

**THE IMPACT OF TAXATION AS AN AID TO
ECONOMIC DEVELOPMENT IN SAGBAMA LOCAL
GOVERNMENT AREA**

BY

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**A PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
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AWARD OF NATIONAL DIPLOMA (ND) IN
ACCOUNTANCY OF THE
BAYELSA STATE POLYTECHNIC ALEIBIRI,
BAYELSA STATE, NIGERIA**

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DECLARATION

I declare that this project is based on a study conducted by me Wanapere Evelyn Akpos in the Dept of Accountancy Bayelsa State Polytechnic Aleibiri under the supervision of Mr. Sunday Zibaghafa. This project report has not been submitted elsewhere for the award of a National Diploma. The idea and views of the research project are products of research undertaken by me. Where the ideas and views of other authors/ researchers have been expressed, they are duly acknowledged.

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Date:

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CERTIFICATION

The research was carried out by WANAPERRE, EVELYN AKPOS (ND/ACCTS/018/004) and submitted to the Bayelsa State Polytechnic Aleibiri, Bayelsa State in partial fulfillment of the requirements for the award of National Diploma (ND) in Accountancy.

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DEDICATION

This work is dedicated To God Almighty whom has given me the gift of Life and the Wisdom, Knowledge and understanding to complete this work and my beloved parents for their prayers and financial support.

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ACKNOWLEDGEMENT

I want to use this opportunity to appreciate GOD for the ability that abounded in me, even as I undertook this tasking yet wonderful undertaking.

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Thanks to all of you and God favor you!

ABSTRACT

This study examined the impact of taxation as an aid to economic development, using Sagbama Local Government Area as a case study. Relevant literatures were reviewed in order to sample the opinions of other researchers and authors on the concept of taxation and economic development. Questioners were designed and subsequently distributed to respondents in the case study. Findings from the study revealed that revenue generated from taxation in the local government has a positive impact on economic development, therefore, it was recommended that mobile revenue courts should be established in collecting taxes from individuals and employees of small business in order to reduce tax avoidance.

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CHAPTER ONE

INTRODUCTION

1.1. BACKGROUND OF THE STUDY

“Nothing is certain but death and taxes” – this idiomatic expression generally attributed to Benjamin Franklin (1789) has long been synonymous with certainty in a constantly changing world. A testament to Franklin’s status as an iconic and prescient figure, the phrase is still an apt summary of most of human history. Not long after the beginning of civilization as we know it, people began to pay taxes in support of the things we now take for granted: food, housing, infrastructure, defense and much more. A history of taxation, therefore, reads almost like a history of society and culture in general.

The first record of organized taxation comes from Egypt around 3000 B.C., and is mentioned in numerous historical sources including the Bible. Chapter 47, verse 33 of the Book of Genesis describes the tax collection practices of the Egyptian kingdom, explaining that the Pharaoh would send commissioners to take one- fifth of all grain harvests as a tax.

Tax practice continued to develop as Greek civilization overtook much of Europe, North Africa and the Middle East in the centuries leading up to the Common Era. The Rosetta Stone, a clay tablet discovered in 1799, was a document of new tax laws decreed by the Ptolemaic Dynasty in 196 B.C. Named after its leader Ptolemy V, this kingdom was a product of Alexander the Great’s legendary conquest of huge swaths of territory, resulting in a melding of Ancient Greek and other languages. The text of the Rosetta Stone was therefore written in both Greek and Egyptian hieroglyphic script, and its discovery served as a breakthrough in decoding one of the oldest forms of written language.

From the Roman age and through medieval European history, new taxes on inheritance, property and consumer goods were levied, and often played a role in war, either by funding them or provoking them. Other cradles of civilization, such as ancient China, also levied taxes under the authority of a strong centralized government. The Chinese T'ang and Song Dynasties employed a methodical census record to track their populace and impose the proper taxes on them. These funds and materials were then used to support armies and construct canals for transportation and irrigation, among other projects. The Mongol Empire that took control of much of Asia around 1200 instituted tax policy designed to influence large-scale production of certain goods like cotton.

1.2. STATEMENT OF THE PROBLEM:

The first need of any modern government is to generate enough revenue which is indeed “the breath of its nostril”. Thus taxation is by far the most significant source of revenue for the government. Nigerians regard payment of tax as a means whereby government raises revenue on herself at the expense of their sweat.

It is good to note that no tax succeeds without the taxpayer’s co-operation. Here, we can ask some thought-provoking questions such as: what makes taxation such a difficult issue? Why do people feel cheated when it comes to tax? Is government making judicious use of taxpayer’s money? In view of these questions above, this study is going to be carried out to offer solution to them.

Going by the questions posed above, it is expedient to note that the major problems associated with the issue of taxation and economic development, especially in local governments in Nigeria include:

- i. Those vested with the responsibility of collecting taxes in the local government are usually found wanting in the discharge of their duties.

- ii. Where taxes are eventually realized, they are not used for the intended purpose of economic development of the local government.
- iii. Similarly, there is the problem of unharmonized taxes rates for individuals and small businesses resident in the local government.

1.3. PURPOSE OF THE STUDY

The general objective of the study is to assess the impact of taxation in contribution of taxes towards the economic development of Sagbama Local Government Area of Bayelsa State.

However, the specific objective of the study includes:

1. To examine the role of tax collectors in the development of Sagbama Local Government Area of Bayelsa state.
2. To determine the extent to which government has been using revenue generated from tax in the local government.
3. To examine how tax rate affects revenue generation and the rate of investment in the economy of the local government.

1.4. RESEARCH QUESTIONS

The following research questions were analyzed:

1. To what extent does the role of tax collectors affect the development of the council?
2. To what extent is tax revenue generated being used in the development of the council?
3. To what extent does tax rates affect revenue generation and the rate of investment of the council?

1.5. RESEARCH HYPOTHESIS.

The following research hypothesis were tested:

Hypothesis 1

H₀: There is no significant impact of the role of tax collectors in the development of the council.

H_a: There is significant impact of the role of tax collectors in the development of the council.

Hypothesis 2

H₀: There is no significant relationship between revenue generated and the development of the council.

H_a: There is significant relationship between revenue generated and the development of the council.

Hypothesis 3

H₀: There is no significant relationship between tax rate and revenue generation and rate of investment in the council.

H_a: There is significant relationship between tax rate and revenue generation and rate of investment in the council.

1.6. SCOPE OF THE STUDY

The scope of this study covers critical examination on the impact of taxation in the economic development of Sagbama Local Government Area of Bayelsa state.

1.7. SIGNIFICANCE OF THE STUDY

One of the most frequently discussed issues in Nigeria is how to solve the economic hardship in the country and how to create an industrial base that can be guarantee self sustaining economic development. Also one wonders why a country which is richly endowed with the necessary human and material resources and which the people pay tax has been turned a heavily indebted country.

The study will afford us the opportunity to know the roles taxation play in the Sagbama Local Government Area, In Bayelsa State Economy such roles includes:

1. Taxation is a major source of revenue to the government.
2. Revenue generated from tax enables government performs its functions effectively.
3. Taxation acts as an instrument of fiscal policy.
4. The impact of tax on small business in the state.
5. The study will in addition reveal if there are other better sources of government funding.

1.8. DEFINITION OF TERMS

TAXATION: Is a means by which government or tax authority imposes or levies a tax on it's citizens and business entities.

TAX BASE: It is defined as the object which is taxed for instance personal income, company profit.

TAX RATE: The rate is the percentage at which an individual or corporate bodies are taxed.

TAX INCIDENCE: It offers to the effect of and where the burden is finally rested. (LEONHARDT David (September 15th 2015): "Do Tax Cuts Lead to Economic Growth"? nytimes.com. The New York Times Company. Retrieved 16 April 2014).

PERSONAL INCOME TAX: this type of tax is directly imposed on individuals (employees) co-operate bodies of individuals, communities.

ECONOMIC DEVELOPMENT: according to Baran (1957) economic development can be seen as been far- reaching transformation of society's economics, social and political structure of the dominant organization of production distribution, and consumption. Economic development can be deduced from the foregoing, is generally defined as consisting of "improvements" in the various aspects of the life of the entire population of a country.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 INTRODUCTION:

In this Chapter the focus shall be looking at some literature review by different authors, scholars and researchers, theoretical frame work and prior empirical studies on taxation in Nigeria and Sagbama Local Government Area in Bayelsa State in particular.

Therefore this chapter shall be discussed under the following points:

Conceptual framework, Theoretical framework and Empirical framework.

2.2 CONCEPTUAL FRAMEWORK.

2.2.1. Definition of Taxation

According to Hycenth, Ajie and Ewubare (2008) Taxation is the process by which an individual, group of individuals, co-operate bodies being taxed. It can also be defined as the transfer of resources from the private to the public sector in order to accomplish some of the nation's economic and social goals. Tax is a compulsory levy imposed by the government on it's citizens, individuals, household and Firms.

Taxation can be defined as a system of taxing or executing the collection of tax by the authorities.

Taxation can also be defined as a compulsory levy imposed on a subject or upon his property by the government and its agent to provide security conditions for the economic well being of the society.OLA (1999).

Taxation is a dynamic subject which grows with the constant changes in economic environment In which it operates.

Taxation is a means by which the government or tax authority Imposes levies a tax on its citizens and business entities.

2.2.2. THE HISTORY OF TAXATION IN NIGERIA

The development of any nation depends on the amount of revenue generated by the governments (Federal, State or Local) for the provision of infrastructural facilities. Taxation is the key to unlocking the resources required for public investment and infrastructure growth.

The history of taxation in Nigeria dates back to even when Nigeria wasn't coined. During this time, the Tax Administrators then were the traditional chief tax agents. At this time taxation was mostly on farm produce and other primary goods. The modern taxing system by the federal government of Nigeria under it taxation arm; Federal Board of Inland revenue (FBIR) could be traced back to the year 1939 when the Companies Income Tax Ordinance was created.

After the creation of this first taxation body , it had always change in response to the changes made to the tax law which are caused by several other factors in 1978, The tax force on Tax Administrators under the leadership of Alhaji Shehu Musa formed the Federal Inland Revenue service (FIRS) as the operational arm of Federal Board of Inland Revenue (FBIR). In the smallest of nutshells, Taxes are paid because the Federal, state and local Governments implements tax laws. Tax payers money pays for government services of all kinds. Although taxes are considered as a legal requirements, paying taxes is also considered a Civic duty. If you neglect to pay, the mediating body that oversees taxes (the Federal Inland Revenue service) will require that you do so, otherwise you might face penalties such as large fines or jail time. In

2015, The Federal government of Nigeria collected over 3.7trillion naira in taxes, This could come from several sources such as personal Income Tax, Payroll Tax, Corporate Tax, Tariffs and many more. The government requires these funds to discharge it's numerous responsibilities for the development of the country betterment of society as a whole and other non- developmental but essential obligations to the citizens of the country.

2.2.3. THE COMMON TYPES OF TAXES IN NIGERIA

The type of taxes in Nigeria is what many Nigerians are not aware of. This is despite the fact that ignorance is not excuse of the law. As an individual, a business in Nigeria, you are liable to the payment of any taxes, and if you fail to pay it ignorance of the law can not be use as a genuine excuse for such act of omission. We shall try to do justice to explain each type of taxes in Nigeria.

1. **Company Income Tax (CIT) :** under companies Income Tax Act, we have to pay companies Income Tax if you are resident or non- resident company Incorporate in Nigeria, and Sagbama Local Government pf Bayelsa State.
2. **Value Added Tax (VAT) :** Any person or individual, corporated sole, organizations, who consumes or buys any taxable products or service will have to pay a tax levy known as value Added Tax (VAT) in Nigeria, and Sagbama Local Government Area of Bayelsa State.
3. **Personal Income Tax (PIT) :** The personal income Tax (PIT) is the most common type of tax in the country. A personal Income Tax is a tax imposed on individuals or entities (tax payer) that varies with respective income or profits (taxable income) personal Income Tax generally is computed as the product of a tax rate times taxable income.
4. **Petroleum Profit Tax (PPT):** The petroleum profit Tax is subjected to any resident company or person in charge of a non-resident company who are

exploring for petroleum or producing it in Nigeria, and Sagbama Local Government of Bayelsa State.

5. **Withholding Tax (WHT):** The Withholding Tax deductions are regarded as advances payments (or payments on account) of the relevant tax liability that will arise from the tax returns of the period concerned.
6. **Educational Tax(EDT): Stamp Duties (STD):** Items or persons subjected to stamp Duties tax are written document relating things between individuals or companies or group of soles stamp Duties may include instrument such as financial transactions, article of association between companies, statements, deals bonds etc.
7. **Capital Gain Tax (CIT):** All the companies registered in Sagbama Local Government Area of Bayelsa State in Nigeria which earn any capital gains are liable to Capital Gain Tax. Capital Gain Tax is calculated and submitted with companies Income Tax to FIRS through designated Bank.

2.2.4. Classification of Tax by Incidence

Tax incidence can be classified into; Direct tax and Indirect tax.

DIRECT TAX: This is a form of tax that is levied by the government directly to it's citizens; individuals, group of individuals, and co-operate bodies. Which includes: personal income Tax, Company income Tax, petroleum profit Tax, capital gain Tax, property Tax, capital Transfer Tax, Education Tax, and Information Technology Tax

Education Tax: (EDT) : This tax is regulated by the education tax Act, cap E4, LFN 2004. It is the tax that is imposed on all companies registered in Nigeria. The rate of the tax is 2 percent of assessable profit. The amount in the fund is distributed between Universities, polytechnics, and college of educations in the ratio.

Information Technology Tax: This is the tax imposed on telecommunication companies, cyber companies and internet service providers.

Capital Transfer Tax: Is a tax payable from 1974-1986 at progressive rate on the cumulative total or gift of money or property made during the donors life time or after his death. It was replaced by inheritance tax.

Property Tax: This tax is levied on placed on the ownership of certain properties like houses, and lands. This type of tax is said to penalize individuals for having ownership of real estate property.

Capital Gain Tax: This is a tax charged where there is a disposal of asset where any capital sum is derived from a sales, lease, transfer, etc.

Petroleum profit Tax: This tax is imposed on income of companies in petroleum operations. This tax is governed by petroleum profit Tax Act, cap p13 LFN 2004.

Personal Income Tax: This type of tax is directly imposed on individuals, (employees) co-operate bodies of individuals, communities.

Company income Tax: This is the type of tax that is directly imposed on profit of a company from all sources. It is one of the main tax that is administered and collected by the Federal Inland Revenue. It is also the tax paid on the income of Incorporated companies.

INDIRECT TAX: This is a form of tax that is imposed indirectly on goods and services. Examples; sales Tax, value Added Tax, import duties, Export Duties, Excise Duties.

Value Added Tax: This is a tax that is charged on the sales of specified goods and services at the rate of 7.5. it is also referred to as the consumption Tax.

Sales Tax: This is the tax paid to a governing body for the sales of certain goods and services. It is also an amount of money calculated as percentage that is added to the cost of production.

Import Duties: These are charges payable on the importation of goods from one country to another, that's charges been improved on the goods coming into the country.

Export Duties: This is the tax imposed on export goods or commodities, that is, goods going out of the country.

Custom & Excised Duties: These are taxes charged at the Nigeria port of entry on certain imported goods. It is usually administered and collected by the Nigeria custom services.

Stamp Duties: The stamp Duties Act, Caps8 LFN 2004 (as amended). Stamp duties are dues paid by individuals to respective state Government, while corporate bodies pay their tax to the Federal government.

2.2.5. Structure of Nigeria Tax System

The Nigeria tax Structure was dependent on direct tax on person and wealth which were predominantly the source of revenue to the government. A tax Structure system may be progressive, Regressive, and proportional. Under the structure of Nigeria tax system tax is classified into three (3) namely: Progressive Tax, Regressive Tax and Proportional Tax.

Progressive Tax system: This is where the rich pay lesser than the poor, in this case as your income or your earning increases, the tax you pay decreases.

Regressive Tax system: This is a situation where by the poor pay more than the rich, as your income decreases, The tax amount increases.

Proportional Taxes: A tax is proportional when the rich pay more than the poor in absolute terms (in actual amounts). But all tax payer, rich and poor, are made to surrender the same percentage of their income in tax payments.

2.2.6. THE ADMINISTRATION OF NIGERIA TAX SYSTEM

The Administration of Tax is vested in various Tax Authorities depending on the type of Tax under consideration. In Sagbama Local Government Area of Bayelsa state in Nigeria, There are three (3) authorities namely:

FEDERAL BOARD OF INLAND REVENUE: The Federal Government collects taxes through the Federal Board of Inland Revenue; the agency administers Revenue laws that deal with taxes paid by the residents of the Federal Capital Territory and taxes that are paid by corporate bodies (Limited Liability Companies). They are responsible for accounting for the Federal Government for all taxes collected.

STATE INLAND REVENUE BOARD: The State Governments collect taxes through the State Board of Internal Revenue; the agency primarily administers the Personal Income Tax Act, and however, some states of the federation have instituted additional revenue statutes, which they administer. They are responsible for accounting to the State Government for all revenue collected.

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

Tax administration involve the registration of assessment, returned, collection, compliance monitoring, compliance enforcement, sanction, taxpayers education and

awareness and any other activities that can improve the efficiency and effectiveness of taxation.

Tax Administration is simply defined as the implementation of the various tax laws in a country in order to achieve its objectives.

In Nigeria tax administration is carried out by the three tiers of Government, which are the ; Federal government, and the thirty-Six states of the federation and federal Territory and the various local governments through the machinery set up by the respective government.

CORPORATE TAX: Nigerian Companies pay 30 percent of their worldwide profit while foreign companies pay 30 percent of only the profit made in Nigeria. The educational charge is pegged at 2 percent of the assessable profit while a 10 percent withholding tax is deducted from dividend payments to companies and individuals.

TAX: Nigerians under the law are to pay 25% of their total worldwide income while foreign individuals are to pay 25% of the profit made in Nigeria only.

2.2.7. TAX RATES IN NIGERIA

Not all naira earned are equal as far as the taxman is concerned. Nigerian tax rates vary according to the amount of income you earn, and you pay different rates on different portions of your income. This can be seen under Corporate Tax and Individual Tax.

ORGANS OF TAX ADMINISTRATION

The Organs of tax administration Includes:

Joint Tax Board

Federal Board of Inland Revenue

State Board of Internal Revenue

Local Government Revenue Committee.

JOINT TAX BOARD: The Joint Tax Board (JTB), At it's 135th meeting held on 25 and 26 July 2016 made a number of resolutions aimed at boosting internal generated revenue (IGR) at various levels of Government.

Joint Tax Board composition of the following members:

Chairman who is like a federal government representative in the board.

He is usually the chairman of the federation, Being a person experienced in income tax matters.

DUTIES:

To exercise the powers or duties conferred upon it by the ITMA 1961.

To exercise the powers or duties that maybe conferred on it by any enactment of the Federal government relating to companies taxation.

To promote uniformity in tax through the country.

FEDERAL INLAND REVENUE SERVICE BOARD: Is the body statutory empowered to administer and enforce the various tax laws in Nigeria at the Federal levels. The FIRS was established by the Federal Inland Revenue Service, "Act 2017" it was established to administer various federal taxes as recognized by the relevant laws. By (Serah Sanni Seson legal practioner, 2 Dec.2019).

FIRS composition:

This comprises of the following members;

The chairman, who is appointed by the minister of finance, is usually the Director of the Inland Revenue department.

All Directors of the Federal Inland Revenue Department.

A Director with responsibility for revenue matters in the Federal ministry of finance.

DUTIES:

To sue and be sue for tax or penalties.

Authorise any person to accept service of any documents to be sent, that is to be delivered to the board.

To sanction any prosecution in respect of any certain offences under each of the Decree or Act.

To Grant the right of installment payment to taxpayers.

To Grant relief in respect of errors.

The State Board Internal Revenue: This was established in section 33A of the income management Act of 1961. The State board is the relevant tax authority in charge of collecting the following taxes; personal Income tax, Companies income Tax, Capital gain tax, etc.

This comprises of:

The state board shall be executive head of the state service, As chairman, being experienced in taxation and to be appointed by the governor.

Three other person nominated by the commissioner of finance in the state on their personal merits.

The Directors and Head of department within the state service.

Legal adviser as nominated by the state judicial commission.

DUTIES:

Appointing, promoting, transferring, and imposing discipline on employees of the state service.

Doing all such things as may be deemed necessary and expedient for the assessment and collection of the tax and show account for all amount collected.

Making recommendation, where appropriate to the joint tax board on tax policy, tax reform, tax legislation.

Local Government Revenue: section 33E of the Income Tax Management Act, (ITMA) of 1961, established the Local Government Revenue Committee. This compromise of;

The governing body of the revenue committee shall be comprise of the supervisor of finance as chairman.

Three other members experienced in revenue matters to be nominated by the chairman of the local government on their personal merits.

DUTIES:

The Revenue Committee Shall be responsible for the assessment and collection of all taxes.

There shall be an account for all amounts so as to be collected in a manner to be prescribed by the chairman of the local government.

The revenue committee shall be autonomous of the local government Treasury and shall be responsible for the day to day administration of the department.

2.2.8. PRINCIPLES OF TAXATION

Adam Smith in (1776) laid down what came to be known as the "Cannons of Taxation". He look at it as the principles of taxations upon which any good tax must be based. This principles includes;

The Equity Principle: This relies on the ability to pay principle which implies fairness in the tax system. The two nations of fairness are termed horizontal and vertical equity. Horizontal equity implies that two people should pay the same amount, while the vertical principle requires that taxes should be levied in a progressive rate structure.

Principles of Certainty: This is another important principle of taxation on which Adam Smith laid down a good deal of stress is the Canon of certainty. He quote it as " The Tax which each Individual is bound to pay need to be certain and not arbitrary.

Principles of Convenience: According to Adam Smith, The sum, Time and manner of payment of tax should not only be certain but the time and manner of it's payment should be convenience to the contributor.

Principles of Economy: The Government has to spend money on collecting taxes levied by it's citizens. Some collection costs of taxes add nothing to the national product. They should be minimized as far as possible.

2.2.9. ELEMENTS OF TAXATION

According to (Aromollaran Adekunle) (1976), Every tax has two elements, which are:

Tax Base and Tax Rate.

Tax Base: This is usually the object that is to be taxed. It could be the personal Income to individuals, partners in a partnership, Trustees and administrators.

Tax Rate: This refers to the percentage of the value of the tax Base which could be at flat rate.

With effect from 2019:

Progressive Tax rate up to 24%

NGN 0 to NGN 300000	7%
Next NGN 300000.	11%
Next NGN 500000.	15%
Next NGN 500000.	19%
Next NGN 1600000.	21%
Above NGN 3200000.	24%.

2.2.10. APPLICABLE TAX, TAX RATE, GOVERNING THE LEGISLATION

According to Strachan Partners (2018), applicable tax and tax rate governing the legislation in terms of per cent includes:

Companies Income Tax (CIT) 30% of total profit of a company less allowable deduction.

10% of Gains realized upon disposal of a charge assets. Capital gain tax Act.

Value Added Tax: 7.5% on the supply of goods and services.

Education Tax: 2% of assessable profit of a company deduction Tax Act.

2.2.11. OBJECTIVES OF TAXATION

The objectives of taxation are;

As a source of Revenue Generation.

Redistribution of income.

Protection of Infant industry.

Regulates consumption of certain goods and services.

Check Externalities.

Prevent Dumping.

2.2.12. IMPORTANCE OF TAXATION

Government Improve charges on their citizens and business as a means of raising revenue, which is then used to meet their budgetary demands. Without taxes, Government would be unable to meet the demands of the societies. Taxes are important because government collect this money and use it on finance social projects. This includes;

HEALTH: without taxes Government contribution to the health sector would be impossible. Government uses these taxes to create health services. Such as; healthcare, hospitality, medical research, etc.

EDUCATION: Government uses tax to smooth and run the affairs of the country. Examples; To pay public servants, police officers, members of the parliament etc.

CONSTRUCTION OF ROADS: Government also used the taxes been paid by citizens to construct good roads, and make Transportation easier.

2.2.13. LOCAL GOVERNMENT LEVEL

The Local Government edict of 1977 sections 82 indicates the various sources of Revenue accruable to a Local Government.

These include fees, levy and Rates such as:

1. Marriage, Birth and Death registration fees
2. Liquor license fees
3. Naming street fees
4. Merriment and road closure fees
5. Radio and Television license fees
6. Slaughter slab fees
7. Right of occupancy
8. Market stall fees
9. Motor park fees
10. Vehicle Radio license fees
11. Domestic Animal fees
12. Lorry parking charges
13. Bicycle, truck, canons and other non-mechanically propelled vehicles.
14. Sign board and Advertisement permits
15. Public Convenience, sewage disposal
16. Customary burial ground permits
17. Shops and Kiosks rates
18. Cattle tax
19. Tenant fees etc

The edict states that all monies document be collected and paid to the finance department or to the Local Government or to the local government revenue collector. Each finance department of the which is responsible for the assessment and collection of the various revenue of the local government collection who is an employee of the local government authorized to collective and receive monies on behalf of the Local Government his res0ponsibilities include:

Ensuring that all the revenue accruable to the Local Government are promptly collected when due and paid into the local government account.

He is required to keep the necessary accounting records and ensure that all receipt books, licenses etc are kept under strict control.

Where subordinate revenue collectors are delegated, he must check their records and ensure strict compliance to regulations.

2.2.14. STATE GOVERNMENT LEVEL

There are sources of income accruable to the state government. These would include;

1. Personal Income Tax-both under PAYE
2. Income arising from withholding tax
3. Capital Gains Tax
4. Road Tax for vehicles
5. Market fees – where state finance is involved
6. Tax from lotteries
7. Tax from pools betting
8. Tax from gainy and casino
9. Business registration fees
10. Development Levies

11. Stamp duties on instruments executed by individuals

2.2.15. THE STATE BOARD OF INTERNAL REVENUE

The administration of the state tax matters is the responsibility of the state Board of Internal Revenue.

COMPOSITION:

The state Board is comprised of:

1. The executive of the state service as the chairman he shall be person experienced in taxation and appointed from within the state services
2. Three other members to be nominated on their personal merit by the finance commission of the state
3. Three other members to be nominated on their personal merit by the finance commission
4. The director and the head of Departments within the state service.
5. A director from the State Ministry of finished
6. A legal adviser who shall be appointed from the State Ministry of Justice.
7. There shall also be a secretary (who shall be an ex-officio member) to the Board appointed by the Board from within the state service.
8. Any five members of whom one shall be the chairman shall constitute a quorum.

DUTIES:

The duties of the state shall include:

1. Ensuring the effectiveness and optimum collection of all taxes and penalties due to the state government under the relevant laws.
2. Making accommodations while appropriate to the joint Tax Board on Tax Policy, Tax Reform, tax legislation, tax treaties and exemptions as may be required from time to time

3. Appoint, promote, transfer and discipline of employees of the state service.
4. General control of the management of the service on matters of policy, subject to the provision of the law setting up the service.

TECHNICAL COMMITTEE OF THE BOARD

Section 1A of this Act provide technical committee of the Board, and this comprises of:

The Executive chair of the board as a chairman.

All the Heads of Department and Directors of the Federal Inland revenue service.

The legal Adviser in the Federal Inland Revenue service.

Duties:

The committee shall:

Have power to co-operate additional staff from within the service in the discharge of it's duties.

Advise the board on all powers and duties specifically listed in section 2 of the Act and in the first schedule.

Duties and Powers of the Board:

There are major duties and powers of the Board which are:

1. To make receipt and examine tax returns and other information for the taxpayers.
2. To make and issue assessment based on the returns, on which tax is payable.
3. Deals with objection by the tax payers when reissued assessment can be issued as considered necessary.

4. Deals with claims for prepayment when tax had been over paid by the payers.
5. They represent the Board at the hearing of appeals.
6. Authorize any person to accept service of any document to be sent, served upon or delivered to the Board.
7. Authorized any person within or outside Nigeria to perform or exercise on its behalf, any such powers or duties conferred on the Board so long such powers or duties are not specifically and statutorily disallowed from being delegated.
8. Authorized joint tax board, with consent of the minister, to perform or exercise on its behalf, any of its powers including its reserved powers and duties.
9. Specify the form of returns, claim, statement and motive under each of the Acts or Peace.
10. Disregard any disposition or to direct that adjustment be made as respects tax liability where the Board is of the opinion that any disposition is not given effect or that any transaction that reduces the tax payable is fictitious or artificial.
11. Give notice in writing to any company to furnish fuller or further information.
12. Act wise the form and the manner in which an assignment is to be made.
13. Grant relief in respect of error or mistakes.
14. Compound any offence or stay or compound any proceedings.
15. Sanction any prosecution in respect of certain offences under each of the Acts or Decree.
16. Determine the basis periods, in the event of a change of accounting date by the company of the year of assessment in which the failure to make up accounts to the usual accounting date occurs and the two years of assessment next following.

17. Decide the basis period of the penultimate year of assessment in the event of a cessation of business.
18. Grant the right of installments payment to a taxpayer.
19. Extended, as its discretion, the time within which to pay taxes under CITA.
20. Grant in writing, when it is shown by a company to the satisfaction of the Board that for good reason the company is not able to file its return within the time stipulated under petroleum Profit Tax Act, the time to file returns.
21. Direct that any undistributed profits of a period of a company be treated as distributed especially where in the opinion of the Board such distribution could have been seen without detriment to the company's business.
22. Assess and charge tax on the turnover of a trade or business where it appears to the Board that for any year of assessment profits or assessable profits produced is in the opinion of the Board less than might be expected to arise from that trade or business or as in the case may be.
23. Call for returns and information about any asset from any person (including a company to which any assets have been vested in pursuance of Chapter three (3) or parts II of CAMA).
24. Enter and search premises where the Board is satisfied that there is reasonable ground for suspecting that an offence involving any form of total or partial non disclosure of information or any irregularity or offence in connection with or in related to tax, has been committed; and is of the opinion that evidence of the offence or irregularity is to be found in the premises/registered office or any other office or place of management of the company or in the residence of the principal officer or agent of the company.
25. To distrain a Taxpayer by his goods or other bonds or other securities or upon any land premises for the enforcement of payment of tax which has become final and conclusive or upon which judgment has been involved.

26. Direct in writing a company to keep such record, books and accounts as the Board may consider to be adequate.
27. Appoint in writing any person to be agent of any company for the purpose of the tax chargeable and collectible under any of the Act or Decree provided the person so declared his or will have the fund of the company in his custody.

8. shall be an official member of the Board) shall be nominated by the Board from within the service.

2.2.16. OBJECTIVES OF TAX ADMINISTRATION IN NIGERIA

1. Advising the government from time to time on matter relating to tax.
2. Equitable treatment of taxpayer.
3. Prevention of tax evasion as much as possible.
4. To ensure strict accountability and efficiency in revenue collection.

LEGAL BACKING TO TAX ADMINISTRATION

The due administration of Nigeria Tax Law is under the care and management of the Federal Board of Inland Revenue Services under section 1 of the Companies Income Tax Act 1979 (CITA) as amended and retained as CAP 60 in the laws of the federation (1990) section 1 and 2. The Board is thus empowered to delegate any person to act on its behalf in carrying out its duties Ochiogu – Tabansi (1997).

2.2.17. PROBLEMS OF TAXATION

Two major problems are discussed: Tax evasion and tax avoidance. Tax evasion and taxpayer can achieve the same goal of reducing his tax liability while tax evasion is considered illegal, by nature all taxes exert an income in that they compulsorily withdraw revenue from the private sector. Also as indirect taxes are levied on goods,

people tend to shift from the purchase of one goods to another, this is the substitution effect to a tax.

A good tax system is one, which does not result in either income effect or substitution effect.

However, this is not attainable in the real word, hence the application of this rule is to achieve the highest possible neutrality from the imposition of tax system.

TAX AVOIDANCE: This is defined as tax payer effort to avoid paying tax by finding a legal hook hole in the tax. Is a deliberate legal act and one of the ways of doing it is by taking more life assurance policies.

TAX EVASION: This is an illegal attempt by tax payer not to pay tax. One of the methods is by not declaring all of ones earnings and under estimation of earning.

2.2.18. Development: This is a process that creates growth, progress, positives changes or the addition of physical, economic environmental.

According to Shah,(2005) Development is the improvement in a country's economic and social conditions, it also refers to as the improvement in way of managing an area's natural and human resources, in order to create wealth and improve people's lives.

Economic Development: According to (Paul Baran's) (1957) sees economic development as being a far-reaching transformation of society's economic, social and political structure of the dominant organization of production distribution, and consumption. Economic development has always been propelled by classes and groups interested in a new economic and social order. Economic development can be deduced from the foregoing, is generally defined as consisting of "improvements" in the various aspects of the life of the entire population of a country. Such improvements are generally manifested in greater members of useful jobs for

employable persons, higher levels of education, agricultural, and industrial skills and techniques, Higher production and lower personal and regional social economic inequalities than before.

Economic development therefore embraces many more aspects of the economy that growth in output of goods and services. This means that growth plus improvements in other aspect of the economy which affect the welfare of the people.

2.3. THEORETICAL FRAMEWORK

Benefit Theory: Benefit Theory was developed by Erik Lindahl (1994). There is a better version of the benefit theory known as the "Voluntary exchange" under this theory, tax levies are automatically determined, because taxpayers pay proportionately to the benefit of government. This paper begins by placing tax decision in a constitutional frame work, where political goals constrain economic choice, each affecting decision about the choice of tax instrument and the allocation of the tax burden..

Cost of Services Theory

This theory was introduced by Arthur Cecil Pigou (1920) which he suggested that the cost incurred by the government in providing public goods to satisfy social wants should be regarded as the basis of taxation. Thus, tax is payable as per the cost of public goods enjoyed by the citizens. Some economists came with their opinion that if the state charges actual cost of the services rendered from the people, it will satisfy cost of the services rendered from the people, it will satisfy the idea of equity or justice in taxation. The cost of service theory can no doubt be applied to some extent in those cases where the service are rendered out of prices and are a bit easy to determine. Examples are; postal services, railway services, supply of electricity, etc. But most of the expenditure incurred by the state cannot be fixed for each individual because it

cannot be exactly determined for instance, how can we measure the cost of services of the police, and forces judiciary, etc, to different individuals?

Expediency Theory: This theory was introduced by Alfred G. Buehler, (1986) it asserts that every tax proposal must pass the test of practicability; it must be the only consideration weighing with the authorities in choosing a tax proposal. The Economic and social objection of the state also has the effects of a tax system should be treated as irrelevant. This proposition has a truth in it.

Since it is useless to have to tax which cannot be levied and collected efficiently. There are pressures from economic, social and political groups. Every group tries to protect and promote its own interest and authorities are often forced to reshape tax structure to accommodate these pressures. Taxation provides a powerful set of policy tools to the authorities and should be effectively used for remedying economic and social ills of the society such as income inequalities, regional disparities, unemployment, cyclical fluctuations etc.

Socio-Political Theory: The theory of taxation states that social and political objectives should be the major factors in selecting taxes. The theory advocated that a tax system should not be designed to serve individuals, but should be used to cure ills of society as a whole. This theory was advocated by Adolph Wagner (1936) that social and political objectives should be the deciding factors in choosing taxes. Wagner, like most Germans of those days, who did not believe in individualist approach to a problem. He wanted that each economic problem should be looked at in its social and political context and an appropriate solution.

2.4. EMPIRICAL FRAME WORK

Successive government has express deep concern about the low level of productivity of the Nigerian tax system. This has been attributed largely to the deficiencies in tax administration and collection system, complex legislation, and apathy, especially on the part of those outside the tax net (Ariyo & Bekoe, 2012; Ogbuabor, Aneke & Ogbuabor, 2014).

In a situation where the tax administration is ineffective, a system based on the ability to pay is supposed to be progressive, but in most cases it is regressive especially when there is lack of tax compliance. If a tax system is efficient and effective, the revenue generated as a proportion of national income should be close to or more than 100 percent of the standard rate of that tax (Ngerebo & Masa, 2012).

Ebrill, Bodin and summers(2011) opine that if the effectiveness of personal income tax system were to be judged, then the tax revenue accruing from the rate of personal income to the national income should be divided by the average personal income tax rate subsisting .The idea is that since tax is paid out of the total income, the amount of tax generated should be equal to the tax rate multiplied by the national income. Where the proportion is less than the standard rate, it follows that the tax system is not productive and hence in effective. On the other hand, if the proportion is less than the standard tax rate where the revenue generated is divided by the total consumptions expenditure, then the tax system can be said to be unproductive and inefficient because it has not been able to influence consumption as it would have been originally intended. An attempt to evaluate the productivity of the Nigerian tax system for improved tax revenue so as to have meaningful impact on economic growth of Nigeria is the reason for this study.

Anao (1988) revealed that Nigerian government has not really lived up to expectation in terms of generating sufficient revenue that can provide social and essential services

to its people. The reason for this is that the internal revenue generation machinery of government is not properly coordinated to the extent that it can efficiently achieve the objectives for which it was established to do.

Besides, Naiyeju (1996) asserted that, the success or failure of any tax system depends on the extent to which it is properly managed; the extent to which the tax law is properly interpreted and implemented.

Dickson and Presley (2013), further attribute this short coming to high rate of tax evasion, misguided tax exemptions and corruption in the administration of the tax system.

According to Chigbu and Njoku, (2015), states that the proceeds from taxes are used to provide security, defense, Justice, social amenities and to create conditions for the economic well- being of the citizens.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION:

This chapter examines the methodology adopted to examine the effect of tax revenue on development in Nigeria (in Sagbama L.G.A) this chapter discusses the research design, characteristics of the population, sampling design and procedures data collection instrument and method of Administration and method of data analysis procedures.

3.2 RESEARCH DESIGN

For any research work to be of any importance to the reader (reading audience, it is wise that such research should be accurately designed. According to Baridom (2001) research does not mean the specific method for collecting data, e.g observation, but the more fundamental question of how the study subject would be employed within the research. Research design could be seen as a framework or plan that is used as a guide in collecting and analyzing the data for a study. It is a proof that gives the researcher to draw inferences concerning causal relations among variables under investigation. The study is taken to illustrate general pointers and to arrive at conclusions which can be generalized for the entire populations. The study used questionnaires as primary sources of data collection.

3.3 CHARACTERISTIC OF THE POPULATION.

This study examined the impact of taxation in the economic development of Sagbama local government area of Bayelsa state.

Therefore, the population size comprised the staffs of the council who are responsible for the collection of tax and its judicious disbursement. Therefore, the population size plus 100 staff members of the council.

3.4 SAMPLING DESIGN AND PROCEDURE:

The sample size for this study is determined using the Taro Yamani formula.

$$n = \frac{N}{1 + N(e)^2}$$

Where n = sample size to be determined

N = Population size of 100

e = error of significant of 0.05

$$\begin{aligned} n &= \frac{100}{1 + 100(0.05)^2} \\ &= \frac{100}{1 + 100(0.0025)} \\ &= \frac{100}{1 + 0.25} = \frac{100}{1.25} \\ &= 80 \end{aligned}$$

Therefore the sample size of this study drawn from a population of 100 is 80 staff of the Sagbama Local Government area of Bayelsa State.

3.5 METHOD OF DATA COLLECTION:

The primary instrument used in the collection of data for this study is the primary source, with particular reference to the design and distribution of questionnaires to respondents selected as the sample size.

3.6 VALIDITY OF INSTRUMENT

To analyze the result of the information, we employed some statistical methods which include: The Percentage Chi-square and standard deviation. In respect to the percentage Chi-square, tables are used to analyze the responds of the questions asked in the questionnaires. The frequency at every stage of the data collected from the questions asked is determined and the percentage of response is calculated. Thus the Chi-square is used in testing the validity of the answers.

Based on the analysis, we can draw conclusion whether our assumption is true or false. The hypothesis was equally tested by applying the response to the questions that are related to the formulated hypothesis. The actual value and the observed values are compared and when the actual value is greater than the observed value, the Null hypothesis is accepted. This method helps in proving the validity of hypothesis.

The standard deviation equally measures the dispersion rate of the observed values from the actual values. It also helped in the analyzing the responses collected through the distributed questionnaires.

3.7 RELIABILITY OF INSTRUMENT

From the analysis, the data collected through issuing a questionnaire or different approach of data collection to checkmate the impact of taxation in economic development is consistence when measured by a chi-square.

Hence, the scale has high internal consistency reliability.

3.8 OPERATIONAL MEASURES OF VARIABLES

The table below explains the different sets of variables which are classified into dependent and independent variable.

Note: Dependent Variables are variables that depend on other factors that are measured while independent variable is variables that are stable and unaffected by the other variables that are measured.

Dependent Variable	Independent Variables
Economic Growth	Taxation
Gross domestic product	Company's income tax
Infrastructure (mega watts of power)	Capital Gain tax
Income Inequality	Petroleum profit tax
Aggregate investment	Value added tax

3.9 METHOD OF DATA ANALYSIS

Each item will be arranged in its appropriate category for the testing of hypothesis.

The answer to each question or statement will be classified by tabulating the data.

The chi-square techniques are used to test the hypothesis, in performing the statistical computation.

The researcher went further to calculate the statistics known as chi-square (X^2) depending on the discrepancy between the observed frequencies that are expected according to some hypothesis.

The hypothesis to be tested was stated as a Null hypothesis (HO) and an Alternative hypothesis (HI). The formula is stated below:

Based on the introduction of chi-square techniques, the hypothesis to be tested is stated a Null hypothesis (HO) and an Alternative hypothesis (HI). The formula is stated below:

r for chi-square (χ^2)

$$\chi^2 = \frac{(O - E)^2}{E}$$

Where:

O = Observed frequency

E = Expected or theoretical frequency of an event under the null hypothesis. The formula is

$$\frac{\text{Row} \times \text{Column}}{\text{Grand Total}}$$

Grand Total

O - E = the differences between the frequency or deviation.

$(O - E)^2$ = the deviation squared and the weighted.

E

$\sum(O - E)^2$ = sum of all the deviations squared or weighted.

E

In analyzing the tabulated chi-square, the degree of freedom and the level of significance are compulsory. The degree of freedom (DF) refers to vary randomly and independently once the border - totals have been specified. The degree of freedom are determined by this:

$$DF = (r - 1)(c - 1)$$

Where:

R = the number of rows in the particular table

C = the number of columns in the table of concern.

When the required degree of freedom and the level of significance have been determined, the tabulated chi-square will be found through taking the value which corresponds to the degrees of freedom of the level of significance. The level of significance (2) that are given in the chi-square table shown in appendix “C” in testing the hypothesis, 0.05 and 0.95 level of significance have been applied.

The comparison and decision are made based on the calculated chi-square (x^2_{cal}) and tabulated chi-square (x^2_{tab}). Accept H_0 and reject H_1 if the calculated value of chi-square (x^2_{cal}) is less than the tabulated value of chi-square (x^2_{tab}) the null hypothesis (H_0) is rejected. It (denotes) that its alternative hypothesis (H_1) will be accepted.

If the calculated value of chi-square (x^2_{cal}) is greater than the value of the tabulated chi-square (x^2_{tab}), the null hypothesis H_0 will be accepted.

Once any of the hypothesis is accepted, the hypothesis claim is validated and reliable.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

This chapter examines how the researcher analyzed and interpreted the data collected in chapter three. It is necessary to point out that the researcher used questionnaire and oral interview in collecting data because of the advantage associated with these methods.

4.2 PRESENTATION OF DATA:

The data presented expressed below is based on the design of the questionnaire. The presentation and analysis of data which is based on the whole questionnaires being distributed. In this chapter, the questionnaire indicate the effectiveness or ineffectiveness of the Sagbama Local Government tax system based on the answers provided by the respondents.

4.3 ANALYSIS OF RESEARCH QUESTIONS:

Table 1: Questionnaire distributed and collected.

POSITION	NO DISTRIBUTED	NO RETURNED	RETURNED %
Management staff	34	30	60%
Junior staff	30	15	30
Senior staff	16	5	10
Total	80	50	100

ANALYSIS OF RELATED DATA:

RESPONSE TO QUESTION I:

Table 2: Response to the reaction of people regarding payment of tax.

RESPONSE	NO OF RESPONDENTS	PERCENTAGE (%)
Positively	10	10
Moderately	15	30
Reluctantly	17	34
Negatively	8	26
Total	50	100

Source: Field Survey March, 2021

ANALYSIS OF THE TABLE:

With respect to the analysis to the analysis of question 1 which attempts to provide answers to research question 3 table, 10% of the respondents answered positively, 30% of the respondents answered moderately, 34% of the respondents answered reluctantly, while 36% of the respondents answered negatively.

From the table, it can be seen that Nigerians are reluctant to pay taxes, those that pay taxes moderately is 30% which includes the civil servants. While response of 26% respondents tax avoidance and evasion.

RESPONSE TO QUESTION 2:

Table 3: Which system of tax is more acceptable to the people?

RESPONSE	NO RESPONDENTS	PERCENTAGE (%)
Progressive	10	30
Regressive	0	0
Proportional	40	70
Total	50	100

Source: Field Survey March, 2021.

ANALYSIS OF THE TABLE 2:

Question two was asked to know which of the system of tax is more acceptable to the people and from the table, it can be seen, that 30% of the respondent prefer progressive tax, 0 i.e. none prefers regressive tax; 70% prefers proportional system.

ANALYSIS OF THE TABLE.

RESPONSE TO QUESTION 7

Table 8: Response to whether taxation makes any positive impact to the life of a nation.

RESPONSE	NO RESPONDENTS	PERCENTAGE (%)
Yes	47	95
No	3	5
Total	50	100

Source: Field Survey March, 2021.

ANALYSIS OF THE TABLE:

Question 7 was asked on whether taxation makes any positive impact to the life of a nation while only 5% says otherwise. Rest being 95% says that it makes a positive impact to the life of a nation.

RESPONSE TO QUESTION 8

Table 8: Response as to the extent of the impact of taxation in Bayelsa (Nigeria)

RESPONSE	NO RESPONDENTS	PERCENTAGE (%)
Very significantly	13	25
Significantly	17	35
Not significantly	20	40
Total	50	100

Source: Field Survey March, 2021..

ANALYSIS OF THE TABLE:

Inspite of its importance, tax revenue has not really made the much-desired impact according to the table above although the percentage difference between the three options is not much. The reason for his response would be seen in table “9” below.

RESPONSE TO QUESTION 11

Table 12: Response to whether there are enough workers to collect taxes.

RESPONSE	NO RESPONDENTS	PERCENTAGE (%)
Yes	25	50
No	25	50
Total	50	100

Source: Field Survey March, 2021.

4.4 ANALYSIS OF RESEARCH HYPOTHESIS:

At this point we shall be testing the hypothesis to reject or accept them and also to determine the extent of their reliability. The acceptance of the hypothesis used in this study does not imply that the data collected was 100% reliable and error free but will only enable us know that it will not lead to disbelief.

The probability of committing an error is called the significant level of the type 1 error made and it is taken at 50% level. Then we obtain χ^2 (0.05) or column is the number of independent calculations required for that row or column before the remaining unknown in that row or column can be obtained.

Hence, $V (r - 1) (c - 1)$

Where, r = row

C = column

Ho: To what extent revenue generated from tax does not make any positive impact on the economic development of Sagbama Local Government.

H1: To what extent revenue generated from tax has a positive impact on the economic development of Sagbama Local Government.

The formula of chi-square is denoted thus:

$$X^2 = \sum (oi - Ei)^2$$

Where oi = the observed frequency value

ei = the expected frequency

χ^2 = value of chi-square at Alpha

s = summation

In this test, the null hypothesis (Ho) shall be accepted if χ^2_{oi} is less than χ^2_{ei} but shall be rejected then otherwise.

Hence, χ^2_{oi} = observed hypothesis

χ^2_{ei} = expected hypothesis

TEST OF HYPOTHESIS

To determine the extent of their reliability, combination of two hypothetical questions is tested from the respondents that the observed value is got.

TABLE 8 AND 10

OBSERVED VALUE

RESPONSE	Q.13	Q.15	TOTAL
Very significantly	13	25	38
Significantly	17	15	32
Not significantly	20	10	30
Total	50	50	100

$$\text{Cell 1} = \frac{(13 + 25) \times 50}{100} = \frac{1900}{100}$$

$$= \frac{1900}{100}$$

$$= 19$$

$$\text{Cell 2:} = \frac{(17 + 15) \times 50}{100}$$

$$= \frac{1600}{100}$$

$$= \frac{100}{16}$$

$$\begin{aligned} \text{Cell 3:} &= \frac{(20 + 10) \times 50}{100} \\ &= \frac{1500}{100} \\ &= 15 \end{aligned}$$

$$\therefore 19 + 16 + 15 = 50$$

O _i	E _i	O _i - E _i	(O _i - E _i) ²	<u>(O_i - E_i)² ÷ E_i</u>
13	19	-6	36	1.89
17	16	1	1	0.06
20	15	5	25	1.67
50	50	0	62	3.62

$$\text{Hence } U = (r - 1)(c - 1)$$

$$\text{Where } r = 3, c = 2$$

$$\text{i.e. } U = (3 - 1)(2 - 1) = 2$$

$$\text{i.e. } \chi^2 = (0.05, 2) = 5.991 \text{ from the table}$$

$$\chi^2 = (0.05, 2)$$

$$\chi^2 = (0.05, 2) = 5.991 \text{ from the table.}$$

DECISION:

Since x_2 is greater than $x_2(0.05, 2)$ we have come to a conclusion that revenue generated from taxation has a positive impact on the economic development of Sagbama Local Government Area of Bayelsa State.

BAYELSA STATE POLYTECHNIC, ALEIBIRI

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY OF THE FINDINGS

The key objective of the study was to determine the impact of taxation in the economic development of Sagbama Local Government. It was also with respect to the research questions and research hypothesis. The findings revealed the following.

1. People always feel reluctant in paying tax; however some will even try to avoid it while some would not like to see the tax collections not to talk of paying taxes. To consider this study to be accepted, four basic hypothetical statements were to be formulated and two to be tested, leading to the rejection or acceptance of the hypothesis, which is Null hypothesis (Ho) and Alternative hypothesis (Hi).

The planned working hypothesis no 1, resulted to the acceptance of the alternative hypothesis (Hi), showing that the revenue generated from taxation has a positive impact on the economic development of Sagbama Local Government Area of Bayelsa State. This is further an evidence in response to question 6, 7 and 8 of chapter four which is presentation, analysis and interpretation of data.

Hypothesis No 2 also resulted in the acceptance of the alternative hypothesis. It shows that taxation is a major source of government revenue and also government cannot do without it. This further shows evidence in response to question 10 of chapter four data analysis and test of hypothesis.

Other research finding exposed that the system of tax administration is deficient which has encouraged tax evasion and avoidance. This is basically because of operational hardwork, lack of honest and trained revenue officers.

In addition to the above research findings, some problems connected with the Sagbama Local Government Area of Bayelsa State, tax system were identified to include the following:

The pay as – you – earn (PAYE) system despite of its numerous benefits has the problem of some employees telling lies for the purpose of getting unjustified reductions in their tax liabilities for instance, an unmarried man could claim that he has a wife and four children so as to get the maximum relief under these provision.

Amount deducted by employers from their employees could remain uncollected for a long time and sometime claim capital allowances on non – existing assets to evade tax.

5.2 CONCLUSION

Effort were made in this study to examine the impacts of taxation as aid to Economic development various data were gathered and analyzed to determine the reliability of the formulate hypothesis.

The study showed that in some countries, taxation is the most significant source of revenue to the State. In Sagbama Local Government Area of Bayelsa State (Nigeria), it was noted that taxation is the second most significant source of government revenue after crude oil.

This is the more reason why taxation should be taken more seriously however the study further discussed the problem of tax administration in Sagbama Local

Government Area of Bayelsa State (Nigeria) which includes operational hardwork, the structure of government expenditure programmed and lack of trained and qualified revenue officials.

Based on the result of the findings the study has seen that Sagbama Local Government cannot survive without taxation alone, hence, it is a fact that tax plays a strong and important role in the economic development in Sagbama Local Government Area of Bayelsa State. This can be interpreted to mean no tax, no economic development in Sagbama Local Government Area of Bayelsa State (Nigeria).

5.3 RECOMMENDATIONS

Going by the findings made by the researcher, the following recommendations are made which is believed will increase tax revenue as well as to reduce administrative problems:

- (a) There should be a established revenue intelligence section in each revenue office charged with the specialized responsibility of investigating information field on return.
- (b) Mobile revenue Courts should be established in assisting in the collection of taxes from individuals and employers using “Operation show your tax receipt’s” system and prosecuting defaulters.
- (c) Financially activities of the Inland Revenue department should be audited regularly by external auditors to ensure proper accountability control of fraudulent practices in making assessments and ensuring efficient revenue collection.

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APPENDIX

BAYELSA STATE POLYTECHNIC ALIEBIRI

ACCOUNTANCY DEPARTMENT

QUESTIONNAIRE

Dear Respondent,

In partial fulfillment of the requirement for the award of National Diploma (ND) Accountancy in the school of Commerce and management, Polytechnic, Aliebiri, Bayelsa State. I am conducting a study on “**THE IMPACT OF TAXATION AS AN AID TO ECONOMIC DEVELOPMENT**” using Sagbama Local Government Area of Bayelsa State as a case study.

I wish you complete and return this questionnaire on time to enable me summarize the study.

You are assured that information supplied is purely for academic purpose and will be handled in strict confidence.

Sincere regards.

WANAPER EVELYN AKPOS.

ND/ACCTS/018/004

SECTION A

QUESTIONNAIRE

Please tick () where appropriate.

1. Name: _____
- i. Designation/ Position: _____
- ii. Department: _____
- iii. Years of service: _____
- iv. Gender of the respondent Male [] Female []

SECTION B

1. How do people react to payment of tax?
 - (a) Positively []
 - (b) Reluctantly []
 - (c) Negatively []
2. Which system of tax is more accepted by people
 - (a) Progressive []
 - (b) Regressive
 - (c) Proportional []
3. What are the Major Problem affecting the Sagbama Local Government Area tax system?
 - (a) Poor Motivation []
 - (b) Inefficient tax legislation []
 - (c) Tax money not used judiciously []
 - (d) Poor assessment of tax []

- (e) All of the above []
4. What is the rate of tax Evasion and Avoidance?
(a) Very high [] (b) High [] (c) low []
5. How would you assess the Sagbama Local Government Area tax system?
(a) Above average [] (b) Average []
(c) Below average.
6. Does taxation make position impact in the life of a nation?
(a) Yes [] (b) No []
8. To what extent has taxation made their impact in Sagbama Local Government Area?
(a) Very Significantly [] (b) significantly []
(d) Not significantly.
9. What accounts for your answer in B above?
(a) Tax money is judiciously used []
(b) Tax money not used judiciously []
(c) Poor accountability []
(e) presence of corrupt officials
10. How would you compare tax revenue with revenue from other sources?
(a) The most significant source []
(b) The second source of revenue []
(c) The third source of revenue []
11. Are there enough workers for carryout his assignment
(a) Yes [] No []

12. Are there any incentives from the government to boost the morals of collections?

(a) Yes [] (b) No []

13. Are the incentives commensurate with the level of input?

(a) Yes [] (b) No []

Note; Your views on the impact/defect of Taxation would be welcome.

BAYELSA STATE POLYTECHNIC, ALEIBIRI