66</sup> *Ibid.*

levels of government, i.e., the federal, states and local government in the course of discharging their fiscal responsibilities.<sup>67</sup>

It also means payment of similar taxes on the same tax base. For instance, paying of Information Technology Tax (NITDA Levy), Education Tax, Companies Income Tax, Nigerian Content Development Levy all of which are based on income or proceeds; or Sales Tax (which is known as Value Added Tax in Nigeria) and Hotel Consumption Tax all based on sales.<sup>68</sup> This is highly discouraging and most times end up creating tax apathy in the prospective taxpayers.<sup>69</sup>

To address this issue of multiple and numerous taxation, the earmark taxes cut across all the levels of government in the country should be pruned down to the barest minimum and more importantly ensure that the approved list of taxes as contained in the Constitution of the Federal Republic of Nigeria 1999 (as amended) should be strictly adhere to by all tiers of government.<sup>70</sup> Moreover, more importantly, when the government and relevant stakeholders in the country are trying to implement tax policy or carry out tax reforms the issue of multiple taxations must be taken into consideration.

### 3.1. f. **Non-Diversified Economy**

The monoculture nature of the Nigerian economy is no doubt standing in the way of having a successful implementation of tax policy in Nigeria towards the attainment of a sustainable economy. It is therefore not surprising to see the present administration striving towards having the country's sources of revenue diversified by trying to

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<sup>67</sup> Christian et al, *supra* note 22.

<sup>68</sup> PricewaterhouseCoopers, "Top 50 Tax Issues" (2010) October.

<sup>69</sup> Abiola & Asiweh, *supra* note 26.

<sup>70</sup> Ndikumana, *supra* note 38.

increase the tax to Gross Domestic Product (GDP) ratio.<sup>71</sup> In actualizing this fit, there is a need for a total overhauling of the Nigerian tax policy.<sup>72</sup> However, Nigeria like other developing nations of the world is facing a plethora of challenges such as poverty, low standard of living, unemployment, among others.<sup>73</sup> This unpalatable and harsh reality threatens economic sustainability in the country.<sup>74</sup> However, it is an established fact all over the globe that for a nation to actualize its potential, growth and development, its must explore economic diversification.<sup>75</sup> Economic diversification is capable of attracting investors in all sectors and expanding the revenue base of the country for optimum revenue generation.<sup>76</sup> Moreover, a move in this direction will take Nigeria out of the mono-product state of the economy and avail the government the opportunity to maximize other potential sources of revenue in the country.<sup>77</sup>

### 3.1. g. **Lack of Speedy Adjudication of Tax Dispute**

...a government's success or failure to levy or collect tax rests primarily upon the honesty of taxpayers.<sup>78</sup>

It is believed that one of the constituents that occasions dishonesty on the part of taxpayers could be traced to the complexity of the tax system of a given country.<sup>79</sup> It suffices to say that at in every nation where the government imposes a tax on its citizens, there are bound to be tax disputes (tax litigations or cases) be it as a result of assessment

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<sup>71</sup> *Ibid.* at 50

<sup>72</sup> *Ibid.*

<sup>73</sup> P Omagbon, CL Oriaifoh & AO Enova, "Poverty and Unemployment and Corruption in Nigerian Public Sector" (2016) 2:2 IIARD Int J Econ Bussines Manag 79.

<sup>74</sup> *Ibid.*

<sup>75</sup> Ovwiroro Akpomujere, "Contemporary Issues in Diversification of Nigerian Economy through Entrepreneurship" (2017) 04:02 40.

<sup>76</sup> *Ibid.* at 70

<sup>77</sup> *Ibid.*

<sup>78</sup> Ruanda Oberholzer & EM Stack, "A Customised Scale for the Measurement of Taxpayers' Perceptions" (2011), online: <<http://www.g-casa.com/conferences/zagreb/papers/Oberholzer.pdf>>., See also R Oberholzer & E M Stack, "Possible reasons for tax resistance in South Africa: A customised scale to measure and compare perceptions with previous research" (2014) 40:2 Public Relat Rev 251.

<sup>79</sup> Oberholzer & Stack, *supra* note.

discrepancies or the would-be taxpayer feeling that the taxes are too high.<sup>80</sup> Therefore, tax disputes could be seen as a normal part of a system of taxation based on the rule of law.<sup>81</sup> In this regards, some countries (Nigeria inclusive) do experience a high volume of tax litigation resulting in huge numbers of litigation challenging tax assessments.<sup>82</sup> The most pathetic aspect is the delay in having these disputes resolved due to lack of judicial capacity stemming from lack of tax court, an insufficient number of required judicial personnel or expertise and this keep on resulting in delay and poor quality of decisions taken.<sup>83</sup>

In light of those above, the author believes that there is an urgent need for the Nigerian government to ensure that the country establishes special constitutionally recognized tax or revenue courts (that could serve as courts of the first instance and possibly as appellate courts cut across the country to bridge these identified gaps). More importantly, this will foster the implementation of tax policy in the country because the Nigerian tax system is a formation of tax policy, tax laws, and the tax administration.<sup>84</sup>

### 3.2. The Need for Tax Reform in Nigeria

Change is one constant thing which is guaranteed. Government change has to do with the policy areas which they wish to influence. Revenue required by governments change. Businesses change how and where they operate. Consumers change how they consume. Some of this change is itself driven by a tax system. As a tax system is a connecting

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<sup>80</sup> KPMG, "Nigerian Tax Journal -2017" February 2017. Available online at: <<https://assets.kpmg.com/content/dam/kpmg/ng/pdf/tax/ng-nigerian-tax-journal.pdf>>

<sup>81</sup> Oberholzer & Stack, *supra* note.

<sup>82</sup> Olumide K Obayemi, "Tax litigation in Nigeria and a review of recent Nigerian court decisions on taxation" (2014) 5:24 Res J Financ Account 162. Online: <<http://www.iiste.org/Journals/index.php/RJFA/article/viewFile/18505/19049>>; See Wells Fargo et al, "Litigation Update" (2017) 15:1 5., online at <<http://www.advocaat-law.com/assets/resources/d65c72bfee563a6fc63b3e4987bd8e9a.pdf>>

<sup>83</sup> Isabel Espejo Poyato & Victor Thuronyi, "How Can an Excessive Volume of Tax Disputes Be Dealt with?" (2013) December IMF Tax Law Notes.

<sup>84</sup> Abiola & Asiweh, *supra* note 26.

thread within a fluctuating economy, it too must also constantly change.<sup>85</sup>

Therefore, the rationale behind tax reforms is to widen the tax base, minimize the tax burden on the taxpayers, rekindle the confidence of the taxpayer on the tax system and foster voluntary compliance on the part of the taxpayer.<sup>86</sup> The complexity, inelasticity, inequitable and unfair tax structure in Nigeria made tax reform so imperative.<sup>87</sup> Also, the World Bank has this to say about tax reforms:

The essence of tax reforms be it developing, or developed countries of the world are to bring about reduction or eradication of fiscal deficits through the appropriate restructuring of the tax system to attract higher revenue or to improve the revenue elasticity or buoyancy of the tax structure. Summarily put, tax reform is a deliberate design to increase revenue, improve efficiency, and promote equity.<sup>88</sup>

In a broad sense, the rationale for tax reform is said to be in twofold, and they are as follow:

First, as part of structural adjustment, tax reform is designed to reduce severe distortions in economic incentives and the resulting inefficiencies and inequities in the allocation of resources; and second, as part of efforts to stabilize the economy, tax reform, in tandem with cuts in public expenditure, may be needed to generate public revenue in a reasonably non-distorting, equitable, and sustainable manner.<sup>89</sup>

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<sup>85</sup> Tax Reform Commission, "Tax reform: A better way The Case for an Australian". Online:<[http://www.ey.com/Publication/vwLUAssets/EY-tax-reform-a-better-way/\\$FILE/ey-tax-reform-a-better-way.pdf](http://www.ey.com/Publication/vwLUAssets/EY-tax-reform-a-better-way/$FILE/ey-tax-reform-a-better-way.pdf)>

<sup>86</sup> Harcourt et al, *supra* note 28., Omes Israel *supra* note 9.

<sup>87</sup> Israel Omes et al, "Nigerian Tax System and Administration: Implications of Multiple Taxation on the Economy" (2014) 6:37 237. According to Israel, the following have also been identified as the rationale for tax reform in the country: i. To bridge the gap between the national development needs and the funding of the needs; ii. The need to ensure taxation as a fiscal policy instrument to achieving improved service delivery to the public; iii. To improve on the level of tax derivable from non-oil activities, vis-a-vis revenue from oil activities; iv. To constantly review the tax laws to reduce/manage tax evasion and avoidance; v. To improve the tax administration to make it more responsive, reliable, skillful and taxpayer friendly; vi. To achieve other fiscal objectives., See also Omes Israel *supra* note.

<sup>88</sup> Harcourt et al, *supra* note 28., See also Wayne Thirsk, "Lessons from Tax Reform: An Overview" (1991) 57. Online:<<http://documents.worldbank.org/curated/en/543461468776963732/pdf/multi-page.pdf>>

<sup>89</sup> See The International Bank for Reconstruction and Development/THE WORLD BANK, "Lessons of Tax Reform" (A Publication of the World Bank September, 1991).

It is expedient to note that political, economic and social minefield through which tax reform must tread is of no doubt challenging.<sup>90</sup> Therefore, there is a need for caution when such measures are to be considered by the policymakers. This postulation could be more appreciated from the statement credited to Jeffrey Owens<sup>91</sup> and Bert Brys<sup>92</sup> as regard what is expected of the policymakers when embarking on a tax system reform: -

“When reforming tax systems, policymakers have to weigh up the different goals that tax systems try to achieve. Policymakers will have to balance the efficiency and growth-oriented objectives of tax reform with their distributional impact. The impact of tax reforms on revenues, tax avoidance and evasion and tax compliance and enforcement costs will have to be taken into account. The impact on sub-central levels of government, the transitional costs of changing tax systems and complex timing issues will also have to be considered as well as the different administrative, institutional and political environment factors.”<sup>93</sup>

It is quite unfortunate that a large number of policy changes in Nigeria consistently failed in the aspect of giving adequate consideration to taxpayers, administrative arrangement, and cost coupled with the existing taxes.<sup>94</sup>

Stemming from the above, it becomes expedient for the Nigerian government to pay serious attention to its tax and fiscal policies, more importantly, its reform, in the sense that they play crucial roles in influencing the economy.<sup>95</sup> They also determine the increase or decrease in

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<sup>90</sup> EY-Tax Insights for Business Leaders No 13, “Focus on Developing Economies” Publisher: EYGS LLP on behalf of EY Global Tax May, 2015. Available at:< <https://taxinsights.ey.com/system-admin/editions/tax-insights-issue-13-low-res-5-mb.pdf>>

<sup>91</sup> Professor, Director of the WU Global Tax Policy Center (WU GTPC) Vienna University of Economics and Business Cambridge University. For more about Jeffrey Owens; see online at:< <https://www.wu.ac.at/en/taxlaw/institute/staff/professors/prof-dr-jeffrey-owens/>>

<sup>92</sup> Bert Brys is Senior Tax Economist, Head of the Country Tax Policy Team and Head of the Personal and Property Taxes unit in the Tax Policy and Tax Statistics Division of the OECD’s Centre for Tax Policy and Administration. For more details about Bert Brys profile is online at:< <http://www.oecd.org/tax/tax-policy/bert-brys.htm>>

<sup>93</sup> Jeffrey Owens & Bert Brys, “Tax Policy Reform and Economic Growth” (2010) OECD Tax Policy Studies No. 20, online: <<https://www.oecd.org/ctp/tax-policy/46605695.pdf>>.

<sup>94</sup> Abiola & Asiweh, *supra* note 26.

<sup>95</sup> Raymond A Ezejiofor & Felix Nwaolisa, “Tax as a fiscal policy and manufacturing company’s performance as an engine for economic growth in nigeria” (2015) 3:3 1.

savings, investments, production efficiency and the labour force.<sup>96</sup> Also, tax policy is highly significant to fiscal consolidation strategy to guide against any form of a decline in economic activity.<sup>97</sup> It is therefore apt to state that in an attempt to carry out a reform of the Nigerian tax system, such must be well planned to address all the gaps attached to it to accommodate the needed transformation. Not only this, the Nigerian government should as well pay attention to its fiscal policy while trying to implement its tax policy.

### 3.3. Fiscal Policy Tool and its relevance to Economic Sustainability

Fiscal policy is the use of government spending and taxation to influence the level of aggregate demand and economic activity.<sup>98</sup>

According to Olivier Blanchard and others, sustainability, reflects the dynamics of the government budget, spending and the constraint attached.<sup>99</sup> Therefore, the issue of government spending on goods and services must be accorded attention by considering its nominal debt and nominal interest in line with the current tax rate in the country.<sup>100</sup> To this effect, it could be said that macroeconomic policy plays a fundamental role in promoting viable and sustainable economic stability in a country.<sup>101</sup> An economy in crisis calls for a

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<sup>96</sup> Nwadior Eugene & Ekezie Chineze Abigail, "Effect of Tax Policy on Economic Growth in Nigeria (1994-2013)" (2016) 7:1 50.

<sup>97</sup> See Matthias Burgert & Volker Wieland, "The role of tax policy in fiscal consolidation: Insights from macroeconomic modelling" (2013); contained in the European Economy paper by Savina Princen and Gilles Mourre titled: The role of tax policy in times of fiscal consolidation Economic Papers 502 of August 2013. Available at: <[http://ec.europa.eu/economy\\_finance/publications/economic\\_paper/2013/pdf/ecp502\\_en.pdf](http://ec.europa.eu/economy_finance/publications/economic_paper/2013/pdf/ecp502_en.pdf)>

<sup>98</sup> Lorraine Corner, "Women, Men and Economics: The Gender Differentiated Impact of Macroeconomics". Available at: <<http://docplayer.net/31906796-Women-men-and-economics.html>>; See tutor2u, "Macroeconomic policy Fiscal Policy" 33. Available at: <[https://www.tutor2u.net/\\_legacy/assets/samples/qa-edexcel6EC02.pdf](https://www.tutor2u.net/_legacy/assets/samples/qa-edexcel6EC02.pdf)>; See also M A Abata, et al., "Fiscal/Monetary Policy and Economic Growth in Nigeria: A Theoretical Exploration." (2012) 1:5 Int J Acad Res Econ Manag Sci 75.

<sup>99</sup> Olivier Blanchard, "The Sustainability of Fiscal Policy : New Answers to An Old Question" (1991) May 2014.

<sup>100</sup> *Ibid.*

<sup>101</sup> See Rakić B et al, "The Effectiveness of Monetary and Fiscal Policy in Serbia" (2013), *Industrija*, Vol.41, No.2, online at: <<https://scindeks-clanci.ceon.rs/data/pdf/0350-0373/2013/0350-03731302103R.pdf>>

fiscal response.<sup>102</sup> Nigerian economy needs to revamp and having the relevant fiscal policy tool is instrumental to its actualization.

Ionela Popa and Diana Codreanu, list a number of fiscal tools instrumental to economic stability:<sup>103</sup>

### **Reflationary Fiscal Policy**

This is a fiscal policy tool that can be used in strengthening the level of economic activity in the country more importantly in the time of recession. This could be achieved by way of reducing taxes or increasing government expenditure when the occasion calls for it.<sup>104</sup> A tool like this could be vital to addressing implementation of credible tax or fiscal policy in Nigeria towards achieving a sustainable economy.

### **Deflationary Fiscal Policy**

The implementation of this fiscal tool is the opposite of reflationary fiscal policy. Often, during the period of economic boom, the country's economy is bound to experience growth that might transients its normal capacity, inflation and balance of payment problems.<sup>105</sup> In such a situation, the government could harness this very tool by increasing the taxes or by reducing government expenditure. Though, one could not simply conclude that fiscal policy is a most vital tool to achieve financial correction and consolidation by the government. However, the potency of this tool could not be jettisoned as it is recognized as a vital tool in the hands of governments

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<sup>102</sup> Padoan P. C, "Fiscal Policy in the Crisis: Impact, Sustainability, and Long-Term Implications" (2009), ADBI Working Paper 178. Available at:<<http://www.adbi.org/working-paper/2009/12/14/3418.fiscal.policy.crisis/>> (accessed July 23, 2018).

<sup>103</sup> Ionela Popa & Diana Codreanu, "Fiscal Policy and its role in ensuring Economic Stability" (2010) MPRA Paper No. 20820, p 2-3. Available at:< <http://mpr.ub.uni-muenchen.de/20820/>>

<sup>104</sup> *Ibid.*

<sup>105</sup> *Ibid.*

coupled with the apex banks around the world.<sup>106</sup> Hence, the tool is capable of determining the direction and shape which a country's economy will take.

### **Expansionary Fiscal Policy**

This fiscal policy tool entails the combination of the two mentioned tools, i.e., reflationary and deflationary fiscal policy tools. In the sense that, it aims at boosting the economy demand and output directly or indirectly.<sup>107</sup> It is direct when the government decides to increase its expenditures, while on the other hand, it is indirect as the government reduces its tax to encourage private consumption and investment spending.<sup>108</sup> For example, a tax cut by way of an investment tax credit geared towards reducing the cost of investment is capable of aiding firms and businesses to structure their spending in a manner that will allow them to take advantage of the tax credit put in place by the government<sup>109</sup>. Hence, any fiscal action that will be embarked upon by the government must take into consideration the impact of fiscal policy on the economy.

A step in the above fiscal policy direction becomes imperative for the Nigerian government, in the sense that the transformational impact of today's fiscal policy will as well depend on how it affects the citizens' expectations about future government spending and taxes.<sup>110</sup>

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<sup>106</sup> *Ibid.*

<sup>107</sup> *Ibid.*

<sup>108</sup> *Ibid.*

<sup>109</sup> Bhanupong Nidhiprabha, "Lessons from Thailand 's Fiscal Policy \* Lessons from Thailand ' s Fiscal Policy \*" (2017) October.

<sup>110</sup> *Ibid.*

### 3.4. **Chapter Three Observations**

This chapter generally examines the systemic problems of taxation policy in Nigeria. It also reveals the need for tax administration reform in Nigeria. It concludes by drawing out the relevance of fiscal policy tools to having a sustainable economy.

## CHAPTER FOUR: ECONOMIC DIVERSIFICATION AND TAX POLICY IN CANADA: THE EXPERIENCE, CHALLENGES, AND PROSPECTS

### 4.0. An Overview of Canada's History

Canada's sesquicentennial, the 150th anniversary of Confederation, is an important milestone for a country that was the first parliamentary federation and has grown to be one of the most successful countries in the world with enviable economic performance and quality of life.<sup>1</sup>

Canada is situated in the northern part of North America. It has ten provinces and three territories which span from the Atlantic to the Pacific and northward into the Arctic Ocean with about 3.85 million square miles (approximately 9.98 million square kilometres). In terms of land mass, it is the world's largest country.<sup>2</sup> The system of government in Canada is generally viewed from the perspective of possessing three levels of governments (the federal, provincial, and municipal) but by the constitutional provisions, the municipalities are subsumed under the provincial jurisdiction.<sup>3</sup> By the British North America Act of 1867, the Dominion of Canada came into being.<sup>4</sup> A territory which at that time consisted of Ontario, Quebec, Nova Scotia, and New Brunswick.<sup>5</sup> Later in the year 1870, the province of Manitoba joined the federation, followed by British Columbia in 1871, and Prince Edward Island in 1873.<sup>6</sup> In subsequent years, Alberta and Saskatchewan were formed out of the Northwest Territory precisely in the year 1905. Then later in 1946, Newfoundland & Labrador joined the league of the federation.<sup>7</sup> As it

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<sup>1</sup> In continuation of the above statement, it is said of Canada as follows: "that one of the key determinants of economic, political, and social success for any country is the quality of its institutions, and Canada has been blessed with stable political institutions, a market economy, and general quality of government that has allowed its people to flourish and achieve its potential." See Livio Di Matteo, "A Federal Fiscal History: Canada, 1867–2017" (2017) February. Available at:< <https://www.fraserinstitute.org/sites/default/files/federal-fiscal-history-canada-1867-2017.pdf>>

<sup>2</sup> Wikipedia, The Free Encyclopedia. Online:<<https://en.wikipedia.org/wiki/Canada>> (accessed 5 February 2018)., See also Flamingo Travel Pvt Ltd., "Canada General Information". Available at:< <https://www.flamingotravels.co.in/country-guide/canada-information.html>>

<sup>3</sup> Matteo, *supra* note 1.

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*

<sup>7</sup> *Ibid.*

stands today, the Canadian federation is made of 10 provinces and three territories, i.e. (the Yukon, the Northwest Territories, and Nunavut), which are under the administration of the federal government. Regarding municipalities, Canada has 3,664 and as well as 617 First Nation communities.<sup>8</sup>

Canada is an advanced, commanding fifteenth-highest nominal per capita income globally and as well ranked tenth-highest in the area of Human Development Index.<sup>9</sup> The country relies chiefly on its abundant natural resources and well-developed international trade networks making it the tenth-largest advanced economy in the world.<sup>10</sup> Notably, Canada is an oil and gas producing country (which made it similar to Nigeria) with the 3rd largest oil reserves in the world.<sup>11</sup> It provides nearly 5 percent of global crude oil and 5 percent of global natural gas, making it the world's 4th and 5th largest producer of each product respectively.<sup>12</sup> A government witness once said that “the Canadian oil and gas sector contributes about \$137 billion annually by way of exports (representing about 8 percent of gross domestic product (GDP) and thereby creating about 200,000 direct jobs across the country.”<sup>13</sup> For instance, in the year 2014 crude oil exports from Canada amounted to \$70 billion out of the country's \$85 billion net energy

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<sup>8</sup> *Ibid.*, See also Wikipedia, The Free encyclopedia, “Federation of Canadian Municipalities”, Online at:<[https://en.wikipedia.org/wiki/Federation\\_of\\_Canadian\\_Municipalities](https://en.wikipedia.org/wiki/Federation_of_Canadian_Municipalities)>; See also Indigenous and Northern Affairs Canada, 2018, online:<<https://www.aadnc-aandc.gc.ca/eng/1100100010002/1100100010021>>

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*

<sup>11</sup> James Maloney, “The Future of Canada's Oil and Gas Sector: Innovation, Sustainable Solutions and Economic Opportunities”. Report of the Standing Committee on Natural Resources September 2016). Available at:<<https://www.ourcommons.ca/Content/Committee/421/RNNR/Reports/RP8406183/rnnrrp02/rnnrrp02-e.pdf>>; See also National Energy Board of Canada, “Canada's Energy Future 2016) 1. Available:<<https://www.neb-one.gc.ca/nrg/ntgrtd/ftr/2016/2016nrgftr-eng.pdf>>

<sup>12</sup> Maloney, *supra* note 10.; See also National Energy Board of Canada, *supra* note 10.

<sup>13</sup> Maloney, *supra* note 10.; OECD/CAF/ECLAC, “Latin American Economic Outlook 2018: Rethinking Institutions for Development” (2018), OECD Publishing, Paris. Available at:<[https://repositorio.cepal.org/bitstream/handle/11362/43514/1/LEO2018\\_en.pdf](https://repositorio.cepal.org/bitstream/handle/11362/43514/1/LEO2018_en.pdf)>; See also RNNR Evidence, 1st Session, 42nd Parliament, 9 March 2016 (Frank Des Rosiers, Assistant Deputy Minister, Innovation and Energy Technology).

export revenues while natural gas exports, on the other hand, accounted for \$11 billion of the total revenues.<sup>14</sup>

However, it is worthy of note that despite the significance of the oil and gas sector to the growth and sustainability of the Canadian economy, the government of Canada is not placing sole reliance on its oil revenue (an unfortunate path the Nigerian government has been treading for so long).<sup>15</sup> For this reason, it is an instinctive model for Nigeria as Canada revenue is diversified.

#### 4.1. **Economic Diversification: The Canadian Experience**

Foremost, it must be mentioned that the Canadian economy at some points also experienced challenges such as fall in commodity prices and the energy sector in particular.<sup>16</sup> This adversely affected the Canadian economy to the extent that business investment dropped sharply in the energy sector leading to employment decline in most of the oil-producing provinces.<sup>17</sup> However, in the midst of these challenges, Canada became more resolute and ensured that pragmatic fiscal policies were put in place to boost all Canadians' incomes, foster productivity, promote sustainability and living standards.<sup>18</sup> Moreover, as mentioned that in the midst of

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<sup>14</sup>*Ibid.*, See National Energy Board, Canadian Energy Overview 2014 – Energy Briefing Note, 2. Available at:<<https://www.neb-one.gc.ca/nrg/ntgrtd/mrkt/vrvw/archive/2014/index-eng.html?=&wbdisable=true>>

<sup>15</sup>Abubakar Adamu, "The Impact of Global Fall in Oil Prices on the Nigerian Crude Oil Revenue and Its Prices" (2015) 10:4 Proc Second Middle East Conf Glob Business, Econ Financ Bank 2. Online:<[http://globalbizresearch.org/Dubai\\_Conference2015\\_May\\_2/conference/psd/D508.pdf](http://globalbizresearch.org/Dubai_Conference2015_May_2/conference/psd/D508.pdf)>; See PwC, "Nigeria: Looking Beyond Oil" (2016). Available online at:<<https://www.pwc.ie/media-centre/assets/publications/2016-nigeria-looking-beyond-oil.pdf>>; See also E K Agbaeze et al, "Resolving Nigeria's dependency on oil – The derivation modelR" (2015) 7:1 J African Stud Dev 1, online: <<http://www.academicjournals.org/JASD>>. Online:<<http://www.academicjournals.org/journal/JASD/article-full-text-pdf/D12F4AA49306>>

<sup>16</sup> OECD, *OECD Economic Surveys - Canada* (2016).

<sup>17</sup> *Ibid.*

<sup>18</sup> "The federal government of Canada has a strong fiscal position, with room to support demand in the short term, speed resource reallocation and promote longer-term growth and inclusiveness." See OECD, *supra* note 16.

economic turbulence or instability, there might be calls for diversification of the economy<sup>19</sup> in order to stem the tide of such economic misfortune. To this effect, the government of Canada is proactive in embracing such a clarion call and act responsively by “expanding one or a few sectors, most commonly the manufacturing.”<sup>20</sup> As recently as 2015, the federal government resuscitated this embrace where Justin Trudeau, Prime Minister of Canada stated that:

“What manufacturers and municipalities need is a partner in Ottawa to collaborate with them to make sure that we are diversifying our economy in all sorts of different ways, so that when challenges come in one sector there are other sectors to build on and to grow on, and that’s the kind of strong leadership that Canada needs.”<sup>21</sup>

Also, the Organisation for Economic Co-operation and Development (OECD), reveals that Canada recovered from the global financial crisis more strongly when compared to most other OECD countries.<sup>22</sup> This is achieved with the aid of: “impressive rise in commodity prices being sustained until mid-2014; the comparatively strong recovery in the United States, Canada’s main trading partner; prudent banking system and supportive fiscal and monetary policies.”<sup>23</sup> According to Statistics Canada, in 2011, direct and indirect exports accounted for 2,942,400 jobs in Canada which represents 16.7% of all employment.<sup>24</sup> Ritchie, a leading Canadian trade negotiator, said that “it is no exaggeration to claim that trade policy has been arguably the most important tool of Canada’s economic development throughout the country’s history.”<sup>25</sup> In 2017, the government of Canada Council on Economic Growth recommended the need towards strengthening and boosting Canada’s economy by: “Developing a national infrastructure

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<sup>19</sup> Trevor Tombe & Robert Mansell, “If it matters, measure it: unpacking diversification in Canada” (2016) 9:36 Sch Public Policy Res Pap 1. Available online at:<<https://www.policyschool.ca/wp-content/uploads/2016/02/Diversification-in-Canada-Tombe-Mansell.pdf>>.

<sup>20</sup> *Ibid.*

<sup>21</sup> See Justin Trudeau’s Speech to the Board of Trade of Metropolitan Montreal. Available at:<<http://www.liberal.ca/speech-by-the-leader-of-the-liberal-party-of-canada-justin-trudeau-to-the-board-of-trade-of-metropolitan-montreal-2015/>>; Also cited in Tombe & Mansell, *supra* note 19.

<sup>22</sup> OECD Economic Surveys, *supra* note 16.

<sup>23</sup> *Ibid.*

<sup>24</sup> Philip Cross, “The Importance of International Trade to the Canadian Economy: An Overview” (2016) October 1.

<sup>25</sup> *Ibid.*

strategy; Attracting more foreign direct investment; Increasing and improving the immigration flows; A more focus and driven policy on innovation; Improving skills for Canadian workers; Removing barriers to greater workforce participation and Positioning of Canada as a global trading hub.”<sup>26</sup>

Still, on Canada’s economic diversification and tax policy, Canada offers one of the most favorable taxes among the G7 nations of the world.<sup>27</sup> This is to guarantee that Canada fulfils the needs of global investors and at the same time stays competitive in the global market.<sup>28</sup> Regarding tax imposition, Canada provides one of the most friendly business costs and lowest corporate taxes among the G7 nations.<sup>29</sup> It as well provides tax credits and incentives for organizations that desire to establish one business or the other in Canada.<sup>30</sup>

KPMG’s in its 2016 Competitive Alternatives guide to international business location and costs reveals that “overall business costs in Canada are the lowest in the G7 nations and come in at 14.6 percent below those in the United States. Indicating that a trio of Canada’s largest cities, i.e., Toronto, Vancouver, and Montreal ranks as the top three for cost-competitiveness among 54 major Canadian and United States cities with Metropolitan populations of two million or more.”<sup>31</sup> The guide further reveals that “Canada’s cost-competitiveness, combined with the best business environment in the G20 countries and preferential access to the world’s most prosperous markets, makes Canadian cities ideal locations for business investment.”<sup>32</sup>

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<sup>26</sup> Advisory Council on Economic Growth Government of Canada, “Unleashing the Growth Potential of Key Sectors” (2017) 1.

<sup>27</sup> The Government of Canada, “Invest in Canada-An Overview 2017 Electronic Update” (2017). Online at:<[http://www.international.gc.ca/investors-investisseurs/assets/pdfs/download/2-Flagship\\_report\\_overview.pdf](http://www.international.gc.ca/investors-investisseurs/assets/pdfs/download/2-Flagship_report_overview.pdf)>

<sup>28</sup> *Ibid.*

<sup>29</sup> *Ibid.*

<sup>30</sup> *Ibid.*

<sup>31</sup> *Ibid.*

<sup>32</sup> *Ibid.*

Tax policy has been instrumental in shaping diversification in the Canadian economy unlike Nigeria. Canada is also an oil producing country, but it has not placed its sole reliance on oil revenue.<sup>33</sup> However, has a diversified economy<sup>34</sup> coupled with a consistently well-managed tax system and assisted by fiscal policies makes it the ideal model from what Nigeria might extract broad fiscal lessons. That being said, it then proceeds to consider how Canada uses taxation to develop its economy. The discussion below begins with a brief consideration of the theory of “legal transplantation,” the question of the overall feasibility of adopting or introducing the Canadian model of the tax policy and approach to Nigeria.

#### 4.2. Theory of Legal Transplantation

“Legal transplantation” is a concept which denotes the phenomenon of borrowing legal rules and institutions from one legal system and transferring them into another.<sup>35</sup> The concept came to the limelight and caught scholars’ attention in the famous debate in the mid-1970s between Otto Kahn Freund and Alan Watson.<sup>36</sup> For a better understanding of the legal discourse on legal transplants, recourse must be made to the discussion between Kahn-Freund and Watson delivered at the 1973 Annual Chorley lecture.<sup>37</sup>

In this debate, Alan Watson acknowledges the inevitability of legal transplants.<sup>38</sup> He refers to the concept of “Legal transplantation” as “the moving of a rule or a system of law from one

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<sup>33</sup> Richard Shediak et al, “Economic Diversification-The Road to Sustainable Development” (2008), online:< <https://www.strategyand.pwc.com/media/uploads/EconomicDiversification.pdf>>.

<sup>34</sup> Tombe & Mansell, *supra* note 18.

<sup>35</sup> Antonina Bakardjieva Engelbrekt, “Legal and Economic Discourses on Legal Transplants : Lost in Translation ?” online:< <https://pdfs.semanticscholar.org/4668/1780ec4dcad585c3ff56262b48e241cdc89f.pdf>>

<sup>36</sup> *Ibid.* at 15; Otto Kahn-Freund, “On Uses and Misuses of Comparative Law” (1974), 37 *Modern Law Review* 1 at 27; See also Watson Alan, “Legal Transplants and Law Reform” (1976), 92 *The Law Quarterly Review*, p. 79-84.

<sup>37</sup> For more details, see O. Kahn-Freund, “On Uses and Misuses of Comparative Law” (1974) 37 *Modern Law Review* 1 at 27 published by Wiley-Blackwell. Online at:< <http://www.jstor.org/stable/1094713>>

<sup>38</sup> Alan Watson, “The Birth of Legal Transplants” (2012-2013) 41 *Ga J Int'l & Comp L* 605 at 607.; See also Samuel Babatunde Adeniji, “Re-defining Energy Security in Nigeria through Climate Change Risk Regulation” (Master of Laws, University of Manitoba, 2016) [Unpublished].

country to another or from one people to another.”<sup>39</sup> Watson in his comparative analysis of the concept insists on the possibility of ‘transplanting’ law without knowing or even without caring about the context of the transplanted legal rules in the ‘donor’ country.<sup>40</sup>

In the context of the same debate, Kahn-Freund proceeded with famous quotation of Montesquieu:

“The political and civil laws of each nation ... should be so closely tailored to the people for whom they are made, that it would be pure chance (un grand hazard) if the laws of one nation could meet the needs of another.”<sup>41</sup>

Kahn-Freund in his agreement with Montesquieu’s view regarding the significance of social context when dealing with the concept of legal transplantation was careful to distinguish between separate fields of law. He opines that legal rules could be ordered along a continuum ranging from rules knitted to the ‘root or organic matter’ for which the concept was appropriate, at the one end of the continuum, to rules similar to ‘mechanical matter’ where one could speak of a simple replacement of a spare part (for instance a carburetor), on the other. He, therefore, cautions that comparative analysis of law “becomes an abuse ... if it is informed by a legalistic spirit which ignores [the] context of the law.”<sup>42</sup>

Another notable scholar that lends his voice to the discourse on the concept of legal transplant is Pierre Legrand whose view is closely similar to that of Kahn-Freund. In sharing his view, he

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<sup>39</sup> Alan Watson, *Legal Transplants: An Approach to Comparative Law* (Edinburgh: Scottish Academic Press 1974) at 21.; See Adeniji *Supra note.*, See also Kviatek & Beata, *University of Groningen Explaining Legal Transplants* (2018).

<sup>40</sup> Engelbrekt, *supra* note 35.

<sup>41</sup> *Ibid.* See also Charles-Louis de Secondat Montesquieu, “De l’esprit des lois (On the Spirit of the Laws)” (1978), book I, Ch. 3, Des lois positives, online at:<<https://pdfs.semanticscholar.org/4668/1780ec4dcad585c3ff56262b48e241cdc89f.pdf>>; See also John Jupp, “Legal Transplants: Appropriate Tools for the Reform of Afghanistan’s Criminal Law Framework? An Evaluation of the Interim Criminal Procedure Code 2004 and the Counter Narcotics Law 2005” (Doctor of Philosophy, University of Sussex, 2011) [Unpublished].

<sup>42</sup> *Ibid.*, See also Pierre Legard, “The Impossibility of ‘Legal Transplants’” (1997), 4 Maastricht J. Eur. & Comp. L. 111. Available at:<<http://www.pierre-legrand.com/transplants.pdf>>

adopts a culturalist perspective in describing ‘the impossibility of legal transplants,’ and thereby rejecting the possibility for displacement from one jurisdiction to another of anything else but ‘meaningless form of words.’<sup>43</sup> He concludes by stating that, any advocacy of legal transplants is “reducing law to rules and rules to bare propositional statements.”<sup>44</sup>

However, the most fundamental and underlying issue is that whenever a country is considering the use of the theory of legal transplant, i.e., (the adoption of a legal rule or policy from another country), the recipient country needs to exercise caution not just to absorb such rules and policies hook line and sinker. But endeavour to have recourse to its comfortability and flexibility within the socio-cultural background<sup>45</sup>, geographical atmosphere, political and economic circumstances of the recipient state to make the transplantation scheme efficient and productive. The attempt to addressing the shortcomings illuminated in line with the theory of legal transplantation would, therefore, help in gleaning insights from the proposed “donor” jurisdiction(s) with the aim of infusing originality into such derived insights towards developing feasible and flexible schemes fit for the particular needs of the recipient state.

Placing the preceding discussion into Canada as donor State and Nigeria as recipient State, the following observations can be made:

Canada and Nigeria shared some similarities in following regards: both are oil producing countries<sup>46</sup>; both countries operate fiscal federalism<sup>47</sup>; both countries shared trade and

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<sup>43</sup> *Ibid.*

<sup>44</sup> *Ibid.*

<sup>45</sup> Janet Oluwadunni Shodipo, “Gas to Power: Enhancing and Optimizing the Domestic Gas Supply Obligation for Improved Power Generation and Supply in Nigeria” (Master of Laws, University of Manitoba, 2015) [Unpublished].; See also Adeniji *Supra note*.

<sup>46</sup> Michelle Luk, “How Oil-Exporting Countries Navigate Low Price Environments” (2016) December 1.

<sup>47</sup> Olumide Victor Ekanade, “Fiscal Federalism and Nigeria ’ s Development : Comparative Perspectives from Canadian Fiscal Federalism” (2011) 6:1.; Iain Mclean, “Fiscal federalism in Canada Fiscal federalism in Canada” (2003) 2004:6 1.; Ejeh Adoyi Williams & Ogbole F E Orokpo, “Fiscal Federalism in Nigeria: An Analysis of Issues and Challenges” (2014) 2:1 Lang English Freq Bi-annual Publ by 37.; Sam Ugwu, “Fiscal Federalism: The Bane of Socio-Economic and Political Development in Nigeria Sam Ugwu” 1 50.; See also House of Commons Canada,

investment relations<sup>48</sup>; both countries had one time or the other embarked on reforms towards boosting and restructuring their tax system and fiscal policies.<sup>49</sup>

Unlike Nigeria however, Canada is a country that has not allowed the nature's gift of mineral resources (mainly oil) to blindfold the government from harnessing the potentials in other sectors of the economy.<sup>50</sup> Moreover, despite the abundance of oil resources, Canada has been able to use taxation to strengthening her economy<sup>51</sup>. This could be seen through various tax policies which the country has successfully implemented.<sup>52</sup>

While the author agrees that no economy is hundred percent perfect, it is however evident that Canada has done tremendously well for herself in the area of economic diversification,<sup>53</sup> tax policy, and its implementation.<sup>54</sup> Therefore, Nigeria stands a chance of gleaning from Canadian tax policy and economic diversification experience for the actualization of economic

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"Parliamentary Task Force on Federal-Provincial Fiscal Arrangements-Fiscal Federalism in Canada" (1981) online at:< [http://publications.gc.ca/collections/collection\\_2016/parl/x2-1/XC2-321-7-01-eng.pdf](http://publications.gc.ca/collections/collection_2016/parl/x2-1/XC2-321-7-01-eng.pdf)>

<sup>48</sup> Olabisi Akinkugbe, "Background: Towards a Critical Assessment of Canadian-Nigerian Bilateral Relations" (2017) 4., See also Daniel Benatuil, "Canada – Nigeria" (2014).

<sup>49</sup> Metropolitan Montreal & Canada Date, "Tax Reform : Reducing the Risk for Our SMEs" (2017)., Bassey Okon Ebi & Oluwafemi Ayodele, "Tax Reforms and Tax Yield in Nigeria" (2017) 7:3 768.; Bev Dahlby, "Restructuring the Canadian tax system by changing the mix of direct and indirect taxes" 77., See also Herbert Grubel, "Tax Reform in Canada: Path to Greater Prosperity" (2003) Tax Reform Canada 3.

<sup>50</sup> Government of Canada, *supra* note 25. (accessed May 20 2018).; See also Advisory Council on Economic Growth, "POSITIONING CANADA AS A GLOBAL TRADING HUB" February, 2017). (accessed May 20 2018)

<sup>51</sup> Dennis Howlett, "Use the Tax System to Help Reduce Poverty and Inequality" (2013) 1. Available online at: <[http://www.parl.gc.ca/Content/HOC/Committee/411/FINA/WebDoc/WD6079428/411\\_FINA\\_IIC\\_Briefs%5CCanadiansforTaxFairnessE.pdf](http://www.parl.gc.ca/Content/HOC/Committee/411/FINA/WebDoc/WD6079428/411_FINA_IIC_Briefs%5CCanadiansforTaxFairnessE.pdf)>.

<sup>52</sup> Jason Clemens, "The Impact and Cost of Taxation in Canada: The Case for Flat Tax Reform" (2008) 208.; William B et al, "Hidden Spending: The Fiscal Impact of Federal Tax Concessions" 469.; See also Real Change, Growth for the Middle Class – The Liberal Fiscal Planning and Costing, 2015), online:< <https://www.liberal.ca/wp-content/uploads/2015/09/The-Liberal-fiscal-plan-and-costing.pdf>>

<sup>53</sup> See Western Economic Diversification Canada, 2011-12 Departmental Performance Report. Available at:<[https://www.wd-deo.gc.ca/images/cont/13823\\_\\_eng.pdf](https://www.wd-deo.gc.ca/images/cont/13823__eng.pdf)>

<sup>54</sup> OECD, "Policy Responses to the Economic Crisis : Investing in Innovation for" June 2009). Available online at:< <https://www.oecd.org/sti/42983414.pdf>>; See also Sarah Roach, "Growth in the Canadian Economy". A Policy Brief 2016). Available at:<[http://ifsd.ca/web/default/files/Policy%20Briefs/Policy%20Brief%20-%20Growth%20in%20the%20Canadian%20Economy%20\(English\).pdf](http://ifsd.ca/web/default/files/Policy%20Briefs/Policy%20Brief%20-%20Growth%20in%20the%20Canadian%20Economy%20(English).pdf)>; A Report to Canadians on Canada's Global Economic Leadership-A Report to Canadians by Canada's Economic Action Plan June 2010). Online at:< <https://www.fin.gc.ca/pub/report-rapport/2010-6/pdf/cgel-lemc-eng.pdf>> (accessed May 21 2018).; See also Clean Energy Canada, "Proof Positive the Mechanics and Impacts of British Columbia's Carbon Tax" (2008). Available online at:<<http://cleanenergycanada.org/wp-content/uploads/2014/12/Carbon-Tax-Fact-Sheet.pdf>> (accessed May 21 2018).

development and sustainability in the country. This is feasible because both countries have a tax system and administration which are almost similar (but a bit different regarding terminology and structure)<sup>55</sup> coupled with policies and legal frameworks<sup>56</sup> that at a fundamental level can trigger the needed leverage for economic development and sustainability.

Moreover, similar to the Nigerian challenges, Canada as well shared in the adverse effects of the drop in the oil price at the international market<sup>57</sup> but having a more robust tax system anchored on a credible tax policy helped in lessening the impact.<sup>58</sup> It is crucial to take cognizance of the fact that “a country whose tax system differs substantially from other countries with which it has important economic connections, may suffer (benefit) as a result.”<sup>59</sup>

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<sup>55</sup> Frazer Institute also pointed out that “it is important to know how the Canadian taxation system has evolved and under the Canadian Constitution, the federal and provincial governments are essentially given unlimited powers of taxation. For instance, Under the British North America Act, the immediate predecessor of the Canadian Constitution, the federal parliament has the power to raise money by any mode or system of taxation while the provinces are limited to collecting taxes that are paid directly by the person being taxed—so-called direct taxes. But, because of the broad judicial interpretation of the meaning of the word “direct,” the provinces have been able to levy all sorts of taxes, except for import duties and taxes on sales that cross provincial borders.” See Tax Facts 12 (Chapter 1), “The Canadian Tax System”. Available online:<<https://www.fraserinstitute.org/sites/default/files/TaxFacts12ch1.pdf>>; It should be noted that the above is similar to what is obtainable in Nigeria. In Nigeria, the government’s fiscal power is based on a three-tiered tax structure i.e. the Federal, State and Local. Therefore, under current Nigerian law, taxation is enforced by the three tiers of Government, i.e. Federal, State, and Local Government with each having its scope expressed in the Taxes and Levies (approved list for Collection) Decree, 1998”. See Laws Subsidiary Legislation, Taxes and Levies (Approved List for Collection 1998). See John A. Enahoro & Olabisi Jayeola, “Tax Administration and Revenue Generation of Lagos State Government, Nigeria” (2014) October. Available online at:<[https://www.researchgate.net/profile/Olabisi\\_Jayeola/publication/264892362\\_Tax\\_Administration\\_and\\_Revenue\\_Generation\\_of\\_Lagos\\_State\\_Government\\_Nigeria/links/543557fa0cf2dc341db0b212/Tax-Administration-and-Revenue-Generation-of-Lagos-State-Government-Nigeria.pdf](https://www.researchgate.net/profile/Olabisi_Jayeola/publication/264892362_Tax_Administration_and_Revenue_Generation_of_Lagos_State_Government_Nigeria/links/543557fa0cf2dc341db0b212/Tax-Administration-and-Revenue-Generation-of-Lagos-State-Government-Nigeria.pdf)>

<sup>56</sup> Richard Bird & Michael Smart, “Tax Policy and Tax Research in Canada” (1971) 59.; Department of Finance Canada and Canada Revenue Agency, “Federal Administration of Provincial Taxes: New Directions” January 2000). Available online at:<<https://www.fin.gc.ca/fapt-aipf/fapte.pdf>> (accessed May 21 2018).

<sup>57</sup> Alban Kitous et al, *Impact of low oil prices on oil exporting countries* (2016).; see also Enitan Odunpitan, “Effects of Crashing Crude Oil Prices on Oil Producing Countries: Nigeria’s Perspective” (Degree Programme in Business Management, Centria University of Applied Sciences 2017) [Unpublished]; See also The Canadian Chamber of Commerce, “The Impact of Oil Prices on the Canadian Economy”, Policy Brief, Economic Policy Series-June 2011). Available online at:<[https://businessinsurrey.com/wpcontent/uploads/2016/03/110621\\_The\\_Impact\\_of\\_Oil\\_Prices\\_on\\_the\\_Canadian\\_Economy.pdf](https://businessinsurrey.com/wpcontent/uploads/2016/03/110621_The_Impact_of_Oil_Prices_on_the_Canadian_Economy.pdf)>

<sup>58</sup> OECD, *supra* note 15.

<sup>59</sup> Richard M. Bird & J. Scott Wilkie, “Designing Tax Policy: Constraints and Objectives in an Open Economy Richard” (2012) April. Online:< <https://icepp.gsu.edu/files/2015/03/ispwp1224.pdf>>; See also Binh Tran-Nam et al., “eJournal of Tax Research” (2013), Vol. 11 No. 3. Available at:<[https://www.business.unsw.edu.au/research-site/publications-site/ejournaloftaxresearch-site/Documents/eJTR\\_Vol11-No3\\_2013.pdf](https://www.business.unsw.edu.au/research-site/publications-site/ejournaloftaxresearch-site/Documents/eJTR_Vol11-No3_2013.pdf)>

Therefore, it becomes imperative to state that policymakers and regulatory institutions have a crucial role to play in providing the essential information to the Nigerian government on the need for shifting from one-sided economy to a multi-faceted economy. However, for the sake of this study, the focus is on economic diversification and taxation as tools for economic sustainability.

Having established that legal transplantation could at least be a possibility for Nigeria in attaining some of the tax policies adopted by Canada and most importantly stood as the reasons for selecting Canada as a model for Nigeria to consider. The tax policies include a well-structured tax system, administration and reforms, the use of tax incentives and exemption to attract trade and investment, and foreign direct investment.

#### **4.3. Tax System and Administration in Canada**

It is expedient to know the roles being played by each level of government in the administration of tax system of the country to have a grasp of the Canadian tax system.<sup>60</sup> It will suffice to say that taxation in Canada is a shared responsibility between various tiers of government (the federal, provincials, municipal or territorial) and the enabling statutes regulating each level of government.<sup>61</sup> It could be observed that the federal and provincial governments enjoined a broader scope when it comes to the imposition of taxes.<sup>62</sup> However, in the discharge of their

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<sup>60</sup> Heather Kerr et al, "Tax Policy in Canada" (2012), Canadian Tax Foundation, at 1:3. Available at:< [http://www.ctf.ca/CTFWEB/Documents/PDF/2012/TaxPolicy\\_Chapter1.pdf](http://www.ctf.ca/CTFWEB/Documents/PDF/2012/TaxPolicy_Chapter1.pdf)>

<sup>61</sup> For instance, by virtue of the provisions of the Constitution Act, 1867, taxation powers are vested in the Parliament of Canada. See Section 91(3) of the Constitution Act, 1867 which vested in the federal government of Canada the power to or for: "The raising of Money by any Mode or System of Taxation"; Sections 92(2) and (9) respectively vested the provincial government with the power (though restricted in scope) to impose "Direct Taxation within the Province in order to the raising of a Revenue for Provincial Purposes... and Shop, Saloon, Tavern, Auctioneer, and other Licences in order to the raising of a Revenue for Provincial, Local, or Municipal Purposes." While in turn, the provincial legislatures have the power to authorize the municipal councils to levy specific types of direct tax, such as property tax. See generally Wikipedia, The Free Encyclopedia, "Taxation in Canada". Available online at:<online:< [https://en.m.wikipedia.org/wiki/Taxation\\_in\\_Canada](https://en.m.wikipedia.org/wiki/Taxation_in_Canada)> (accessed on January 27 2018).

<sup>62</sup> TaxFacts 12- by The Frazer Institute, *supra* note at 55.

given powers, the federal parliament could practically generate revenue by any mode (known to tax system) while that of the provinces are curtailed in the sense that collection of taxes at the provincial levels are based on taxes that are directly paid by persons being taxed (recognized as direct taxes).<sup>63</sup> The Frazer Institute notes that “wide judicial interpretation is given to the word “direct”, enabled the provinces to levy various types of taxes except import duties and taxes on sales which cut across provincial borders.”<sup>64</sup> They stated further that “due to the unlimited scope for taxation coupled with more than 125 years of ingenuity, it is not surprising to see Canada has a very complex tax system.”<sup>65</sup>

The Canada Revenue Agency (CRA) administers the tax system in Canada.<sup>66</sup> Federal taxes are collected by the Canada Revenue Agency (CRA). While under tax collection agreements, the CRA receives and remits to the provinces.<sup>67</sup> The government of Canada formed the Canada Revenue Agency (CRA) with the aim of achieving these two cardinal objectives:<sup>68</sup>

First, the Canada Revenue Agency is established to administer tax, and customs programs that apply to the public service.<sup>69</sup>

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<sup>63</sup> *Ibid.*

<sup>64</sup> *Ibid.*

<sup>65</sup> *Ibid.* at 62

<sup>66</sup> As explained in Wikipedia, “The Canada Revenue Agency, or Agence du revenu du Canada (CRA); previously known as Revenue Canada and the Canada Customs and Revenue Agency) is a Canadian federal agency that administers tax laws for the Canadian government: Federal, provinces and the territories. It as well oversees the international trade legislation, and various social and economic benefit and incentive programs which are delivered via the tax system. It also coordinates the registration of charities in Canada, and tax credit programmes such as the Scientific Research and Experimental Development Tax Credit Program. Its head office is situated in Ottawa and it is responsible for budgeting, planning, training of managers, rulings, reporting to the minister, and other high level functions. In terms of administrative structure, CRA is divided into 5 regions for administrative purposes, including Atlantic, Quebec, Ontario, Prairie, and Pacific. Each region has a few tax services office, which performs field works, such as audit and collections.” See Wikipedia, The Free Encyclopedia, “Canada Revenue Agency” online at:<[https://en.wikipedia.org/wiki/Canada\\_Revenue\\_Agency](https://en.wikipedia.org/wiki/Canada_Revenue_Agency)> (accessed on December 2, 2017)

<sup>67</sup> *Ibid.* at 61.

<sup>68</sup> Department of Finance Canada and Canada Revenue Agency, “Federal Administration of Provincial Taxes: New Directions”. Online:<<https://www.fin.gc.ca/fapt-aipt/fapte.pdf>>

<sup>69</sup> *Ibid.*, See also Canada Revenue Agency, “Reports on Plans and Priorities”, 2010-2011 Estimates. Available at:< <http://www.tbs-sct.gc.ca/rpp/2010-2011/inst/nar/nar-eng.pdf>>

Secondly, the agency will stand as a sole and committed agency saddled with the administration of federal, provincial, and territorial revenue programs along with other ancillary programs.<sup>70</sup> The government as well believes that the coming into existence of the agency will bring about a reduction in the cost of collecting taxes and the cost of complying with Canadian tax regimes.<sup>71</sup> It is also the view of the government of Canada that the coming into existence of the agency will accord every taxpayer the opportunity of dealing with just one agency instead of a plethora of agencies as regards all tax related matters (be it at the federal or provincial levels) and reduce the cost of compliance for taxpayers. This helped the government of Canada to achieve tax Harmonization<sup>72</sup> which will be discussed in the later part of this chapter. In Nigeria, taxpayers are faced with the hurdle of dealing with different tax agencies.<sup>73</sup>

#### 4.4. Tax Reforms in Canada

“Taxes are the price we pay for a civilized society.”- Oliver Wendell  
Homes Jr<sup>74</sup>

In as much as the previous statement is correct. The cardinal point is the ability to find the most efficient mix and structure of the tax system that supports economic expansion and job creation while providing the needed revenues for the governments.<sup>75</sup> Hence, the need for pragmatic tax policies and reforms in Canada.

The Canadian tax system has changed remarkably in the almost 150 years since Confederation, and even in the last 20 years, but so too

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<sup>70</sup> *Ibid.*

<sup>71</sup> *Ibid.* at 68.

<sup>72</sup> See Robins W. Boadway & Harry M. Kitchen, “Canadian Tax Policy” (1999), Canadian Tax Paper No. 103 3ed.

<sup>73</sup> Collins Sankay, “Multiple Tax Practices and Taxpayers’ Non-Compliance Attitude in Nigeria” (2017) January. See Collins Sankay & Envulu Filibus, “Multiple tax practices and taxpayers’ non-compliance attitude in Nigeria” (2013) 1:103 Int Res J Financ Econ 151.; See also Abiola Sanni, “Multiplicity of Taxes in Nigeria: Issues, Problems and Solutions” (2012) 3:17 International J Bus Social Sci. 286, online: <[www.ijbssnet.com](http://www.ijbssnet.com)>.

<sup>74</sup> Also cited by Jeff Saltzman, “Rain and Taxes”. Available at <<http://blog.kenexa.com>>

<sup>75</sup> Craig Alexander & Alexandre Laurin, “e -Brief Tax Reform Priorities for Canada: Creating More Income to Go Around” (2016). Online:<[https://www.cdhowe.org/sites/default/files/attachments/research\\_papers/mixed/e-brief\\_220.pdf](https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/e-brief_220.pdf)>; See also Report of the Technical Committee on Business Taxation. Available at:<<http://publications.gc.ca/collections/Collection/F32-5-1998E.pdf>>

has the Canadian economy, especially as a result of economic integration at the international level.<sup>76</sup>

Just as complexity is attached to the Nigerian tax policy and system,<sup>77</sup> Canada also has her tax complexity<sup>78</sup>. However, in considering the complex history of Canadian tax policy since the inception of the Confederation reveals how Canada has strived to put in place a more efficient tax structure.<sup>79</sup> Therefore, Canadians have continued to engage in periodic review of their tax systems and over the years brought about tremendous changes.<sup>80</sup> Below are few of the Canadian tax and fiscal commissions which have involved in the reforms and restructuring of Canada's economy.

#### 4.4.a. **Clifford Clark Commission of 1932**

In the year 1932 for instance, the federal government of Canada in an attempt to shape the country's tax policy appointed Clifford Clark (an economist) as the deputy minister. Clark applied his knowledge of economic analysis to tax policy formulation.<sup>81</sup> His efforts yielded positive results as he was practically responsible for the transformation of Canada's fiscal policy which in turn accorded the nation the opportunity of financing its spending during the war years.<sup>82</sup>

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<sup>76</sup> Heather Kerr et al, *supra* note 60.

<sup>77</sup> Edori Daniel Simeon, Edori Iniviei Simeon & Idatoru Alapuberesika Roberts, "Issues and Challenges Inherent in the Nigerian Tax System" (2017) 2:4 Am J Manag Sci Eng 52.

<sup>78</sup> See Jason Fleming, "Insights into Canadian Tax Complexity" (Canada one); online at: <<https://www.canadaone.com/assets/canadaone/files/CanadaOne-Insights-Into-Canadian-Tax-Complexity.pdf>> (accessed on May 19 2018)

<sup>79</sup> Dylan Moeller, "Canada's Trade Performance An Examination of Eight Indicators" (2012).

<sup>80</sup> *Ibid.* at 60

<sup>81</sup> *Ibid.*

<sup>82</sup> *Ibid.*

#### 4.4.b. **Royal Commission on Taxation Report of 1966**

Regarding the report, Bittker stated that:<sup>83</sup>

...the Report is marked by the lucidity of analysis, candor in exposing its presuppositions, fairness in the presentation of alternatives, and modesty in disclaiming infallibility. It is, in short, not a White Paper designed to prop up a debatable fait accompli, but a work of scholarship, culminating in recommendations for action, that frankly acknowledges when it moves beyond the boundaries of objectivity and expertise, rather than seeking to blur or shift these limits.

The report carried out a holistic survey of the Canadian tax structure and championed a total transformation in the composition.<sup>84</sup> In the course of conducting the report, the necessary approach of “a buck is a buck” which signifies that all personal wealth (the totality of commands over goods and services) represent income and such should be taxed accordingly.<sup>85</sup> The report focused more on comprehensive income tax base by suggesting that taxes should be allotted by the "discretionary economic power" of taxpaying sections which is of at least equal significance, and of higher originality.<sup>86</sup> By the principle of its discretionary economic power, the Commission asserted that taxpayer's ability to pay by the available income is subject to the discretion adopted after providing for his ideal standard of living in accordance to others.<sup>87</sup>

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<sup>83</sup> Boris I Bittker, “Income Tax Reform in Canada: The Report of the Royal Commission on Taxation” (1968) Univ Chicago Law Rev 637. Available: <  
[https://digitalcommons.law.yale.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=3423&context=fss\\_papers](https://digitalcommons.law.yale.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=3423&context=fss_papers)>

<sup>84</sup> Heather Kerr et al, *supra* note 60.

<sup>85</sup> *Ibid.*

<sup>86</sup> Bittker, *supra* note 83.

<sup>87</sup> *Ibid.*

#### 4.4.c. **Technical Committee on Business Taxation 1996**<sup>88</sup>

This committee chaired by Jack Mintz recommended a business tax structure neutral along with a cut in the rate of the corporate income tax.<sup>89</sup> As a result of the recommendation, the rate of federal corporate income tax has been from time to time subject to review and possible reduction. For instance, in 2000 the government of Canada reduced the federal income tax rate from 29 percent to 15 percent.<sup>90</sup> However, the primary objectives of constituting the technical committee are as follow:<sup>91</sup>

- (i). creating better prospects for economic growth and job creation in today's global economy;
- (ii). improving fairness so that businesses pay a fair share of the cost of public services provided to them, and
- (iii). reducing compliance and administration costs incurred by taxpayers and governments.

In the course of discharging its responsibilities as regards assessing the business tax structure in Canada, the committee adopted major review strategies which include that of the Carter Report of 1966 setting the pace for the tax system reforms in Canada to date.<sup>92</sup>

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<sup>88</sup> Precisely on March 6, 1996, the Technical Committee on Business Taxation was appointed by the Minister of Finance for the purpose of reviewing the tax system in Canada. A nine-man committee were saddle with the responsibility of assessing taxes paid by business, including corporate income, capital and payroll taxes, and personal taxes on income derived from businesses in Canada. See *Ibid.* at 75- Report of the Technical Committee on Business Taxation, December 2000; Submitted to the Honourable Paul Martin, P.C., M.P. Minister of Finance. Available Online:<[https://www.fin.gc.ca/pub/pdfs/tsrep\\_e.pdf](https://www.fin.gc.ca/pub/pdfs/tsrep_e.pdf)>

<sup>89</sup> *Ibid.* at 24

<sup>90</sup> *Ibid.*

<sup>91</sup> Report of the Technical Business Committee on Business Taxation, December 1997. Available online at:<[https://www.fin.gc.ca/pub/pdfs/tsrep\\_e.pdf](https://www.fin.gc.ca/pub/pdfs/tsrep_e.pdf)>

<sup>92</sup> *Ibid.*

According to Herbert Grubel, three conditions make tax reform imperative and possible:<sup>93</sup>

- i. That the existing tax code has become so cumbersome and complex that its operation is excessively expensive;
- ii. That changes in the economic environment have made obsolete policies that were designed to deal with once pressing economic and political issues and;
- iii. That new theoretical and empirical knowledge has accumulated and shows that the cost of the existing tax structure is unnecessarily high relative to available alternatives.

Taking a close look at the major tax policies of the government of Canada as they stand today, one will see that all reform conditions as identified by Herbert are taken into consideration. This should serve as a guide for the Nigerian government whenever embarking on tax policy formulation.

#### 4.5. **Canadian Tax Policies and their Economic Impacts**

Tax policy reflects the notable challenges attached to a tax system on the one hand, while on the other hand, it is an expedient factor for determining the short and long-term economic effects of economic well-being, output, and incomes.<sup>94</sup> Remarkably, Canada has succeeded in making tremendous improvements in relation to its tax system over the past two and half decades.<sup>95</sup> This is evident in the aspect of a major reduction of corporate income taxes, federal government adoption of a value-added sales tax system and a huge number of provinces, and the leveling of personal income tax rates, all of which have greatly advanced the efficiency and competitiveness of Canada's economy.<sup>96</sup>

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<sup>93</sup> Herbert Grubel, "Tax Reform in Canada: Path to Greater Prosperity" (2003) Tax Reform Canada 3.

<sup>94</sup> Heather Kerr et al, *supra* note, particularly at 1:3.

<sup>95</sup> *Ibid.*

<sup>96</sup> *Ibid.*

#### 4.5.i. Tax Incentives

Tax incentives are those special exclusions, exemptions, or deductions that provide special credits, preferential tax rates or deferral of tax liability. They can also take the form of tax holidays for a limited duration, current deductibility for certain types of expenditures, or reduced import tariffs or customs duties.<sup>97</sup>

Also, it is said that “investment tax incentives could be costly in revenue terms, generating relatively little new investment per dollar of revenue cost and requiring increases in other distortionary taxes.”<sup>98</sup> This is occasioned when incentives are general and untargeted, thereby benefitting a huge deal of infra-marginal investments, which include those that generate immense economic rents.<sup>99</sup>

However, the proponents of the concept argued that “tax incentives are essential to attracting businesses and that the costs of those incentives are partially or wholly offset by the additional tax revenue derived from the increased economic activity.”<sup>100</sup> It is also fundamental to point out that “tax incentives are used to counterweight the effects of poor macroeconomics, poor infrastructure and a lack of effective institutions in developing nations (a category in which Nigeria belongs at the moment) and as well increase the cost of doing business.”<sup>101</sup> Hence, lowering the tax rate through the introduction of tax incentive assist in covering the losses incurred by the investors.<sup>102</sup>

Lastly, Bird mentions that “tax incentives improve economic performance only if government officials are better able to decide the best types and means of production for an economy than private investors.”<sup>103</sup>

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<sup>97</sup> Eason, A. and Zolt E.M, “Tax Incentives”, (2003); Paper prepared for World Bank course on practical issues of tax policy in developing countries, April 28-May 1. Online at:<  
<http://siteresources.worldbank.org/INTTPA/Resources/EassonZoltPaper.pdf>>

<sup>98</sup> Elisabeth Gugl & George R Zodrow, “International Tax Competition and Tax Incentives in Developing Countries” (2015) 1988 1.

<sup>99</sup> *Ibid.*

<sup>100</sup> Norton Francis, “State tax incentives for economic development” (2016) State Tax Incent Econ Dev 1, online: <<http://www.urban.org/research/publication/state-tax-incentives-economic-development>>.

<sup>101</sup> Simon Munongo et al, “Do tax incentives matter for investment? A literature review” (2017) 13:2 Bus Econ Horizons. Available at:<

[https://academicpublishingplatforms.com/downloads/pdfs/beh/volume26/201710100349\\_12\\_BEH\\_Vol13\\_Issue2\\_2017\\_Munongo\\_Simon\\_et\\_al\\_Do\\_tax\\_incentives\\_matter\\_for\\_investment\\_review\\_pp.152-168.pdf](https://academicpublishingplatforms.com/downloads/pdfs/beh/volume26/201710100349_12_BEH_Vol13_Issue2_2017_Munongo_Simon_et_al_Do_tax_incentives_matter_for_investment_review_pp.152-168.pdf)>

<sup>102</sup> *Ibid.*

<sup>103</sup> *Ibid.*, See also Bird R.M, “Threading the fiscal labyrinth: some issues in fiscal decentralization” (1993), National Tax Journal, 46(2), 207-227

#### 4.5.i.a. Tax Incentives for Small Businesses in Canada

Both the federal and provincial governments have been consistent in providing corporate tax incentives to small businesses in Canada.<sup>104</sup> This is to help them grow and ease them of taxes to be paid to the government.<sup>105</sup> Although, the Mintz Committee' is of the view that "a variety of preferential tax measures towards small business connotes a notable departure from a neutral tax system, and such give Canadian owned smaller corporations one of the most favoured income tax regimes in the world relative to the general tax system."<sup>106</sup> As much as the author believes in the principle of neutrality as espoused by the Mintz Committee on tax neutrality more especially between the small businesses and the large corporations. However, the author strongly supports the steps which a sizeable number of provinces in Canada<sup>107</sup> have taken towards encouraging the survival of small businesses in Canada through the grant of tax incentives. The rationale for supporting a step in this direction is nothing but the obvious reason that it is quite challenging to raise start-up capital for the formation of small businesses.<sup>108</sup> Moreover, it is recognized that the growth of small and medium-sized businesses is significant to the overall health of an economy. As such is capable of increasing employment, introducing new products and production techniques, and at the same time challenge

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<sup>104</sup> Duanjie Chen & Jack Mintz, "Small Business Taxation: Revamping Incentives to Encourage Growth" (2011) 4:7. Available at:< [https://www.policyschool.ca/wp-content/uploads/2016/03/mintzchen-small-business-tax-c\\_0.pdf](https://www.policyschool.ca/wp-content/uploads/2016/03/mintzchen-small-business-tax-c_0.pdf)>

<sup>105</sup> *Ibid.*

<sup>106</sup> *Ibid.*

<sup>107</sup> Few among such provinces are: Prince Edward Island which reduced the tax rate for small business in the province to one percent; Manitoba, which completely eliminate tax for small businesses; and British Columbia already in the process of reducing the provincial small business tax rate to zero.

<sup>108</sup> International Finance Corporation (IFC) World Bank Group, "Small & Medium Enterprises" (2011) Vol. 5 Iss. 1. Available online at:< [https://www.ifc.org/wps/wcm/connect/409734804c561178926edaf12db12449/TOS\\_SME.pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/409734804c561178926edaf12db12449/TOS_SME.pdf?MOD=AJPERES)> ; See also Tadeo Andrew Satta, "Enterprise Characteristics and Constraints in Developing Countries, Evidence from a Sample of Tanzanian Micro and Small Scale Enterprises" (2003). Available at:< <http://journals.sagepub.com/doi/10.5367/000000003101299546>>

the status quo features that are key to a prosperous economy.<sup>109</sup> Also, according to Innovation, Science and Economic Development Canada, “as of 2015 alone, small businesses employ over 8.2 million individuals in Canada, representing 70.5 percent of the total private labour force and by way of analysis, medium-sized businesses accounted for 19.8 percent (2.3 million individuals) while the large businesses accounted for 9.7 percent (1.1 million individuals) of the private sector workforce.”<sup>110</sup>

#### **4.5.i.b. Tax Incentives for Private Scientific Research and Experimental Development (SR&ED)**

As innovation is pivotal to every knowledge-based economy, so it is expected of a progressive and developmental conscious government to take the issue of innovation, science and technology seriously. Both the federal and provincial governments take the issue of innovative activity and research and development with all seriousness by providing tax subsidies, and other forms of support for research and development (R&D) in Canada.<sup>111</sup>

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<sup>109</sup> Jason Clemens & Niels Veldhuis, “Growing Small Businesses in Canada: Removing the Tax Barrier, Studies in Entrepreneurship & Markets”, Studies in Entrepreneurship and Markets, 2005). A publication of The Fraser Institute. Available online at:< <https://www.fraserinstitute.org/sites/default/files/growing-small-businesses-in-canada.pdf>>

<sup>110</sup> Innovation, Science and Economic Development Canada Small Business Branch, “Key Small Business Statistics, June 2016). Available online at:<[https://www.ic.gc.ca/eic/site/061.nsf/vwapj/KSBS-PSRPE\\_June-Juin\\_2016\\_eng-V2.pdf](https://www.ic.gc.ca/eic/site/061.nsf/vwapj/KSBS-PSRPE_June-Juin_2016_eng-V2.pdf/$file/KSBS-PSRPE_June-Juin_2016_eng-V2.pdf)>. Also of interest is the 2018 Small Business Profile released by British Columbia, Ministry of Jobs, Trade and Technology which states that “one of the key measures of a sector’s economic contribution is its gross domestic product (GDP), which represents the value that a sector adds to the raw inputs it uses. In line with this postulation, in 2016, British Columbia’s small business sector generated approximately 34 per cent of provincial GDP which is well above the Canadian average of 31 per cent and second only to Alberta, where small businesses accounted for 35 per cent of the province’s GDP.” See Small Business Profile 2018, A profile of small business in British Columbia. Available at:< [https://www2.gov.bc.ca/assets/gov/employment-business-and-economic-development/business-management/small-business/sb\\_profile.pdf](https://www2.gov.bc.ca/assets/gov/employment-business-and-economic-development/business-management/small-business/sb_profile.pdf)>

<sup>111</sup> Kenneth J Mckenzie, “The Big and the Small of Tax Support for R&D in Canada” (2012), The School of Public Policy vol. 5 Iss.22. Available at:<<https://www.policyschool.ca/wp-content/uploads/2016/03/k-mckenzie-rd-tax-final.pdf>>

Canada offers tax incentive to support private research and development.<sup>112</sup> The country is recognized as one of the countries in the globe with most munificent tax regimes for private research and development (R&D).<sup>113</sup> This advent of tax incentive on research and development (R&D) in Canada could be traced back to 1977.<sup>114</sup> The Canada Revenue Agency (CRA) is responsible for the program's administration.<sup>115</sup> The federal government offers tax credit of 20 percent to 35 percent on a wide range of acceptable spending on research and development (R&D) work.<sup>116</sup> Notably, the SR&ED tax incentive scheme plays a prominent role in enhancing a dynamic and competitive business environment in Canada.<sup>117</sup> The sensitivity of the government of Canada to science and technology, most especially the impact of research and development to the long-term growth and prosperity of the Canadian economy triggers the consistent of the government in its support for research and development (R&D) in the country. To this effect, in 2006, the government committed over \$3 billion in the form of tax assistance to the program.<sup>118</sup> According to the working paper by the Department of Finance, the scheme avails Canadian economy a net economic proceed.<sup>119</sup> Lastly, the program has

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<sup>112</sup> The federal Scientific Research and Experimental Development (SR&ED) Investment Tax Credit (ITC) came into existence in the 1980s and aimed at providing incentives to Canadian businesses to conduct research and development (R&D) in Canada that will lead to new, improved or technologically advanced products or processes. See Finance Canada & San Jose, "Innovation in Canada: Preserve and Strengthen the Scientific Research and Experimental Development Investment Tax Credit Program" (2013).

<sup>113</sup> Government of Canada, "Evolution of the SR&ED Program- a Historical Perspective, online at:< <https://www.canada.ca/en/revenue-agency/services/scientific-research-experimental-development-tax-incentive-program/evolution-program-a-historical-perspective.html>>

<sup>114</sup> *Ibid.*

<sup>115</sup> Worldwide R & D Incentives Reference Guide 2017. Available:< [https://www.ey.com/Publication/vwLUAssets/Worldwide\\_R\\_and\\_D\\_Incentives\\_Reference\\_Guide\\_2017/\\$FILE/Worldwide-R-%20D-Incentives-Reference-Guide-2017.pdf](https://www.ey.com/Publication/vwLUAssets/Worldwide_R_and_D_Incentives_Reference_Guide_2017/$FILE/Worldwide-R-%20D-Incentives-Reference-Guide-2017.pdf)>

<sup>116</sup> M. Parsons and N. Phillips, "An Evaluation of the Federal Tax Credit for Scientific Research and Experimental Development", Department of Finance Working Paper 2007-08. Available online at:<[www.fin.gc.ca/access/wpliste.html](http://www.fin.gc.ca/access/wpliste.html)>

<sup>117</sup> Department of Finance, "Tax Incentives for Scientific Research and Experimental Development October, 2007, A Consultation Paper. Available at:< [https://www.fin.gc.ca/activty/consult/SRED\\_e.pdf](https://www.fin.gc.ca/activty/consult/SRED_e.pdf)>

<sup>118</sup> *Ibid.* at 97.

<sup>119</sup> It is revealed that "the SR&ED tax credit creates a gross economic gain of \$1.11 for every dollar spent on it, and a net economic gain of 11 cents per dollar". *Ibid.*

tremendously helped Canada as a nation in the area of technological advanced of products and processes.<sup>120</sup>

#### 4.5.i.c. **Tax Credit/Incentive for Film and Television Productions**

The provinces of Ontario, British Columbia, and Quebec in conjunction with the federal government (Canada) offer tax incentive by way of tax credits for film and television productions, and this has tremendously boosted the economy of the provinces.<sup>121</sup>

The province of Ontario offers up to 21.5 percent tax credits for eligible film and television productions; the federal government also provides an extra tax credit of 16 percent for service production in Canada.<sup>122</sup> The province of Ontario is regarded as one of the largest centres for film and television production in entire North America.<sup>123</sup> In 2017, the film and television productions contributed \$1.6 billion to the economy of the province of Ontario.<sup>124</sup> The Ontario's film and TV production industry are primarily made up of small- to medium-sized companies producing a mixed of their proprietary productions and service productions with foreign partners.<sup>125</sup>

According to Dave, in the British Columbia the province offers five (5) distinct tax credits for Film and Television production namely: "basic, regional, distant location regional, film training, and digital animation or visual effects; each with its

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<sup>120</sup> See Canada Revenue Agency (CRA), "An Introduction to the Scientific Research and Experimental Development" 4052. Available online at:<[https://www.cchwebsites.com/content/pdf/tax\\_forms/ca/en/t4052\\_en.pdf](https://www.cchwebsites.com/content/pdf/tax_forms/ca/en/t4052_en.pdf)>

<sup>121</sup> Kenneth P Thomas, "Investment Incentives: Growing use , uncertain benefits , uneven controls" (2007). Available online at:<[https://www.iisd.org/pdf/2007/gsi\\_investment\\_incentives.pdf](https://www.iisd.org/pdf/2007/gsi_investment_incentives.pdf)>

<sup>122</sup> E & B Data, Effects of Foreign Location Shooting on the Film and Television Industry in Canada, March 2010). Available online at:<<http://en.ebdata.com/wp-content/uploads/2012/04/PC-Shooting-A.pdf>>

<sup>123</sup> See Ontario Media Development Corporation, "Industry Profiles-Film & TV", Online at:<[http://www.omdc.on.ca/Assets/Industry+Profile/Film-TV/Industry+Profile+Film+and+TV\\_en.pdf](http://www.omdc.on.ca/Assets/Industry+Profile/Film-TV/Industry+Profile+Film+and+TV_en.pdf)>

<sup>124</sup> *Ibid.*, See also Nordicity, "Strategy, Policy and Economic Analysis: Global Cultural, Digital Creative and Communications Industries. Available at:<<http://www.nordicity.com/>>

<sup>125</sup> *Ibid.*

peculiarity.”<sup>126</sup> The film and television production is one of the main pathfinders of British Columbia’s content industries.<sup>127</sup> With the aid of tax credit on the film and television programs in the province, British Columbians that are passionate in forming unconventional product bothering on entertainment, information, education, and investments through filmmaking and production are accorded the platform to develop their creativity and skills.<sup>128</sup> Regarding job creation, the film and television industry in British Columbia is estimated to have created over 13,000 Full-Time Employment (FTE) within the industry itself.<sup>129</sup> Also, the industry is estimated to generate a further 10,700 full-time employment in other industries supplying goods and services to the film and television industry.<sup>130</sup> Another merit of the job opportunity in the industry is its relatively high wage, with an average full-time wage of \$63,740 per annum, nearly double the British Columbia average.<sup>131</sup> Regarding revenue, the British Columbia film and television industry generates \$121 million in tax revenues for the province in 2005.<sup>132</sup>

In Quebec, the government put in place the refundable tax credit<sup>133</sup> for Quebec film and television production to stimulate job creation, essentially by encouraging

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<sup>126</sup> British Columbia Film & Tax Credit, “Ministry of Finance Tax Bulletin Tax Credit” (2011) July 2010. Available at:<[http://www.llbc.leg.bc.ca/public/pubdocs/bcdocs/454078/cit\\_009.pdf](http://www.llbc.leg.bc.ca/public/pubdocs/bcdocs/454078/cit_009.pdf)>

<sup>127</sup> For instance, in 2003, film and television contributed \$1.4 Billion in production expenditure into the provincial economy. See British Columbia Film, Activity Report 2003/04. Available online at:<[https://www.creativebc.com/database/files/library/BCF\\_ActivityReport\\_0304.pdf](https://www.creativebc.com/database/files/library/BCF_ActivityReport_0304.pdf)>

<sup>128</sup> *Ibid.* at 126; See British Columbia, “Continuing Success in the British Columbia Film Industry”, (2010), online:<<https://www.sfu.ca/cmns/courses/230/Body%20text.section/Canada/Continuing%20Success%20in%20BC%20film%20industry.pdf>>

<sup>129</sup> Final Report, Film and Television Industry Review, 2005. Available online:<<https://www.sfu.ca/cmns/courses/230/Body%20text.section/Canada/BC%20FilmandTVIndustryReview.pdf>>; See Nordicity *supra* note 124.

<sup>130</sup> *Ibid.*

<sup>131</sup> *Ibid.*

<sup>132</sup> *Ibid.*

<sup>133</sup> The Quebec Refundable Tax Credit (QRTC) is the oldest production tax credit in Canada which also served as the basis for the Federal Content Credit. Its provision is enshrined in Division II.6 of the Taxation Act (Quebec). See Goodmans LLP (Good for business in Canada), “Location Canada: A Guide to Producing in Canada and Doing Business with Canadians” (2009), online:< <http://www.goodmans.ca/docs%5CLocation%20Canada.pdf>>

corporations.<sup>134</sup> The scheme signifies part of the government's effort in raising a source of new capital and generating significant economic spinoffs for craftspeople and companies in Quebec.<sup>135</sup> Regarding revenue, the film, video and television production companies generated \$1.4 billion worth of revenue in 2015 alone.<sup>136</sup>

The significance of the film and television production with the aid of tax incentive provided by the federal government and provinces to the Canadian economy cannot be underestimated.<sup>137</sup> It suffices to state that the creation of tax credits for film and television productions provide a channel of spending in Canada on foreign location productions and thereby accrue benefits to the country regarding employment opportunities, income generation, value-added contributions to the country's Gross Domestic Products (GDP) and government revenue at large.<sup>138</sup> The tax policy of tax incentive opportunities helps in strengthening the Canadian economy.

#### 4.6. Tax Exemption on Capital Income

Taxation of capital income is of great concern to Canadians due to its significance in determining business investment decisions.<sup>139</sup> It is however interesting to see the Canadian tax policy and reforms providing for 'Registered Retirement Savings Plans'

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<sup>134</sup> See QFTC-Quebec Film and Television Council. Online at:<[www.qftc.ca/animation/tax-incentives/](http://www.qftc.ca/animation/tax-incentives/)>

<sup>135</sup> *Ibid.*

<sup>136</sup> See The Daily, "Film, television and video production 2015" (2017) 1967:2413 8300. Released on Thursday March 30, 2017. (accessed on July 18, 2018), online:<<https://www150.statcan.gc.ca/n1/en/daily-quotidien/170330/dq170330c-eng.pdf?st=mjFFjCQQ>>

<sup>137</sup> According to Statistics Canada, Canadian film, television and video production revenues in 2015 reached \$4.85 billion, representing a 14.9 percent from \$4.22 billion two years earlier. This also reflects the increased profit margins of 12.7 percent as against 6.1 percent recorded in 2013. In 2015, the province of Ontario's total operating revenue accounted for 40.8 percent of national revenues, with Quebec generating 28.9 percent and British Columbia responsible for 24.9 percent. See Statistics Canada, Table 21-10-0059-01 (formerly CANSIM 361-0038) Film, television and video production, summary statistics (accessed July 18, 2018).

<sup>138</sup> E & B Data, *supra* note 115., See also Nordicity, "The Economic Contribution of the Film and Television Sector in Canada" (2013) July. A build up on the on research released in Profile 2012: An Economic Report on the Screen-based Production Industry in Canada (accessed on July 18, 2018), online at:<[https://www.mpa-canada.org/wp-content/uploads/2014/05/MPA-Canada\\_Nordicity-Report\\_July-2013\\_English.pdf](https://www.mpa-canada.org/wp-content/uploads/2014/05/MPA-Canada_Nordicity-Report_July-2013_English.pdf)>

<sup>139</sup> Kevin Milligan, "Tax Policy for a New Era: Promoting Economic Growth and Fairness" (2014).

(RRSPs) and ‘Tax-Free Savings Account’ (TFSA)<sup>140</sup> which accord most Canadian families the privilege of having savings without subjecting their income to capital income taxation.<sup>141</sup> With the introduction of the scheme in 2009, it serves as a flexible and general-purpose savings vehicle for Canadians with a tax-free investment income.<sup>142</sup> It is also acknowledged by a large of persons to be “the single most important savings vehicle for Canadians since the launch of the Registered Retirement Savings Plan.”<sup>143</sup>

#### 4.7. Canadian Tax Policy and Trade and Investment Opportunities

Another significance attribute of the Canadian tax policy could be traced to its attraction of trade and investment opportunities, such as the one that gives room for the existing Canada-US trade relations and investment between the two countries.<sup>144</sup> Though the agreement came with some tensions, in its overall assessment, both countries (i.e., Canada and the United States) benefit from a good rapport.<sup>145</sup> It is said that despite the rise in the globalization of economic relations, the two countries have established primary reciprocal investors relationship as they patronize each other regarding importation and exportation of goods and services.<sup>146</sup> Furthermore, the Canadian tax policy which accommodates economic cooperation between the two countries resulted

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<sup>140</sup> When considering a short-term saving investment probably for the purpose of buying a car, going on vacation trip and others, the Tax Free Savings Account (TFSA) is considered a good option. The privilege of withdrawals and the opportunity to re-contribute withdrawals in a coming year without the need of opening a new TFSA account speaks volume to the flexibility and merit of the TFSA. See Mackenzie Tax & Estate Planning, “RRSP or TFSA?” (2009). Online at:<<https://www.mackenzieinvestments.com/en/assets/documents/marketingmaterials/wp-rrsp-or-tfsa-en.pdf>>

<sup>141</sup> Milligan, *supra* note 133.

<sup>142</sup> Mackenzie Tax & Estate Planning, “RRSP or TFSA ?” (2009). Available:<<http://www.infinitefinancial.ca/sites/default/files/TFSAvsRRSP.pdf>>

<sup>143</sup> *Ibid.*

<sup>144</sup> Roy D Hogg, “Canada-US Tax Relations” (1995) 43:5 1547.

<sup>145</sup> *Ibid.*

<sup>146</sup> *Ibid.*

in the consolidation of the Canada-US free trade agreement of 1989 and the North American free trade agreement (NAFTA).<sup>147</sup> The free trade agreement is so instrumental to the advancement of economic relations of the two countries, and its impact can as well be seen across the provinces of Canada.<sup>148</sup>

According to Statistics Canada, in 2011 alone exports accounted for two million, nine hundred thousand (2,900,000) jobs in Canada which represents 17 percent of all employment.<sup>149</sup> Ritchie attests to the significance of trade policy in economic sustainability and development; “it is no exaggeration to claim that trade policy has been arguably the most important tool of Canada’s economic development throughout the country’s history.”<sup>150</sup>

#### 4.8. **Canadian Tax Policy and Foreign Direct Investment (FDI) Opportunity**

Foreign direct investment (FDI) has been described as a critical driver of economic growth for both developing and advanced economies.<sup>151</sup> Also, it is said that foreign direct investment can help in raising productivity, competitiveness, and standards of living over the long term.<sup>152</sup> It is apt to say that Canada’s tax policies accord foreign investors full national treatment within the ambit of the developed open market

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<sup>147</sup> NAFTA, entered into on December 17, 1992, with Mexico as the third member of the accord, continued the objectives of the free trade agreement. While the Canada-U.S. free trade commenced with the signing of the Canada-US Free Trade Agreement (CUFTA) in the year 1988 and it marked a fundamental growth in the area of commerce between the two countries, estimating a value of US\$116 billion in 1985 and by 2002 it rose to more than US\$240 billion. Between 1989 and 2002, the level of Canadian exports to the United States rose by 221%, while imports from the United States triggered up by 162%.; See also A Yúnez-Naude & F Barceinas, “Lessons from NAFTA: The High Cost of ‘Free’ Trade” (2003) 69, online: <[www.asc-hsa.org](http://www.asc-hsa.org)>.

<sup>148</sup> John F. Helliwell & Frank C. Lee, “Free Trade, Agreement On & Interprovincial Trade: Perspectives on North American Free Trade Effects of the Canada – United States Free Trade Agreement on (1999). Online:<  
[https://www.ic.gc.ca/eic/site/eas-aes.nsf/vwapj/P5-ang.pdf/\\$file/P5-ang.pdf](https://www.ic.gc.ca/eic/site/eas-aes.nsf/vwapj/P5-ang.pdf/$file/P5-ang.pdf)>

<sup>149</sup> The Daily, “Valued-added exports, 2007 to 2011”, July 30, 2015, p.3. Available at:<  
<https://www150.statcan.gc.ca/n1/en/daily-quotidien/150730/dq150730b-eng.pdf?st=31Fzw1M5>>

<sup>150</sup> Cross, *supra* note 23.

<sup>151</sup> Advisory Council on Economic Growth, “Bringing Foreign Investment to Canada” (2016) 1, online:<  
<http://www.budget.gc.ca/aceg-ccce/pdf/foreign-investment-investisseurs-etranagers-eng.pdf>>.

<sup>152</sup> *Ibid.*

economy which operation is based on democratic principles and institutions.<sup>153</sup> Although, there are prohibitions and restrictions as regards foreign investment in the various sectors of the economy based on the existing policies, Canada and the United States both agreed on significant principles of foreign investment (which include right of establishment and national treatment).<sup>154</sup> To this effect, United States has been Canada's major source for foreign investment<sup>155</sup> and same thing applicable to Canada (as Canada is ranked the fifth largest source of foreign direct investment in the United States right after the likes of United Kingdom, Japan, Luxemburg, and the Netherlands).<sup>156</sup>

#### 4.9. Tax Collection Agreements (TCA)

The Tax Collection Agreement inaugurated in the year 1962 is an agreement between the federal and provincial governments (excluding Quebec).<sup>157</sup> The agreement enhanced a high level of tax coordination in Canada.<sup>158</sup> Practically, the tax sharing and tax

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<sup>153</sup> See [export.gov](https://www.export.gov), "Canada-1-Openness to, and Restriction on Foreign Investment" online:<<https://www.export.gov/article?id=Canada-Openness-to-Foreign-Investment>>; Canada as a country also take pride in following: (a). Market Accessibility: with the aid of regional trade agreements such as NAFTA and CETA (the pending Canada-EU Comprehensive Economic and Trade Agreement), the country is set to command much more fit in the area of unparalleled market accessibility; (b). Business Environment: Canada offers investors a welcoming business environment enmeshed in a highly diversified and developed economy; and (c). Educated and Diverse Labour Force: Canada parades deep reservoirs of knowledge and expertise in the area of research, science and others. The country prides itself on its diverse and highly skilled labour force (as one of the most highly educated in the OECD countries), no wonder the country as well tops the OECD's Better Life Index.

<sup>154</sup> For instance, Chapter 14 of the North America Free Trade Agreement (NAFTA) specifically deals with the financial services sector and to this effect eradicates discriminatory assets and capital restrictions on U.S. bank subsidiaries domicile in Canada. The agreement also exempts U.S. firms and investors from the federal "10/25" rules in order for the firms to be treated as if they are Canadian firms. See also [export.gov](https://www.export.gov), *supra* note 153.

<sup>155</sup> [export.gov](https://www.export.gov), *supra* note.

<sup>156</sup> Heather Kerr et al, *supra* note 60.; *Ibid.* at 153.

<sup>157</sup> Marc Leblanc, "Tax Collection Agreements And Tax Competition Among Provinces-T c a t c a p" (2004). Online:<<https://lop.parl.ca/Content/LOP/ResearchPublicationsArchive/pdf/bp1000/prb0344-e.pdf>>

<sup>158</sup> *Ibid.*

coordination agreements have been in a state of continuous negotiation all over Canada.<sup>159</sup>

The issue of sharing of tax revenues became one of the hardest perennials as touching the federal and provincial fiscal relations.<sup>160</sup> However, with the Tax Collection Agreements between the federal and provincial governments (excluding Quebec), each province that is a party to the agreements (TCA) has the privilege of setting a different rate structure and a different meaning of taxable income.<sup>161</sup> For instance, in the early history of Canada as a nation, the income tax circle relatively remain unoccupied.<sup>162</sup> However, by the mid of the 1930s, income taxes had become a significant revenue source. The 1930s brought about fierce interprovincial tax competition tagged as the “tax jungle” era because of a lack of tax harmonization among the provinces.<sup>163</sup> Attempts to have this issue resolved led to the commencement of the centralized federal tax collection system, a process which its success story could be attributed to the Tax Collection Agreement (TCA).<sup>164</sup>

Also, with the commencement of the Tax Collection Agreements (TCA) in the year 1962, the federal and provincial governments were able to reach consensus on the mode of collecting taxes in Canada.<sup>165</sup> Under the agreements, the federal government helped in collecting the provincial income taxes for free provided that the personal income tax rates levied by the consenting provinces are the same with that of the federal government.<sup>166</sup> Most importantly, it promotes tax harmonization, facilitates cooperation

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<sup>159</sup> *Ibid.*

<sup>160</sup> Alan Macnaughton, “Compliance and Administration Issues Under the Tax Collection Agreements” (2002) 47:4 890. Online: <[https://www.ctf.ca/ctfweb/Documents/PDF/1999ctj/1999CTJ4\\_Macnaughton.pdf](https://www.ctf.ca/ctfweb/Documents/PDF/1999ctj/1999CTJ4_Macnaughton.pdf)>

<sup>161</sup> *Ibid.*

<sup>162</sup> *Ibid.*

<sup>163</sup> *Ibid.*

<sup>164</sup> *Ibid.*

<sup>165</sup> *Ibid.*

<sup>166</sup> *Ibid.* See also Heather Kerr, *supra* note 83.

and coordination between the federal and provincial governments concerning tax policy matters in Canada.<sup>167</sup>

Another landmark contribution of the Tax Collection Agreement to the tax system in Canada could be observed from the fact that despite the existence of multiple levels of government in Canada which could have subjected Canadians to paying multiple personal income tax returns. Tax Collection Agreements (TCA) system guaranteed that Canadians only fill one personal tax return.<sup>168</sup> With this development, no Canadian income is taxable in more than one province or territory.<sup>169</sup>

#### 4.9.i. **Filing and Enforcement of Tax Returns**

The Canadian tax system is premised on voluntary compliance or self-assessment system.<sup>170</sup> In line with this established system, it is expected of all taxpayers in Canada to file their tax returns as at when due. Failure to do so may attract penalties.<sup>171</sup> There are two notable institutions or bodies that play a significant role in the enforcement of tax in Canada, they are the Canada Revenue Agency (CRA) and the Tax Court of Canada. Whenever a taxpayer files his or her tax return, the Canada Revenue Agency (CRA) will process same with very limited consideration and promptly issues what is known as “Notice of Assessment”<sup>172,173</sup> Upon the assessment result, whenever a taxpayer is not pleased with the outcome of assessment conducted by CRA, such

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<sup>167</sup> *Ibid.*, particularly on 3:6.

<sup>168</sup> Macnaughton, *supra* note 152.

<sup>169</sup> *Ibid.*

<sup>170</sup> See Wikipedia, The Free Encyclopedia, Canada Revenue Agency. Available online at:<[https://en.wikipedia.org/wiki/Canada\\_Revenue\\_Agency](https://en.wikipedia.org/wiki/Canada_Revenue_Agency)> (accessed on 23 February 2018)

<sup>171</sup> *Ibid.*

<sup>172</sup> Notice of Assessment is a legal document which summarizes each entity’s income, credits and deductions of an individual or a corporate body. See Wikipedia, Free Encyclopedia online at:<[https://en.wikipedia.org/wiki/Canada\\_Revenue\\_Agency](https://en.wikipedia.org/wiki/Canada_Revenue_Agency)> (accessed on February 23 2018).

<sup>173</sup> *Ibid.*

individual may file an appeal and possibly challenge the assessment in tax court.<sup>174</sup> Notably, along with strict enforcement measures that frown at non-compliance, such as those targeted at individuals and businesses engaging in the underground economy or trying to avoid taxes through aggressive tax planning, the CRA makes frantic effort to ensure that everyone pays their fair share.”<sup>175</sup> Chodikoff<sup>176</sup> talks about the importance of filing a tax return in Canada, a consequence of not filing same, and the roles played by both Canada Revenue Agency and Tax Court of Canada.<sup>177</sup> Tax avoidance is

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<sup>174</sup> *Ibid.* at 78., See also Final Report — Enhancing Canada’s International Tax Advantage by Advisory Panel on Canada’s System of International Taxation, December 2008. Available at:< [https://www.transferpricing.com/pdf/Canada-finalPanelReport\\_eng.pdf](https://www.transferpricing.com/pdf/Canada-finalPanelReport_eng.pdf)>. About the Tax Court of Canada: The Tax Court of Canada was formed in 1983 pursuant to the Tax Court of Canada Act. The Court is independent of the Canada Revenue Agency and all other departments of the Government of Canada. It is a court of superior record to which individuals and companies may litigate with the Government of Canada on matters arising under legislation over which the Court has exclusive original jurisdiction. The majority of the appeals to the Court bother on income tax, goods and services tax, and employment insurance. The Court is also vested with the power to entertain references from the Canada Revenue Agency to offer interpretations of the legislation within its areas of jurisdiction. By virtue of the provision of Section 12 of Tax Court of Canada Act, the court has exclusive jurisdiction to hear and determine appeals and references to the Court on matters arising under the following Acts: (i). Income Tax Act; (ii). Employment Insurance Act (formerly the Unemployment Insurance Act); (iii). Part IX of the Excise Tax Act (GST); (iv). Canada Pension Plan; (v). Old Age Security Act; (vi). Petroleum and Gas Revenue Tax Act; (vii). Cultural Property Export and Import Act; (viii). Customs Act (Part V.1); (ix). Air Travellers Security Charge Act; (x). Excise Act, 2001; (xi). Softwood Lumber Products Export Charge Act, 2006; (xii). War Veterans Allowance Act; (xiii). Civilian War-related Benefits Act; and (xiv). section 33 of the Veterans Review and Appeal Board Act. See Tax Court of Canada online at:<[http://cas-cdc-www02.cas-satj.gc.ca/portal/page/portal/tcc-cci\\_Eng/About](http://cas-cdc-www02.cas-satj.gc.ca/portal/page/portal/tcc-cci_Eng/About)> and Tax Court of Canada online at:<[http://cas-cdc-www02.cas-satj.gc.ca/portal/page/portal/tcc-cci\\_Eng/About/Jurisdiction](http://cas-cdc-www02.cas-satj.gc.ca/portal/page/portal/tcc-cci_Eng/About/Jurisdiction)> respectively (accessed on February 24 2018).

<sup>175</sup> Departmental Performance Report, “Canada Revenue Agency For the period ending Minister of National Revenue” (2011). Available at:< [http://publications.gc.ca/collections/collection\\_2011/arc-cra/Rv1-11-2011-eng.pdf](http://publications.gc.ca/collections/collection_2011/arc-cra/Rv1-11-2011-eng.pdf)>

<sup>176</sup> David W Chodikoff, Criminal Law, Regulation & Enforcement Newsletter, April 2009). Available at:< [https://www.millerthomson.com/assets/files/newsletter\\_attachments/issues/Criminal\\_Law\\_Regulation\\_\\_Enforcement\\_April\\_2009.pdf](https://www.millerthomson.com/assets/files/newsletter_attachments/issues/Criminal_Law_Regulation__Enforcement_April_2009.pdf)>

<sup>177</sup> He commenced by saying that “often, business people decide that paying their fair share of taxes can, or must, wait and as a consequence of financial crisis they might be passing through, and this thinking translates into an individual’s failure to file their tax returns. To which some may think that ‘so, what if it is only a little money at stake?’ However, for the Canada Revenue Agency (CRA), it matters and the CRA takes no pity on non-filers.” In justifying his submission, he cited three different cases where tax defaulters were convicted. It is striking to see that all the three cases were supposedly or relatively “insignificant” failures to file tax returns. But the court did not hesitate to convict them as defaulters. The following are the cases, their facts and convictions as pronounced by the court on the erring taxpayers: - “(a). That on February 26, 2009, Kevin Mitchell, a consultant from Willow Beach, Ontario pleaded guilty to a single count of failing to file his tax return and was fined \$1,500.00 and given 60 days to pay; (b). On the same date, Brian Masson, a commissioned salesman, pleaded guilty to a single count of tax evasion and a single count of GST evasion and he was fined a total of \$7,334; and (c). On March 2, 2009, Shirley Wheatley, a registered occupational nurse, pleaded guilty to three counts of failing to file returns and was fined a total of \$3,000 and given six months to pay the fine.” *Ibid.* 168; See David W. Chodikoff, “Tax Evasion:

discouraged, and anyone that might be thinking in that direction finds it hard to indulge in such criminal act. Not only that, but it also contributes to the economic and social well-being of Canadians as every faithful taxpayer who pay their taxes and files returns in due time get refunds according to their earning status.<sup>178</sup>

#### 4.9. ii. **Canadian Tax Policy and Transparency**

Tax authorities are steadily faced with the constraint of propelling their administrative capabilities most especially in the current global dispensation where there is an increase in the mobility of individuals, entities, and assets.<sup>179</sup> It is however of interest to note that transparency is a key ingredient of the Canadian tax system.

In the last three or four years, tax transparency has emerged as a key trans-global public policy objective. It is based on a desire among tax authorities to combat international tax evasion and aggressive tax-avoidance practices. Tax transparency is also promoted in the context of efforts to streamline bureaucracies in the face of resource constraints, and it is seen as a politically acceptable way for debt-laden governments to increase tax revenues without necessarily raising tax rates.<sup>180</sup>

According to OECD, “Tax transparency and exchange of information are at the heart of the global effort aimed at tackling tax evasion and avoidance.”<sup>181</sup> Among the countries of the world,

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Hard Times, Bad Decisions and How to Avoid Them” (2009), *Crim. Law Reg. Enfor.* Available at <[https://www.millerthomson.com/docs/Criminal\\_Law\\_Regulation\\_\\_Enforcement\\_April\\_2009.pdf](https://www.millerthomson.com/docs/Criminal_Law_Regulation__Enforcement_April_2009.pdf)>

<sup>178</sup> As pointed out by the Canada Revenue Agency (CRA) that “the tax revenue collected is redistributed to taxpayers in the form of benefit payments or tax credits. Other tax revenue is provided to our federal, provincial, territorial, and First Nations government clients to finance their programs and services for Canadians.” See Canada Revenue Agency Annual, Report to Parliament 2008-2009.

Online:<<https://www.canada.ca/content/dam/cra-arc/migration/cra-arc/gncy/nnnl/2008-2009/prfrmnc-e/rc4425-09-eng.pdf>>

<sup>179</sup> OECD, “Tax Transparency 2017 - Report on progress” (2017) 56, online:

<<http://www.oecd.org/tax/transparency/global-forum-annual-report-2017.pdf>>.

<sup>180</sup> See Kevin A Wise et al, “Corporate Tax Planning.” (2003) 51:1 *Can Tax J* 669, online:

<<http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=12724224&site=ehost-live>>.

<sup>181</sup> OECD, *supra* note 171.

Canada is setting the pace in the holistic execution of the internationally agreed standards on transparency and exchange of information for tax purposes.<sup>182</sup>

The Department of Finance Canada notes that:<sup>183</sup>

For the benefits of economic growth to be shared widely, Canada needs a tax system that works fairly for everyone. This means ensuring that all Canadians pay their fair share. In this regard, closing tax loopholes, cracking down on tax evasion, and ensuring tax fairness is essential to preserving the ability of the Government to maintain its role in funding health care, housing, child benefits, the Coast Guard and other essential services and programs on which Canadians rely. Fairness is also essential to ensuring that Canadians have confidence that the tax system is serving the needs of everyone.

According to Allison Christian,<sup>184</sup> “Canada is transparent in that it ensures that resident paying agents disclose payments to non-residents domestic tax authorities, complies with international anti-money laundering standards.”<sup>185</sup> The Global Forum on Transparency and Exchange of Information for Tax Purposes<sup>186</sup> rated Canada as a largely compliant when it comes to tax transparency and compliance.<sup>187</sup>

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<sup>182</sup> *Ibid.* Canada is rated ‘largely compliant’ in the implementation of exchange of information on request (EOIR) and automatic exchange of financial account information (AEOI).

<sup>183</sup> Department of Finance Canada, “Tax Planning Using Private Corporations” (2017) 1, online: <<http://www.fin.gc.ca/activty/consult/tppc-pfsp-eng.pdf>>.

<sup>184</sup> Allison Christians is a Professor of Law and H. Heward Stikeman Chair in Taxation at the Faculty of Law, McGill University, Canada.

<sup>185</sup> See Allison Christian, “Tax Secrecy and Tax Transparency-The Relevance of Confidentiality in Tax Law Country Report: Canada” (2013) February 1.

<sup>186</sup> As described by OECD, “the body is a world’s leading multilateral body within which work in the area of transparency and exchange of information for tax purposes is carried out. Through its role, “global tax transparency has become an almost universally supported pillar of the international financial system, whereby it is increasingly becoming difficult for taxpayers and financial institutions to benefit from secretive structures and related planning.” See OECD, “Tax Transparency: Global Forum on Transparency and Exchange of Information for Tax Purposes, Report on Progress, 2015). Available at:<<http://www.oecd.org/tax/transparency/global-forum-annual-report-2015.pdf>>

<sup>187</sup> OECD, “Tax Transparency 2014” (2014)., Particularly on page 51 online at:<<https://www.oecd.org/tax/transparency/global-forum-annual-report-2015.pdf>> (accessed on February 27 2018).

Arguably, Canada is a leading light in the area of tax transparency, as noticed by the Canadian banks:<sup>188</sup>

Banks firmly adhere to the laws in Canada and other countries where they carry on business, including those laws designed to deter illegal activities such as tax evasion and money laundering. Canadian banks have implemented comprehensive compliance policies and procedures to ensure that their products and services are not used to evade taxes. Tax evasion is bad business, and reputable financial institutions want no part of it.

In line with the preceding, it could be established that even the Canadian banks have succeeded in putting together some necessary policies and requirements such as “know your client rules,” anti-money laundering (AML) and as well as anti-terrorist financing (ATF) reporting requirements address the issue of tax scandal and evasion in Canada. Hence, Canadian banks have tremendously increased their anti-money laundering control measures and broadened their compliance units in the past 20 years to catch up with the increasingly demanding requirements from Canadian and international policymakers.<sup>189</sup>

Knowing sufficiently well that some countries around the world (Nigeria inclusive) are being affected by the issue of tax scandals and the public glare that the global financial crisis has placed on international tax evasion in general.<sup>190</sup> It will suffice to say that there is a need for tax transparency cut across the nations of the world. This becomes essential in order to get things right in the place of tax regime and policies. Sequel to the aforementioned, there is of no doubt that Canada is a trailblazer in this regard. Therefore, the government of Canada is not handling the issue of tax transparency with kid glove treatment. The author wishes to salute the government of Canada for this great fit and still enjoins the government to do more and not to

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<sup>188</sup> Canadian Bankers Association, “Combatting Tax Evasion” (2017) May 2017. Online at:<  
[https://www.cba.ca/Assets/CBA/Files/Article%20Category/PDF/bkg\\_taxevasion\\_en.pdf](https://www.cba.ca/Assets/CBA/Files/Article%20Category/PDF/bkg_taxevasion_en.pdf)>

<sup>189</sup> *Ibid.*

<sup>190</sup> OECD, “Tax Transparency 2014” (2014). See particularly page 24.

relent in its quest of promoting tax transparency and getting rid of every form of tax evasion or avoidance.

## CHAPTER FIVE: SUMMARY, LESSONS, RECOMMENDATIONS, AND CONCLUSION

### 5.0. SUMMARY

As discussed in this work, Nigerian economy has been so lopsided as a result of overreliance on oil revenue to the detriment of other sectors which could have contributed meaningfully to the growth and sustainability of economy if adequately harnessed.<sup>1</sup> It is on this very premise that the author canvases for an urgent diversification of the Nigerian economy from its monoculture state through of credible tax policy. Nigeria has been one of the backward developing countries regarding failure to properly utilize and harness its public revenue owing to the weak standard of good governance and other variables identified in Chapter three.<sup>2</sup>

Moreover, the economic dynamics of Nigeria has been at the mercy of oil price at the international market which for the most part has been volatile.<sup>3</sup> The economic system of the country (Nigeria) has been plagued with dwindling revenue generation, the effect of which

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<sup>1</sup> Nweze Paul Nweze & Greg Ekpung Edame, "An Empirical Investigation of Oil Revenue and Economic Growth in Nigeria" (2016) 12:25 Eur Sci J 271, online: <<http://eujournal.org/index.php/esj/article/view/8018/7716>>.; Tracy Igberaese & The Hague, "The Effect of Oil Dependency on Nigeria ' s Economic Growth" (2013) 56:10 Int Juornal Soc Stud 67.; See also Okezie Stella Ogechukwu & Joseph Uche, "Evaluation of the Contribution of Non Oil Revenue to Government Revenue and Economic Growth : Evidence from Nigeria" (2016) 2:5 41.

<sup>2</sup> Joseph Okwori, "Revenue Sources and Economic Growth in Nigeria: An Appraisal" (2016) 7:8 1994., Samson Edo & Augustine Ikelegbe, "The Nigerian economy reforms , emerging trends and prospects" (2014) 8 CPED Monogr Ser 106.; See also Daniel Gberevbie et al, "Accountability for Sustainable Development and the Challenges of Leadership in Nigeria, 1999-2015" (2017) 7:4 SAGE Open 215824401774295, online: <<http://journals.sagepub.com/doi/10.1177/2158244017742951>>. See also O L Ogbuide, "Corruption in the Nigerian Oil and Gas Industry and Implication for Economic Growth" (2015) 14:2008 29. Online:< <http://iiste.org/Journals/index.php/JAAS/article/viewFile/26422/27065>>

<sup>3</sup> Adeyinka Micheal, "Economic Gift Source of Diversifying Nigerian Economy for Economic Growth and Economic Development Sustainability" (2016) 7:11 34., See Andrew P Morriss & Roger E Meiners, "Competition in Global Oil Markets: A Meta-Analysis and Review" (2013) 92, online: <<http://www.secureenergy.org/policy/competition-global-oil-markets-meta-analysis-and-review>>.; See also Cornelius Babatunde Alalade, "The Effect of Fiscal Taxation and the Separation of Ownership and Control" (Doctor of Philosophy, Bournemouth University, 2004) [Unpublished].

can be seen regarding its budget deficits on a yearly basis and continuous insufficient funds for economic growth and development.<sup>4</sup>

The author showed the effects of monoculture economy on Nigeria and revealed how it has not helped in transforming the country's economy in term of developmental goals and sustainability.<sup>5</sup> In light of the preceding, the author shares the view of Mc Kerchar who sees "taxation as an alternative to oil revenue and a more reliable source of revenue"<sup>6</sup>; and therefore admonish the Nigerian government to embrace economic diversification and implementation of tax policies capable of promoting a paradigm shift from focusing on non-tax to tax revenue base.<sup>7</sup>

The author also hopes that the Nigerian government will yield to this clarion call and live up to expectation by fulfilling its set goals and visions as captured in the report of the Federal Ministry of Budget and National Planning titled: "Economic Recovery and Growth Plan 2017-2020".<sup>8</sup>

This thesis argues that through economic diversification, credible tax policy and its implementation measures, Nigerian economy can be revamped, experienced growth and

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<sup>4</sup> CN Worlu & E Nkoro, "Tax revenue and economic development in Nigeria: A macroeconometric approach" (2012) 1:2 Acad J Interdiscip Stud 211.

<sup>5</sup> Vincent A Onodugo, Ikpe Marius & Anowor Oluchukwu, "Non-Oil Export and Economic Growth in Nigeria: a Time Series Econometric Model" (2013) 3:2 Int J Bus Manag Res 2249.; See also Nina Budina & Sweder Van Wijnbergen, "Managing Oil Revenue Volatility in Nigeria : The Role of Fiscal Policy" (2001) 2007 427. online: <<http://nigerianrc.org/sites/default/files/Managing%20volatile%20fiscal%20revenues.pdf>>

<sup>6</sup> Nwankwo Carol & Onyeka Virginia Nnenna, "The Effect of Tax Evasion and Avoidance on Nigeria'S Economic Growth" (2016) 10:2 J Soc Sci Res 2047, online: <<http://cirworld.com/index.php/jssr/article/view/4865>>.

<sup>7</sup> Virginia Nnenna, "The Effect of Tax Rates on Fiscal Evasion and Avoidance" (2016) 5:1 Eur J Sustain Dev 158, online: <[http://www.ecsdev.org/ojs/index.php/ejsd/article/view/300/pdf\\_5](http://www.ecsdev.org/ojs/index.php/ejsd/article/view/300/pdf_5)>.; See also Final Draft on National Tax Policy 2012.

<sup>8</sup> Federal Ministry of Budget & National Planning, "Federal Republic of Nigeria & Growth Plan" (2017) Econ Recover Growth Plan 2017 140, online: <<http://yourbudgit.com/wp-content/uploads/2017/03/Economic-Recovery-Growth-Plan-2017-2020.pdf>>.; Adelove.com, FG looks beyond crude oil Era-Minister, online: <<http://adelove.com/2017/08/16/fg-looks-beyond-crude-oil-era-minister/>> (accessed August 16 2017).; See also Yusuf Emmanuel, "Influence of Entrepreneurship Education, Technology and Globalization on Performance of SMEs in Nigeria" (2017), Vol. 11(15), pp. 367-374. Available at:<<https://academicjournals.org/journal/AJBM/article-full-text-pdf/D7E9D4365445>>

sustainability that could be of tremendous benefits to the Nigerian citizens and the nation at large.<sup>9</sup> Thus, diversification of the country's economy and tapping into the potentials embedded in taxation could catalyze the growth and sustainability of the Nigerian economy.<sup>10</sup>

The Nigerian tax system is confronted with a lot of systemic challenges in terms of administration and implementation of credible policies. Some of the identified challenges are administrative and legislative barriers, corruption on the part of the tax officials, multiple taxation, dominance of informal economy, lack of speedy adjudication system for tax dispute. They all stand as a clog in wheel of progress of the Nigerian tax system and administration. Therefore, the author enjoins the Nigerian government to strive towards having these problems fixed for the good of the citizen and economy at large.

Furthermore, there is a need to place cognizance on Chapter four of this thesis which x-rayed Canada's economic diversification experience, its tax system, administration and implementation measures.

### **5.1. LESSONS FROM CANADA**

There is a need not to lose sight of the legal transplantation theory which states that when a country is adopting a set of legal rules or policies from another jurisdiction. The recipient country must take into consideration the peculiarity of its jurisdiction as what is obtainable in the donor country. The Canadian economy is mostly formal, and this helps the

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<sup>9</sup> Odd-helge Fjeldstad, "Taxation and development: A review of donor support to strengthen tax systems in developing countries" (2013). WIDER Working Paper No. 2013/010 . Available online at:<<https://www.cmi.no/publications/file/4720-taxation-and-development.pdf>>

<sup>10</sup> Audu S.A. & Ojonye M. Simon, "The Impact of Tax Policy on Economic Growth in Nigeria" (2015), Journal of Economic and Sustainable Development Vol.6, No.8, online:<<http://www.iiste.org/Journals/index.php/JEDS/article/viewFile/21913/22254>>; See also Maria Chinecherem Uzonwanne, "The Indispensable Role of Taxation for State Development in Nigeria" (2015) June 48., online at:<<https://pdfs.semanticscholar.org/7797/5cc5df4129f1c1c9204eef6cd1d2b0dc4a54.pdf>>

government in the execution of its taxation and economic policies. Nigerian economy, on the other hand, is largely informal, but the country could benefit from having a formal economy that will encourage the implementation of credible taxation and economic diversification policies as obtainable in Canada.

Canada as an ideal model of a sustainable economy offers the following lessons:

## **I. Tax Administration Strategy**

The recipient country (Nigeria) must take into consideration the peculiarity of its jurisdiction as to what is obtainable in the donor country (Canada).<sup>11</sup> To this effect, the Canadian economy is mainly formal, and it helps the government in the execution of its taxation and economic policies. Nigeria could benefit from this by ensuring that the dominance of informal economy is discouraged towards having a formal economy sector like that of Canada.

Also, Canada having a unified tax or revenue agency is advantageous to its tax system administration.<sup>12</sup> The government of Canada established a body known as Canada Revenue Agency (CRA) which administers the tax system in the country.<sup>13</sup> This helps to reduce the problem of having to deal with multiple tax agencies.<sup>14</sup> Also, with the aid of the collection agreements, the agency collects and remits on behalf of the Federal and Provinces.<sup>15</sup> This

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<sup>11</sup> O. Kahn-Freund, "On Uses and Misuses of Comparative Law" (1974), *The Modern Law Review*, Vol. 37, No. 1 (Jan., 1974), pp. 1-27 published by Wiley-Blackwell. Online at:<<http://www.jstor.org/stable/1094713>>

<sup>12</sup> Sheila Kealey, "Canada Revenue Agency" (2010) 86904 86904. Available at:<[www.cra-arc.gc.ca/charities](http://www.cra-arc.gc.ca/charities)>

<sup>13</sup> *Ibid.*

<sup>14</sup> Canada Revenue Agency (CRA), "Teaching Taxes Program" (2006). Available at:<[https://www.cchwebsites.com/content/pdf/tax\\_forms/ca/en/tis18.pdf](https://www.cchwebsites.com/content/pdf/tax_forms/ca/en/tis18.pdf)>

<sup>15</sup> Department of Finance & Canada Revenue Agency, *Federal Administration of Provincial Taxes: New Directions 2000*. Available at:<<https://www.fin.gc.ca/fapt-aipf/fapte.pdf>>; See also Marc Leblanc, "Tax Collection Agreements and Tax Competition among Province -T c a t c a p" (2004) February. Online at:<<https://lop.parl.ca/Content/LOP/ResearchPublicationsArchive/pdf/bp1000/prb0344-e.pdf>>

implies that the Canada Revenue Agency stands as a single agency for the administration the revenue programs of the federal, provincial and territorial governments in Canada.<sup>16</sup>It also helps the government of Canada to achieve tax harmonization.<sup>17</sup> Nigeria could adopt this strategy to discourage the issue of multiplicity of taxes which Nigerians have turned victim.

## **Enforcement Strategy**

Two noticeable institutions play an essential role when it comes to the enforcement of tax in Canada; They are the Canada Revenue Agency (already discussed) and the Tax Court of Canada. For instance, when taxpayers file their tax returns with the Canada Revenue Agency (CRA) and such individuals or corporate bodies are dissatisfied with the assessment reports by the agency.<sup>18</sup> Such taxpayers could file an appeal and challenge the assessment in the tax court of Canada.<sup>19</sup> On the other hand, the Canada Revenue Agency may institute an action against any tax defaulter at the tax court.<sup>20</sup> Hence, the tax court of Canada is very instrumental to the administration of tax regarding enforcement and speedy adjudication of tax cases.<sup>21</sup> This is a credible administration strategy worthy of emulation.

## **II. Policy and Implementation Strategies**

### **a. Diversification**

Canada's economic diversification policy helps in attracting more investors and improves immigration flow as a result of the friendly business and economic environment. According

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<sup>16</sup> Kealey, *supra* note 13.

<sup>17</sup> Canada Revenue Agency, "Departmental Performance Report on Plans and Priorities" (2011). Available at:< <https://www.tbs-sct.gc.ca/rpp/2010-2011/inst/nar/nar-eng.pdf>>

<sup>18</sup> Canada Revenue Agency (CRA), "Information on CRA-Service Complaints". Available at:<[www.cra.gc.ca](http://www.cra.gc.ca)>

<sup>19</sup> *Ibid.*

<sup>20</sup> Consolidation Codification, "Tax Court of Canada Rules ( General Procedure), 2018.

<sup>21</sup> *Ibid.*

to the Organization of Economic Cooperation Development (OECD) in its Better Life Index, Canada tops the chart of the leading countries that offer good standards of living and quality of life through its diversified economy.<sup>22</sup> Also, Canada is at the forefront when comparing the level of economic diversification among countries of the world. This is evident in its manufacturing, construction, finance and technology sector.

**b. Transparency and Accountability**

Transparency constitutes one of the critical components of the Canadian tax system. The government of recognizing the need for trust between tax authorities and taxpayers strongly encouraged transparency and accountability.<sup>23</sup> The government in its quest for transparency and accountability initiated the “joint audits” with foreign tax authorities. According to the Organization of Economic Cooperation Development (OECD):

“a joint audit represents a new form of coordinated action between tax administrations which involves two or more countries joining together to form a single audit team to examine an issue(s)/transaction(s) of one or more related taxable persons (both legal entities and individuals) with cross-border business activities, perhaps including cross-border transactions involving related affiliated companies organized in the participating countries and in which the countries have a common or complementary interest; the taxpayer jointly makes presentations and shares information with the countries; and the joint audit team will include Competent Authority representatives, joint audit team leaders and examiners from each country.”<sup>24</sup>

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<sup>22</sup> OECD 2018 Economic survey Canada, “Increasing inclusiveness and enhancing integration of immigrants” 2018, available at:< <http://www.oecd.org/eco/surveys/Increasing-inclusiveness-and-enhancing-integration-of-immigrants-Canada-OECD-economic-survey-July-2018.pdf>>

<sup>23</sup> One of such is the “Risk-Based Approach to Audit”. The Canada Revenue Agency in 2010 initiated the program for the purpose of promoting transparency. See Kevin A. Wise et al, “Corporate Tax Planning.” (2003) 51:1 Can Tax J 669, online:

<<http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=12724224&site=ehost-live>>.

<sup>24</sup> OECD, 6<sup>th</sup> Meeting of the Forum on Tax Administration, Istanbul, 15-16 September, 2010. Available at:< [https://transferpricing.com/pdf/OECD\\_6thMeetingOfForumOnTaxAdministration.pdf](https://transferpricing.com/pdf/OECD_6thMeetingOfForumOnTaxAdministration.pdf)>

Also, of the six countries of the world rated as mostly compliant in the area of exchange of information for tax purposes (EOIR) in 2017 Canada happened to be one of them.<sup>25</sup> The transparency and accountability policy discourages corruption and tax evasion within the Canadian tax administration.

The author hopes that the Nigerian government will look in this direction, and adopts some of the ideas from the government of Canada towards enhancing the country's economic growth and sustainability.

## 5.2. RECOMMENDATIONS

Taking all the preceding into consideration, the author proposes the following recommendations:

### 5.2.a. Embrace Economic Diversification

Nigeria as a nation did not start with oil trade which is now the predominant source of the country's revenue. Though the oil discovery came with many hopes and expectations,<sup>26</sup> the paradox is that the Nigerian economy is claimed to be growing but in reality, unemployment, hunger and poverty rate are on the increase.<sup>27</sup> Hence, the need for economic diversification in Nigeria to salvage the

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<sup>25</sup> Other countries are Australia, Bermuda, Cayman Islands, Germany and Qatar. See OECD, "Brief on the State of Play on the International Tax Transparency Standards" (2017). Available at:<<https://www.oecd.org/tax/exchange-of-tax-information/brief-and-FAQ-on-progress-on-tax-transparency.pdf>>; See also OECD Secretary-General Report to G20 Finance Ministries, Chengdu, People's Republic of China 23-24 July, 2016. Available at:< <https://www.oecd.org/tax/oecd-secretary-general-tax-report-g20-finance-ministers-july-2016.pdf>>

<sup>26</sup> Michael L Ross, "Nigeria's Oil Sector and the Poor" (2003); A Paper prepared for the UK Department for International Development "Nigeria: Drivers of Change" program. (accessed July 24, 2018). Available at:< <https://www.sscnet.ucla.edu/polisci/faculty/ross/papers/other/NigeriaOil.pdf>>

<sup>27</sup> Godwin Essang Esu, "Economic Diversification and Economic Growth : Evidence from Nigeria Economic Diversification and Economic Growth : Evidence from Nigeria" (2015) January.

country's present state of economic quagmire.<sup>28</sup> The desertion of other aspects of the country's economy has rendered a massive number of the country's workforce unengaged as the oil sector alone cannot cater for millions of Nigerians who are in need of jobs.<sup>29</sup> Being idle and jobless is also contributing to the unrest in Nigeria as a large pool of young Nigerians that are now tools of disruption and political violence in the hands of Nigerian politicians.<sup>30</sup> It is therefore expedient for the Nigerian government to embrace economic diversification to create wealth and job opportunities for the citizens on the one hand and on the other open more channels of generating revenue.<sup>31</sup> Nigeria stands to benefit a lot from embracing economic diversification owing to the fact that diversification provides a nation with the security and reliability needed, such that in a situation where one economic stream of revenue fails, there would be other sources of revenue to explore.<sup>32</sup>

#### **5.2.b. Implementation of Credible Tax Policies capable of fostering Business and Economic Growth**

##### **Encourage the use of Tax Incentives**

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<sup>28</sup> Adams Oluwadamilola Kemi, "Diversification of Nigeria Economy through Agricultural Production" (2016) 7:6 104.; See also Engr. Umar Garba Danbatta, "Getting out of the Woods: Diversifying Nigeria's Economy Through the Telecommunications Sector" (2017) August. Online:< <https://www.ncc.gov.ng/docman-main/speeches/766-diversifying-nigeria-s-economy-through-the-telecommunications/file>>

<sup>29</sup> Michael Chugozie Anyaehie & Anthony Chukwudi Areji, "Economic Diversification for Sustainable Development in Nigeria" (2015) 5:March Open J Polit Sci 87, online: <[http://file.scirp.org/pdf/OJPS\\_2015030609345277.pdf](http://file.scirp.org/pdf/OJPS_2015030609345277.pdf)>.

<sup>30</sup> A. Dominic, "Appraisal of the Role of Political Violence: The Development of Youths in Nigeria in the 21st Century" (2015) 9:38 147. Online:<[http://afrrvjo.net/journals/multidiscipline/Vol\\_9\\_no\\_3\\_art\\_13\\_AkpanDA.pdf](http://afrrvjo.net/journals/multidiscipline/Vol_9_no_3_art_13_AkpanDA.pdf)>

<sup>31</sup> Chinecherem Uzonwanne, "Economic Diversification in Nigeria in the Face of Dwindling Oil Revenue" (2015) 6:4 J Econ Sustain Dev 61, online: <[https://www.researchgate.net/publication/273882540\\_Economic\\_Diversification\\_in\\_Nigeria\\_in\\_the\\_Face\\_of\\_Dwindling\\_Oil\\_Revenue](https://www.researchgate.net/publication/273882540_Economic_Diversification_in_Nigeria_in_the_Face_of_Dwindling_Oil_Revenue)>.

<sup>32</sup> A N Abasilim et al, "Entrepreneurship: Diversification Tool" (2017) FUTA Journal of Management and Technology 1:3.

Nigeria as a nation stands to benefit economically from the use of tax incentive<sup>33</sup> if the federal government in conjunction with the other levels of government, i.e., the state and local governments could avail investors, owners or intending owners of Small-Medium Enterprises (SMEs) such as sewing businesses, shoe-makers, small-scale farmers, and restaurants among others as seen in the case of Canada.<sup>34</sup> This will encourage many people to venture into creating small, medium enterprises or businesses.<sup>35</sup> Most especially young Nigerians, a large number of whom are jobless and roaming about the cities of the country looking for white-collar jobs that are not available.<sup>36</sup>

Another direction which the Nigerian government can consider is the Nigerian film industry. Extending tax incentive to the industry will be instrumental in boosting the sector that has been complaining of incentive drought.<sup>37</sup> This is a sector which has many potentials regarding human resources, talents, and skills. It should also be pointed out that the Nigerian movie industry is also known as Nollywood is rated number 3 in the world right after the likes of American-

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<sup>33</sup> George T. Peters & Bariyima D. Kiabel, "Tax Incentive and Foreign Direct Investment in Nigeria" (2015), Vol. 6, Iss. 5, pp. 10-20. Available at:<<http://www.iosrjournals.org/iosr-jef/papers/Vol6-Issue5/Version-1/B06511020.pdf>>

<sup>34</sup> Alex Easson & Eric M. Zolt, "Tax Incentives" World Bank Group, online:<<http://siteresources.worldbank.org/INTTPA/Resources/EassonZoltPaper.pdf>>

<sup>35</sup> Oluwaremi Feyitimi et al, "Tax Incentives and the Growth of Small and Medium Scale" (2016) 4:2 24., online:< <http://www.idpublications.org/wp-content/uploads/2016/03/Full-Paper-TAX-INCENTIVES-AND-THE-GROWTH-OF-SMALL-AND-MEDIUM-SCALE-ENTERPRISES-IN-DEVELOPING-ECONOMY-.pdf>>; See also Reuben Ufot et al, "Small And Medium Scale Enterprises ( SMEs ) And Nigeria ' s Economic Development" (2014) 5:7 656.

<sup>36</sup> Charles Olaniyi Adekunle, "Expanding Employment Opportunities for Nigerian Youths : The Self-Employment Imperative" (2014) uploaded on academia.edu on 05 April 2017.(accessed on July 21, 2018); Paul Oluwatomiye et al, "Unemployment in Nigeria ; A Challenge of Demographic Change ?" (2016) 9312:5 1., See also Olubukola S Adesina, "Unemployment and Security Challenges in Nigeria" (2013) 3:7 146.

<sup>37</sup> Tamas Landes et al, "Nollywood : The Nigerian Film Industry" (2008). Online at:<[https://www.isc.hbs.edu/resources/courses/moc-course-at-harvard/Documents/pdf/student-projects/Nigeria\\_Film\\_2008.pdf](https://www.isc.hbs.edu/resources/courses/moc-course-at-harvard/Documents/pdf/student-projects/Nigeria_Film_2008.pdf)>

Hollywood and Indian-Bollywood.<sup>38</sup> This shows how strong and influential the industry is but beyond name; there is a need for the manifestation of the economic benefits of the sector to Nigeria as a country.<sup>39</sup> Therefore, the author believes that with the provision of tax incentives, the sector will expand, attracts more investors (both domestic and international film/movie makers).<sup>40</sup> If this could be achieved, it will open doors of opportunity regarding job and wealth creation, and revenue generation for Nigeria. It will also discourage our filmmakers from abandoning Nigeria for other African countries such as Ghana and South Africa to shoot their movies<sup>41</sup> and in return denies capable and potential Nigerians the opportunity of rendering one service or the other in such production.<sup>42</sup>

### **Encourage Foreign Direct Investment (FDI)**

Implementation of a credible tax policy is very fundamental to having a nation that is investment and economic friendly.<sup>43</sup> No wonder the Canadian tax policies accord foreign investors full national treatment within the ambit of the advanced open market economy which operation is premised on democratic principles and

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<sup>38</sup> Uchenna Onuzulike, "Nollywood : The Influence of the Nigerian Movie Industry on African Culture" (2014) May., See also Amue Gonewa John et al, "Market-Oriented Culture in Nollywood Industry: An Empirical Investigation of Film Makers and Producers in Nigeria ." (2013) 4:4 752. Online at: <<http://www.ijbmer.com/docs/volumes/vol4issue4/ijbmer2013040401.pdf>>

<sup>39</sup> *Ibid.*

<sup>40</sup> See Norbert Morawetz, "The Rise of Co-Productions in the Film Industry- The Impact of Policy Change and Financial Dynamics on Industrial Organization in a High Risk Environment" (Doctor of Philosophy, University of Hertfordshire, 2008) [Unpublished].

<sup>41</sup> Osakue Stevenson Omoera, "Video Film and African Social Reality: A Consideration of Nigeria-Ghana Block of West Africa" (2009) 25:3 193.

<sup>42</sup> This is very key and should be treated seriously. In the word of Adetula, "despite the economic and business cordiality that exists between Nigeria and Ghana and Ghana being one of Nigeria's prominent business partners in the West African sub-region. Ghana has been hostile to Nigeria in the area of business practices. A typical example which found in how the Ghanaian government subject Nigerian movies to high tariffs and restricted Nigerian actors and film makers from shooting films in Ghana." See Victor A.O. Adetula, "Nigeria's Rebased Economy and Its Role in Regional and Global Politics" (2014), E-International Relations., online at: <<https://www.e-ir.info/2014/10/13/nigerias-rebased-economy-and-its-role-in-regional-and-global-politics/>> (accessed July 21, 2018).

<sup>43</sup> *Ibid.* at 44

institutions.<sup>44</sup> Nigeria can learn from this and most importantly adopt the same approach in the articulation and implementation of its tax policies towards creating a viable economy that will, in turn, attract foreign direct investment. Also, having a progressive tax policy in Nigeria is highly essential in the sense that foreign direct investment assists in enhancing of productivity, competitiveness, and standard of living over the long term.<sup>45</sup> The author, therefore, suggests that the government and all relevant stakeholders in charge of the Nigerian economy should strive to promote tax and fiscal policy that will attract foreign direct investment which in turn foster economic growth and sustainability in Nigeria.

### **International and Domestic Trade and Investment Agreement<sup>46</sup>**

It is also apt to state that having a tax or fiscal policy that encourages international and domestic trade and investment agreement is very pivotal to building a dynamic economic capable of generating needed revenue for the growth and sustainability in the country.<sup>47</sup> This is a replica of the trade and investment agreement which exists between Canada and United States of America based on two nations fiscal policies.<sup>48</sup>

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<sup>44</sup> John F. Helliwell & Frank C. Lee, "Free Trade, Agreement On & Interprovincial Trade: Perspectives on North American Free Trade Effects of the Canada – United States Free Trade Agreement on (1999). Online:< [https://www.ic.gc.ca/eic/site/eas-aes.nsf/vwapj/P5-ang.pdf/\\$file/P5-ang.pdf](https://www.ic.gc.ca/eic/site/eas-aes.nsf/vwapj/P5-ang.pdf/$file/P5-ang.pdf)>

<sup>45</sup> *Ibid.*; See also Bassam A. Albassam, "Economic Diversification in Saudi Arabia: Myth or Reality? Volume 44, June 2015, Pages 112-117. Available at:< <https://www.sciencedirect.com/science/article/abs/pii/S0301420715000215>>

<sup>46</sup> A typical example of this, can be seen in the trade agreement and relationship existing between Canada and the United States. NAFTA, entered into on December 17, 1992, with Mexico as the third member of the accord, with the objectives of free trade agreement. While the Canada-U.S. free trade commenced with the signing of the Canada-US Free Trade Agreement (CUFTA) in the year 1988 and it marked a fundamental growth in the area of commerce between the two countries, estimating a value of US\$116 billion in 1985 and by 2002 it rose to more than US\$240 billion. Between 1989 and 2002, the level of Canadian exports to the United States rose by 221%, while imports from the United States triggered up by 162%. See Roy D Hogg, "Canada-US Tax Relations" (1995) 43:5 1547.; See also A Yúnez-Naude & F Barceinas, "Lessons from NAFTA: The High Cost of & quot; Free & quot; Trade" (2003) 69, online: <[www.asc-hsa.org](http://www.asc-hsa.org)>.

<sup>47</sup> See Albert Danquah, "The Role of Regional and Bilateral Trade Agreements in the Economic Development of Ghana- Case: Ghana-China Relations" (Bachelor's of International Business, Lahti University of Applied Sciences, 2017) [Unpublished].

<sup>48</sup> See Canada-US Free Trade Agreement-Trade: Securing Canada's Future; online:< <http://www.international.gc.ca/trade-commerce/assets/pdfs/agreements-accords/cusfta-e.pdf>>

A corollary to this assertion could be traced to the tax system reform in Canada which fosters economic cooperation between the United States of America and Canada as entrenched in the Canada-US free trade agreement of 1989 and the North American free trade agreement (NAFTA).<sup>49</sup> The author, therefore, admonishes the Nigerian government and all relevant stakeholders in the country to take the issue of tax policy and its implementation very seriously to provide the needed platform for having fiscal policies that will create room for international and domestic trade and investment agreement geared towards building a viable economy for Nigeria. The author believes that if this could be achieved it will assist the Nigerian government in its quest of generating revenue outside its traditional and mono-culture oil revenue based.

### **Incorporation of Tax Collection Agreement**

As earlier pointed out in this work that multiple taxations are one of the challenges plaguing the Nigerian tax system, a trend in which both individuals and corporate bodies in the country are victims.<sup>50</sup> This very problem originated from the mismatch or usurping of fiscal powers regarding jurisdiction and administrative responsibilities on the part of tax authorities in the country.<sup>51</sup> It is therefore imperative to state that the issue of tax collection at some points posed a big

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<sup>49</sup> The North American Free Trade Agreement (NAFTA) entered into on December 17, 1992, between the U.S and Canada, having Mexico as the third member of the accord. See Yúnez-Naude & Barceinas, *supra* note. at 44

<sup>50</sup> Yomi Olugbenro (Deloitte-Nigeria), *Multiplicity of Taxes in Nigeria - Addressing The Impediments*, (2014); online:<<http://www.mondaq.com/Nigeria/x/327892/Corporate+Tax/Multiplicity+Of+Taxes+In+Nigeria+Addressing+The+Impediments>> (accessed on March 3 2018); See also Oseni Michael, "Multiple taxation as a bane of business development in Nigeria" (2014) 3:1 Acad J Interdiscip Stud 121, online: <<http://www.mcser.org/journal/index.php/ajis/article/view/2070>>.

<sup>51</sup> JTB Newsletter, "Joint Tax Board Partners Nigerian Police in Checking Multiplicity of Taxes" (2016) pg.1. Available online at:<<http://www.jtb.gov.ng/sites/default/files/2ND%20EDITION%20Newsletter.pdf>> (accessed on March 16 2018); See Nihal Pitigala *et al*, "Impact of Multiple- Taxation on Competitiveness in Nigeria Africa Trade Policy Notes" (2011).

challenge to Canada as well.<sup>52</sup> However, with the aid of Tax Collection Agreements, the Government of Canada i.e. the federal and provincial governments (excluding Quebec), each province that is a party to the agreements (TCA) had the privilege of setting a different rate structure and taxable income but with a solid collection plan anchored on tax harmonization in the country.<sup>53</sup>

The author therefore suggests that Nigerian government and all stakeholders in the Nigerian tax sector should endeavour to emulate the Government of Canada by incorporating a well structure Tax Collection Agreements into its tax system that could complement the Constitution of the Federal Republic of Nigeria 1999 (as amended) for the smooth collection of taxes towards eradicating the challenges of multiple taxation in the country.

### **Embrace the Policy of Tax Transparency and Accountability**

“In too many countries, people are deprived of their most basic needs and go to bed hungry every night because of corruption, while the powerful and corrupt enjoy lavish lifestyles with impunity.”<sup>54</sup>

The above statement aptly captured the true state of Nigeria as a country; paradoxically, it is claimed that the Nigerian economy is expanding, but the proportion of Nigerians living in poverty is sky rocking every year.<sup>55</sup> It is however

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<sup>52</sup> As stated that the tax sharing and tax coordination agreements have been in a state of continuous negotiation all over the Canada. See Marc Leblanc, “Tax Collection Agreements and Tax Competition Among Provinces-T c a t c a p” (2004).

Online:<<https://lop.parl.ca/Content/LOP/ResearchPublicationsArchive/pdf/bp1000/prb0344-e.pdf>>

<sup>53</sup> Alan Macnaughton, “Compliance and Administration Issues Under the Tax Collection Agreements” (2002) 47:4 890.

<sup>54</sup> This statement is that of José Ugaz, Chair, Transparency International contained in the Transparency International Corruption Perceptions Index 2016; See Transparency International, “Transparency International corruption perceptions index 2016” (2016) Transpar Int Corrupt perceptions index 2016 9, online: <[http://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2016](http://www.transparency.org/news/feature/corruption_perceptions_index_2016)>.

<sup>55</sup> The Nigeria Poverty Profile 2010 Report; A Press Briefing by the Statistician-General of the Federation/Chief Executive Officer, National Bureau of Statistics, Dr. Yemi Kale held at the Conference Room, 5th Floor, NBS Headquarters, Central Business District, Abuja on Monday, 13th February, particularly at Part II on 14. Available online at:<<https://reliefweb.int/sites/reliefweb.int/files/resources/b410c26c2921c18a6839baebc9b1428fa98fa36a.p>

not surprising to have the World Resources Institute's Environmental Resource Port Earth Trends revealed that "about 71 percent of Nigerians live on less than \$1 a day and about 92 percent live on less than \$2 a day."<sup>56</sup>

This messy situation in which Nigeria finds itself as of today can be linked to the high level of corruption in most sectors of the country's economy (the tax sector inclusive).<sup>57</sup> Therefore, it is pertinent for the country to embrace tax transparency and accountability to ward off the adverse effect of corruption on the country's economy.<sup>58</sup> Embracing tax transparency and accountability is very important to have the Nigerian tax sector sanitized and not only that, but it will also help in redeeming the image of the country among the comity of nations.<sup>59</sup> For instance, going by the index report of organizations such as Transparency International<sup>60</sup> and others, by whose assessments Nigeria has no good reputation when it comes to transparency and accountability.<sup>61</sup>

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df>; Also cited by Ikenna Theodore Oramah, "Artisanal and Small-Scale Mining Livelihoods in Nigeria: Drivers, Impacts and Best Practices" (Doctor of Philosophy, University of Alberta, 2013) [Unpublished].

<sup>56</sup> Chimobi Ucha, "Poverty in Nigeria: Some Dimensions and Contributing Factors" (2010) 1:1 Glob Major E-Journal 46., online

at:<<https://pdfs.semanticscholar.org/1e17/521182f3a4498eccd8eb1b8e3905130de971.pdf>>; See also Bertelsmann Stiftung, "BTI 2016 | Colombia Country Report" (2016) 33, online: <<http://www.bti-project.org/en/reports/country-reports/detail/itc/aze/>>.

<sup>57</sup> Uzochukwu Mike, "Corruption in Nigeria: Review, Causes, Effects and Solutions" (2018), online, at:<<https://soapboxie.com/world-politics/Corruption-in-Nigeria>>

<sup>58</sup> As pointed out by PricewaterhouseCoopers (PWC): "corruption affects public finances, business investment as well as standard of living." The firm posited further to state that this negative impact is often felt by poorer households and smaller firms. See PricewaterhouseCoopers Ltd, "Impact of Corruption on Nigeria's Economy" (2016) PWC Rep 1.

<sup>59</sup> Akintunde Adebayo, "A Review of Plea Bargain Concept in the Anti-Corruption War in Nigeria" (2018), Vol. 5. No. 1. Available at:<<https://media.neliti.com/media/publications/237809-a-reviewof-plea-bargain-concept-in-the-a-69a10f5d.pdf>>

<sup>60</sup> Transparency International is an international non-governmental organization based in Berlin, Germany, and founded in 1993. A non-profit organization whose agenda is to combat global corruption and prevent criminal activities arising from corruption. In performing its mandate, it publishes the Global Corruption Barometer and the Corruption Perceptions Index to reveal how each country of the world are doing in term of fighting or embracing corruption. See Transparency International, Wikipedia Free Encyclopedia online: <[https://en.wikipedia.org/wiki/Main\\_Page](https://en.wikipedia.org/wiki/Main_Page)> (accessed on April 01 2018).

<sup>61</sup> According to a new report released by Transparency International, it is revealed that the perception of corruption in Nigeria between 2016 and 2017 is terribly worsened. Nigeria ranked 148 out of 180 countries assessed in 2017 on the perception of corruption, the annual Corruption Perception Index, CPI, by Transparency International, TI, states- See Oladeinde Olawoyin, "Perception of corruption worsens in

Moreover, the issue of tax transparency and exchange of information is said to be at the heart of the global quest in an attempt to tackle tax evasion and avoidance.<sup>62</sup> Most of the OECD member states and even developing countries have joined in the crusade of eradicating corruption within their various tax sectors.<sup>63</sup> Hence, the author enjoins the Nigerian government to emulate these great nations of the world that are making a concerted effort in fighting this ugly menace. This must be given serious attention to tackle tax evasion and avoidance which is so prevalent in Nigeria<sup>64</sup> and at the same time build a tax sector that will command a more robust revenue needed for economic growth and sustainability.

### 5.2.c. **Establish a Constitutionally Recognized Special Tax/Revenue Court in Nigeria**

Although, the Nigerian government had earlier established some tax administrative tribunals or bodies including the Tax Appeal Tribunal (TAT)<sup>65</sup> with the aim of speeding up

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Nigeria-Transparency International Report” (2018) Premium Times online at:<<https://www.premiumtimesng.com/news/top-news/259494-perception-corruption-worsens-nigeria-transparency-international-report.html>> (assessed on April 02 2018); See also Daniel O Tormusa & Augustine Mogom Idom, “The Impediments of Corruption on the Efficiency of Healthcare Service Delivery in Nigeria” (2016) 12:1 Online J Heal Ethics, online: <<http://aquila.usm.edu/ojhe/vol12/iss1/3/>>.

<sup>62</sup> Moreover, the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) is said to be lending support to governments around the world in boosting the efficiency of tax enforcement and strengthening the level of tax compliance. With this measure in place, it is further stated that year after year Global Forum members are recording progress in the effective implementation of the internationally agreed standards on transparency and exchange of information for tax purposes; whereby member states do carry out Exchange of Information on Request (EOIR) and Automatic Exchange of Financial Account Information (AEOI), See OECD, “Tax Transparency 2017 - Report on progress” (2017) 56, online: <<http://www.oecd.org/tax/transparency/global-forum-annual-report-2017.pdf>>.

<sup>63</sup> Maria José Garde, Chair of the Global Forum (Spain), has this to say: “The work of the Global Forum represents a global response to the challenges associated with tax evasion and avoidance. Nearly 150 jurisdictions – ranging from the G20 members to smaller developing countries – have come together and declared their commitment to transparency and exchange of information for tax purposes...”; See *Ibid.* at 59.

<sup>64</sup> Samuel Umaru CNA and Mu'azu Saidu Badara, “A Perspective on Effect of Tax Evasion on Nigerian Economy” (2016) Nigerian Journal, Management Technology 7:2.; See also Nnenna, *supra* note 7.

<sup>65</sup> By virtue of Section 59 of the Federal Inland Revenue Service (Establishment) Act, 2007, the Tax Appeal Tribunal (TAT) was formed and vested with powers to settle disputes emanating from the operations of the Act and other legislations being administered by the Federal Inland Revenue Service (FIRS). The disputes within which Tax Appeal Tribunal has adjudicating powers are set out contained in the First

the adjudication of tax disputes in the country. Prior to the establishment of the Tax Appeal Tribunal (TAT), there exist the Value Added Tribunal (VAT)<sup>66</sup> and the Body of Appeal Commissioners<sup>67</sup> but by virtue of the coming into existence of Tax Appeal Tribunal (TAT)<sup>68</sup>, the two previously existing administrative appeal tribunals ceased to exist, as their powers were absorbed by Tax Appeal Tribunal.<sup>69</sup>

However, the question that might be asked is why establishing a constitutionally recognized special tax or revenue court again when the tax appeal tribunal already exist? To justify the need for establishing a constitutionally recognized special tax court; the author will draw the attention of the readers to the reasoning and arguments contained in the Nigerian case of *CNOOC & SAPETRO v NNPC & FIRS*<sup>70</sup> decided by the Court of Appeal. In this case,

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Schedule to the Act. See First Schedule to the FIRS Act as well as Sections 1 & 11 of the Fifth Schedule to the FIRS Act; online at: <[http://www.firs.gov.ng/Tax-Management/Tax%20Legislations/FIRS\\_Establishment\\_Act\\_2007.pdf](http://www.firs.gov.ng/Tax-Management/Tax%20Legislations/FIRS_Establishment_Act_2007.pdf)>

<sup>66</sup> For the establishment of the Value Added Tribunal (though no longer in existence as a result of the creation of the Tax Appeal Tribunal (TAT), See Section 20(2), Second Schedule of the Value Added Tax Act 1993 No. 102, 1993 and No. 30, 1999, online at:< <http://www.firs.gov.ng/Tax-Management/Tax%20Legislations/VAT.pdf>>

<sup>67</sup> The Body Appeal Commissioners (BAC) was an integral part of the Federal Board of Inland Revenue (“FBIR”) (now replaced by the Federal Inland Revenue--“FIRS”). By virtue of the provision of Paragraph 15(5) of the Federal Inland Revenue Service (Establishment) Act, 2007, appeals before BAC must be held in camera, and only taxpayers could appeal to the BAC while the appeal must relate to the assessment. See Olumide K Obayemi, “An assessment of the Nigerian tax appeal tribunal and the need for a speedier and more efficient system” (2015) 6:6 Res J Financ Account 11., online:< <http://www.iiste.org/Journals/index.php/RJFA/article/viewFile/21158/21382>>

<sup>68</sup> For the jurisdiction of Tax Appeal Tribunal (TAT), See Paragraph 12 Fifth schedule to the Federal Inland Revenue Service FIRS (Establishment) Act. 2007, online:< <http://lawnigeria.com/LawsoftheFederation/Federal-Inland-Revenue-Service-%28Establishment%29-Act,-2007.html>>

<sup>69</sup> Tax Appeal Tribunal (TAT) came into existence in accordance with Section 59(1) of the Federal Inland Revenue Service (Establishment) Act 2007. But officially commenced pursuant to the Tax Appeal Tribunals Establishment Order 2009 issued by the Minister of Finance, Federal Republic of Nigeria as published in the Federal Government Official Gazette No 296, Vol. 96 of 2nd December, 2009. By this enactment, Tax Appeal Tribunal (TAT) replaced the old Body of Appeal Commissioners (BAC) and Value Added Tax (VAT) Tribunals. See Tax Appeal Tribunal online at:<<http://tat.gov.ng/>>; See also Professor Oyewo’s PUL 222 Material on Administrative Adjudication. Available at:<<https://tosynmacaulay.wordpress.com/2014/01/15/prof-oyewos-pul222-material-on-administrative-adjudication/>> (accessed on April 05 2018)

<sup>70</sup> CA/L/1144/2015 and CA/L/1145/2015; for more details see Ibifubara Berenibara, “Tax Appeal Tribunal’s Jurisdiction Not in Conflict with Jurisdiction of the Federal High Court Over Tax Disputes” (2017) 251:1 1., online:< <http://www.aelex.com/wp-content/uploads/2018/02/Jurisdiction-of-the-Tax-Appeal-Tribunal-confirmed-by-Court-of-Appeal.pdf>>

these certain ratios were reached.<sup>71</sup> Also, the court in the case of *SNEPCO v FIRS* stated as follow:<sup>72</sup>

“That the procedure for resolving claims and objections such as in the instant matter of *CNOOC & SAPETRO v NNPC & FIRS* are spelled out. When an assessment is made, and the party is not satisfied, it can serve a Notice of Objection with the Federal Inland Revenue Service (FIRS). It can also file a Notice of refusal to amend the assessment as desired where it disagrees with FIRS. The party may also then appeal against the assessment to the Tax Appeal Tribunal. If the party is still dissatisfied with the decision of the Tax Appeal Tribunal, then it can approach the Federal High Court, The Court of Appeal and the Supreme Court.”

From the preceding, it could be deduced that when parties are dissatisfied with the decisions of the Tax Appeal Tribunal (TAT); any appeal from such decisions lies with the Federal High Court.<sup>73</sup> However, by virtue of the provisions of Section 251(1)(a)-(s); (2) and (3) of the 1999 Constitution of the Federal Republic of Nigeria (as amended)<sup>74</sup> the jurisdictional power of the court had been expanded to cover vast areas of matters as aside from the

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<sup>71</sup> It was stated that the Tax Appeal Tribunal (TAT) could only can be regarded as an administrative appellate body and the proceeding(s) before it becomes a condition precedent to the assumption of jurisdiction by the Federal High Court. That the Federal Inland Revenue Service (FIRS) Act does not envisage that the Tax Appeal Tribunal (TAT) be a court. Instead, it could only be considered a civil court and the processes before it could only be reckoned as judicial proceeding, not really a court or judicial proceedings respectively. It further maintained that unlike that of the abolished VAT Tribunal, appeals from the Tax Appeal Tribunal goes to the Federal High Court, thus confers on the Federal High Court the power to exercise its exclusive jurisdiction over tax disputes. It must also be pointed out that Tax Appeal Tribunal (TAT) only has civil but no criminal jurisdiction; therefore, the tribunal may not be able to conveniently entertain tax disputes bothering on crime or illegality such as tax evasion. Hence, whenever evidence of criminality is discovered in any proceeding but the tribunal, Tax Appeal Tribunal is obliged to forward such information to the office of the Attorney General of any State or any relevant law enforcement agency by virtue of the provision of Paragraph 12, 5th Schedule of the Federal Inland Revenue Service Act; See also John Alewo Musa Agbonika & Josephine Aladi Achor Agbonika, “Administration of Personal Income Tax in Nigeria : An Appraisal” (2016) Intl Journal of Humanities & Social Studies 4:2 343.

<sup>72</sup> See Appeal No. CA/A/208/2012 delivered on 31st August 2016. The comprehensive judgment can be found online

at:<<https://www.dropbox.com/s/li75oiwwzn3rkjd/SHELL%203%20ORS%20v%20FIRS%20%28CA-A-208-2012%29%20JUDGMENT.pdf?dl=0>> (last accessed 24th May 2018).

<sup>73</sup> See Paragraph 17 (1) Fifth schedule to the Federal Inland Revenue Service FIRS (Establishment) Act, 2007, online:<<http://lawnigeria.com/LawsoftheFederation/Federal-Inland-Revenue-Service-%28Establishment%29-Act,-2007.html>>

<sup>74</sup> See 1999 Constitution of the Federal Republic of Nigeria (as amended), Laws of the Federation 2004, online at:< <http://www.lawnigeria.com/CONSTITUTIONHUB/Constitution/cap7ofconstitution.html>>; See also Agbonika Josephine Aladi Achor, “Tax Dispute Resolution in Nigeria: A Storm in a Tea Cup” (2014), Vol. 29. Available at:<<http://www.iiste.org/>>

appeals coming from the Tax Appeal Tribunal. The obvious implication of this is that most judges of the court have tons of cases to preside over and thereby leading to delay in the adjudication of tax disputes.<sup>75</sup>

It is on this premise that the author humbly suggests that the Nigerian government as a matter of urgency needs to look into having of a constitutionally recognized special tax court with exclusive jurisdiction on tax or fiscal matters. The court serving as a court of the first instance (just like the then Federal Revenue Court of 1973 which later became the Federal High Court as a result of the enactment of the Constitution of the Federal Republic of Nigeria in October 1979) to the exclusion of other courts or tribunals.<sup>76</sup> The Nigerian government could emulate Canada and establish a constitutionally recognized special tax/revenue court like that of Tax Court of Canada.<sup>77</sup> This will help in the speedy adjudication or dispensation tax matters or cases that may come before the court within a reasonable time without unnecessary delays which have been the order of the day when it comes to the adjudication of cases in Nigeria.<sup>78</sup> It will also boost the confidence of taxpayers in the system and ultimately strengthen the Nigerian tax system itself.

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<sup>75</sup> Agbonika Josephine & Aladi Achor, "Tax Dispute Resolution in Nigeria : A Storm in a Tea Cup ." (2014) 29:2009 147.

<sup>76</sup> Just exactly as the then Federal Revenue Court in Nigeria which was established by the military government of Nigeria back in 1973, by virtue of the Federal Revenue Court Decree No. 13 of 1973. Specifically, Section 7 of the Federal Revenue Court Decree set out the matters and causes over which the Federal Revenue Court had jurisdiction. The court then has jurisdiction over all matters pertaining to the taxation of companies and of other bodies established or carrying on business in Nigeria and all other person subject to federal taxation to the exclusion of other courts or tribunal.

<sup>77</sup> "The Tax Court of Canada came to existence in 1983 pursuant to the Tax Court of Canada Act. The Court is independent of the Canada Revenue Agency and all other departments of the Government of Canada. It is a court of superior record where aggrieved individuals and companies may litigate with the Government of Canada on issues arising under legislation over which the Court has exclusive original jurisdiction. The bulk of the appeals to the Court bother on income tax, goods and services tax, and employment insurance. The Court also entertains references from the Canada Revenue Agency to render interpretations of the legislation within its areas of jurisdiction." See the official website of the court for more details. Online at:<[http://cas-cdc-www02.cas-satj.gc.ca/portal/page/portal/tcc-cci\\_Eng/About](http://cas-cdc-www02.cas-satj.gc.ca/portal/page/portal/tcc-cci_Eng/About)>

<sup>78</sup> See Rebecca Emiene Badejogbin, "A Comparative Analysis of the Court Structured in Nigeria and South Africa" (Master of Laws, University of Pretoria, 2012) [Unpublished]., See also Taiwo Oyedele, "2017 Tax & Fiscal Policy Prospects", online:<<https://www.pwc.com/ng/en/assets/pdf/predictions-jan-2017.pdf>>

### 5.3. CONCLUSION

The result this study seeks to achieve is a significant contribution to the ongoing discourse on the need for Nigeria having a sustainable economy through the implementation of credible taxation and economic diversification policy.

The author believes that such a transformation is achievable in Nigeria if the government and all relevant policymakers/stakeholders could get it right in the area of tax administration, legislation, implementation, and reforms which in whole form a tax regime that guarantees economic growth and sustainability of a country.

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