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Information and Communication Technology (ICT) as a Tool in Revenue Generation and Tax Administration, a Study of Firs Abakaliki, Ebonyi State-Nigeria

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Abstract- Information and Communication Technology (ICT) has opened a new visage to globalization in revenue generation and tax administration. The deployment and integration of ICT facilities into revenue generation and tax administration for internet access and a web portal implementation that enable the organizations in charge of revenue generation and tax administration in Nigeria; federal inland revenue service (FIRS) to carry out most of its activities ubiquitously on the internet is steadily growing in Nigeria. This has enabled many financial operations such as Pay-direct, E-tax, M-banking, E-banking, E-filing, E-assessment, E-auditing among others. In Nigeria, quite a large number of revenue generation and tax administration organizations in different state have either developed their portal or have had one deployed for the purpose of ICT-related operations. This development has had tremendous impact on revenue generation and tax administration or management. It now provides these organizations with opportunities for e-revenue and tax operations.

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I. INTRODUCTION

Good governance is when the social contract between the governments and the governed are satisfied and it is achievable using modern technique of Information Technology. Putting in place good welfare facilities and up to-date securities apparatus for citizens is largely dependent on financial strength of that country. According to Sven Steinmo (1993) Governments need money; modern governments need lots of money, how they get this money and whom they take it from are two of the most difficult political issues faced in any modern political economy. Daniel Armah-Attoh and Mohammed Awal (2013) pointed out that the capacity of a country to provide for the welfare

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and security of its citizens, as well as to develop and consolidate representative democracy, is determined by its ability to raise enough resources. As in many African countries, Internally Generated Revenue in Nigeria depends totally on taxation.

According to the Federal Inland Revenue handbook on "Taxation Reform in Democratic Nigeria", the history of modern taxation in Nigeria started with the Stamp Duties Proclamation in 1903 in the then Northern Protectorate, which later became part of amalgamated British Colony of Nigeria. It was the Native Revenue Proclamation of 1906 that systematizes all existing pre-colonial taxes, thus bringing into place a new regime of tax rates. The amalgamation of the Northern and Southern Protectorates to form the colonial federation of Nigeria in 1914 led to the Native Revenue Ordinance in 1917, which was extended from the northern territories to the western and eastern territories in 1918 and 1927, respectively. Since then, there has been a steady progress in the tax regime with various attempts to modernize, expand, reform and improve the process, procedure, and sanctions inherent in the system of taxation in Nigeria. In 1943, the Nigerian Inland Revenue Department was carved out of the Inland Revenue Department of British West Africa. This Department was later renamed the Federal Board of Inland Revenue under the Income Tax Ordinance, No. 39 (1958). This was followed by the Companies and Income Tax Act, No. 22 (1961), which established the Federal Board of Inland Revenue, FBIR. The Act also created a Body of Appeal Commissioners to resolve tax-related disputes. In 1993, the Finance (Miscellaneous Taxation Provisions) Act No. 3 and Decree No. 104 established the Federal Inland Revenue Service (FIRS) as the operational arm of the FBIR and reviewed the functions of the Joint Tax Board (JTB), respectively. However, the history of tax administration in Nigeria changed dramatically in 2007 with the granting of financial and administrative autonomy to the Federal Inland Revenue Service (FIRS) through the passage of the Federal Inland Revenue Service (Establishment) Act 2007. In the Taxation as commonly used can be defined as the imposition by government of compulsory contributions

or levies on the citizens, property, income, commodities, transactions and so forth, for the purpose of raising revenue for government expenditure. The major reasons of impose tax includes; to raise money for the purpose of financing social services like health, defense, law and order, education and infrastructure; second, to raise share of the national cake going to the poor; to encourage investment; and to defend local market on domestic products through heavy taxes on unnecessary imports(TRA 2012).

II. TAX SYSTEM IN EBONYI STATE- NIGERIA

The tax system in Ebonyi state just as it is in other states in Nigeria is made up of the tax policy, the tax laws and the tax administration. All of these are expected to work together in order to achieve the economic goal of the state and the nation generally. According to the Presidential Committee on National tax policy (2008), the central objective of the Nigerian tax system is to contribute to the well being of all Nigerians directly through improved policy formulation and indirectly through appropriate utilization of tax revenue generated for the benefit of the people. In generating revenue to achieve this goal, the tax system is expected to minimize distortion in the economy. Other expectations of the Nigerian tax system according to the Presidential Committee on National tax policy (2008) include;

- ☞ Encourage economic growth and development.
- ☞ Generate stable revenue or resources needed by government to accomplish loadable projects and or investment for the benefit of the people.
- ☞ Provide economic stabilization.
- ☞ To pursue fairness and distributive equity
- ☞ Correction of market failure and imperfection.

In an attempt to fulfill the above expectation, the national tax policy is expected to be in compliance with the principle of taxation, the lubricant to effective tax system. The Nigerian tax system has been flawed by what is termed multiplicity of tax and collecting entities at the three tiers of government levels – Federal level, State state level and Local government level (Ahunwan, 2009). Since major functions of government to the general public using taxation as a tool, according to Nightingale (2002) and Lyme and Oats (2010) the objective of taxation are also highlighted as follows;

- ✓ Raising revenue to finance government expenditure.
- ✓ Redistribution of wealth and income to promote the welfare and equality of the citizens.
- ✓ Regulation of the economy thereby creating enabling environment for business to thrive.

Taxation is therefore, one among other means of revenue generation of any government to meet the need of the citizens some of which have been pointed out above. It is worthy of note however, that there are

other sources of revenue generation by the government such as grants, borrowing and so forth.

III. THE MAJOR ORGANS OF TAX ADMINISTRATION IN NIGERIA

The organs of the Nigerian Tax Administration are listed below;

1. Federal Inland Revenue Service Board
2. State Internal Revenue Service Board
3. Joint Tax Board
4. Local Government Revenue Committee
5. Joint State Revenue Committee. (ICAN, 2010)

IV. BRIEF HISTORY OF FEDERAL INLAND REVENUE SERVICE(FIRS) AND ITS TAXATION OPERATIONS

The Federal Inland Revenue Service started as part of a colonial tax organization under the name the Inland Revenue Department of Anglophone West Africa. The department's scope of administration covered Nigeria, Ghana, Sierra Leone and the Gambia. In 1943, the Nigerian Inland Revenue Department was carved out of the Inland Revenue Department of Anglophone West Africa and established as an autonomous body under the supervision of the Commissioner of Income Tax.

Investment in ICT and modern work tools has led to automation of key processes including collection. This has blocked leakages in the system and boosted government revenue profile. The Service also underwent structural reorganization within this period and new offices were created. In 2010, the Service recruited more than 1800 new staff to fill these new vacancies with relevant skills and competencies.

Overall, since 1943 when the Nigerian Inland Revenue Department was established, it has undergone series of modification within a period of 69 years of existence to attain its present form which is totally ICT oriented.

V. TAX AND REVENUE ADMINISTRATION

It is one thing to make policies, rules and regulation in an attempt to attain a desired goal or objective and it is another thing to implement these policies, rules and regulation. The organs and or agencies in charge of tax policy implementation in Nigeria are referred to as the administrative organ or agency in this research. Efficiency and effectiveness should be the watch word in designing a tax administration structure that will give the desired result (McPherson 2004). Put differently, tax administration in Nigeria is the responsibility of the various tax authorities as established by the relevant tax laws (Kibel and Nwokah 2009). Citing Section 100 of the personal income tax Decree, 1993 and amended by Decree No 18-Finance (Miscellaneous Taxation Provisions) Decree

1998, Kiabel and Nwokah (2009) noted "Tax authority "to mean Federal Board of Inland Revenue, the State board of internal revenue and the local government revenue committee. Together with the Joint tax board (JTB) and Joint state revenue committee or Local Revenue Committee, Nigerian tax authority administers taxes in Nigeria. The fiscal autonomy granted the three tier of government had led to multiplicity of tax. Tax payers and corporate bodies had been subjected to multiple levies or charges of tax of same name in different form. This had increased evasion and avoidance as such payment either eat deep into the profit of business or affect negatively, the distributable income of the individual.

a) *Modernization of Tax Administration using ICT*

Information and Communication Technology (ICT) is used to enhance performance in revenue and tax administrations and has demonstrated itself in the following ways;

- ❖ Reduction of human error in tax and revenue administration.
- ❖ Fast, efficient and easier tax and revenue report processing or generation.
- ❖ Providing readily accessible data for tax officers,
- ❖ Development of National Tax Database linking all revenue authorities and major stakeholders in the entire country.
- ❖ It serves as legitimate and technological way of dragging every taxable Ebonyian (indegine of the state) and Nigerian into the tax net through the TIN ICT platform.
- ❖ Untimely making report available.
- ❖ Promoting voluntary compliance thereby minimizing tax evasion.
- ❖ It ensures highest accuracy of identity uniqueness of all taxable citizen of the state through the TIN system.
- ❖ Finally, it also facilitating better decision making by tax authorities.

The tax administration in Ebonyi state-Nigeria has been automated which also include electronic processes and tailored made projects to address specified areas of the tax system such as:

- *Taxpayer Identification Number (TIN) System:* TIN (Taxpayer Identification Number) Project is an electronic system of tax identification, involving the assignment of a computer-generated unique identifier called "TIN Number" to every taxable person in the state. This project helps in the development of National Tax Database linking all revenue authorities and major stakeholders in the country. It is being overseen by the Joint Tax Board and funded by Federal Government of Nigeria and States in the country. TIN project is a legitimate and technological way of dragging every taxable Nigerian into the tax net. The TIN registration has the

facility that captures the properties, assets, bio-data and biometric details (fingerprints) of the taxpayers to ensure highest accuracy of identity uniqueness. Precautionary measures such as Disaster recovery and contact management centers are put in place to ensure minimal downtime and outright failure of the project. It is now compulsory for any individual, corporate entity, registered organizations and group of people that want to carry out vital operations such as opening of Bank Account and award of contract to have TIN which will reduce to the barest minimum the incidence of tax evasion.

- *Factual Accurate Complete Timely (Fact):* Project FACT (Factual Accurate Complete Timely) is an integrated electronic system of tax registration, tax payment and accounting empowered by Information and Communication Technology adoption in tax and revenue administration in Nigeria.
- *Integrated System of Tax Administration (ITAS):* Integrated system of tax administration (ITAS) includes, Business Process Re-engineering, Systems Development, Change Management and automation of Finance and Accounts Functions which is shortlisted as follows;
 - Tax clearance verification.
 - Tax refund application software.
 - Contact management centre.

b) *Possible Mistakes/Challenges of E-Taxing Administration Platform and Solutions*

The possible mistake a tax payer can do during Electronic payment are;

- Double payment.
- System failure.
- Over payment.
- Excess of Excess VAT and
- Error in computation.

c) *System Generated Solutions*

The possible measure or solutions are;

1. Validation system or facilities
2. Tax refund process/facility
3. Error Identification facilities etc

d) *National Information Technology Development Agency (Nitda) Act, Lfn 2007*

This law is one of the most recent tax laws in Nigeria. Its inception follows the technological innovations that brought about the use of mobile phones, cyber companies and Internet providers, etc. Administered by the federal government through FIRS, the law places a levy of 1% on the profit before tax of: "GSM service providers and all Telecommunication Companies. Cyber Companies and Internet providers.

VI. CONCLUSION

This study shows clearly that ICT plays an important role in the increase of internally generated revenue in Ebonyi state-Nigeria by ensuring compliance thereby boosting productivity and economic activities in the state among others. It is a change agent for accelerated growth and poverty reduction in Ebonyi state-Nigeria and the whole of African continent at large. The emerging global infrastructure could make it increasingly possible for eligible taxpayers to pay tax online anywhere and anytime. The establishment of an integrated broadband plan is a positive indicator of the government of Nigeria to provide ambience for enhancing the use of information technology and promoting information transmission and connectivity to the global infrastructure. However, necessary laws and regulations have to be passed by the appropriate authorities to reduce or abolish import taxes on information technology hardware such as computers, Servers, printers, biometric scanners and other devices.

VII. RECOMMENDATIONS

ICT tax and revenue administration projects frequently encounter downtime at critical moments and have a significant failure rate on account of various challenges such as inadequate funding and maintenance due to organizational, political and technical complexities among other challenges or lapses. Government and other concerned bodies have to find solutions to these challenges. All citizen of the state should as matter of fact be educated on need, use and importance of all Electronic application and operations such as Pay-direct, TIN application etc

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