Strategies for Improving Tax Revenue and Other Financial Sources

By

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Presentation Outline

- The Concept of Tax
- Purposes of Taxation
- Forms of Taxes
- Determinants of Voluntary Tax Compliance
- Dimensions of Tax in Real Life
- Tax Rates of Some Advanced Countries
- Sources of Revenue to States Governments
- Challenges of Revenue Collection in Government
- Measures to Ensure Effective Rev. Collection by KNSG
- Concluding Remarks
The Concept of Tax

- Tax is a compulsory levy imposed by the government through its agents on the income, profit, capital or consumption of its subjects.
- It is a compulsory contribution made by individuals and organizations towards defraying the expenditure of the government.
- It is the most durable source of revenue to government, leading to sustainable development.
The Concept of Tax

- Nigeria depends on crude exports for about 70 per cent of government revenue and more than 90 percent of foreign exchange.
- With the drop of the price of Brent crude by more than half since peaking in June 2014, the ability of the FGN, SGs and LGs to deliver on their election promises is greatly undermined.
- All the 3–tiers of government have to vigorously pursue tax revenue and other financial sources for their survival, as a matter of reality.
- If they are able to bring all taxable businesses into the tax net, they can survive outside oil!
Purposes of Taxation

- Revenue Generation
- Economic Stabilization
- Regulation and Control of Behaviors of Components of the Economy
- Narrowing the “gap” between Rich and Poor
In Nigeria, there are two forms of taxes:

- Direct Taxes: PIT, CIT, PPT, CGT, Edu Tax
- Indirect Taxes: XD, MD, ED, VAT
Determinants of Voluntary Tax Compliance

- Tax knowledge
- Tax morale
- Financial constraints
- Perceived fairness of tax system
- Quality of Tax Service
- Public accountability
- Political stability
- Government effectiveness
Dimensions of Tax in Real Life

✔ Conventional Tax: Civic Responsibility

✔ Zakkah: Religious Responsibility

✔ Social Tax/CSR: Economic, Legal, Ethical and Philanthropic Responsibilities
## Tax Rates of Some Advanced Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>CIT</th>
<th>PIT</th>
<th>VAT</th>
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</thead>
<tbody>
<tr>
<td>Germany</td>
<td>30%</td>
<td>45%</td>
<td>19%</td>
</tr>
<tr>
<td>Italy</td>
<td>32%</td>
<td>43%</td>
<td>21%</td>
</tr>
<tr>
<td>Netherland</td>
<td>25%</td>
<td>52%</td>
<td>21%</td>
</tr>
<tr>
<td>Norway</td>
<td>28%</td>
<td>48%</td>
<td>25%</td>
</tr>
<tr>
<td>Portugal</td>
<td>25%</td>
<td>54%</td>
<td>23%</td>
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<tr>
<td>Spain</td>
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<td>52%</td>
<td>21%</td>
</tr>
<tr>
<td>Sweden</td>
<td>22%</td>
<td>57%</td>
<td>25%</td>
</tr>
<tr>
<td>UK</td>
<td>24%</td>
<td>45%</td>
<td>20%</td>
</tr>
<tr>
<td>USA</td>
<td>35%</td>
<td>40%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: List of Countries by Tax Rates, 2014
Sources of Revenue Generation to States Governments

- Tax Revenue: Direct and Indirect Taxes. They are backed by specific laws

- Non-tax Revenues: levies, rates, rent, fees, charges, fines, dividend, interest, commission, sales of goods/services, assets disposal, etc

- Revenue generation Versus Revenue Collection
Challenges of Revenue Collection in Government

- Too many baskets/pockets collecting generated revenue. Block the leakages!
- Neglect of many revenue sources, especially those at MDAs. Produce more Rev–centers!
- Under capacity utilization of some revenue sources. Utilize them optimally!
- Poor staffing or poor training for updating knowledge on assessment and collection.
- Weak structural, institutional, legal and personnel commitment. Strengthen them!
Measures to Ensure Effective Revenue Collection by KNSG

- Complete overhaul of the SIRS to make it professionally competent and dependent on its performance for the remuneration of its staff.
- Ensure that the staffs of the SIRS are well trained and ethical enough to face the daunting challenges of producing revenue that could substantially shoulder the state budgeted expenditures.
- Institutionalization of Single Revenue Account to capture all tax and non-tax revenues monthly.
Measures to Ensure Effective Revenue Collection by KNSG

- Make the State Internal Revenue Service (SIRS) the only collecting platform for all the tax and non-tax revenues accruing to the state government.
- Ensure that more projects that would better the lots of the people are executed by the government to fulfil its campaign promises.
- Ensure that the policy thrust of the government is built on the principles of fear of God, transparency, accountability and prudence.
Measures to Ensure Effective Revenue Collection by KNSG

- Ensure that the business environment and other welfare matters of micro, small, medium and large scale businesses are taken care of by the government to encourage voluntary tax and other non-tax revenue payment compliance. The state’s MFBs and other institutions are to be used here!

- Use of consultants as technical advisers to appropriate departments of the SIRS, in their areas of comparative advantages, so as to enhance the state IGR.
Concluding Remarks

✓ There are many sources of generating revenue for the execution of various developmental projects, but taxation remains the most reliable and durable source from beginning of human collective endeavor to date.

✓ It is clear that all the developed economies of the world are tax-based economies, while all the resource-based economies are developing or backward nations.
Concluding Remarks

✓ No member of OPEC is rated as a developed country and most of them are classified as corruption-inflicted nations, many of them in civil war and suffering from “crisis of confidence”!

✓ In view of the above, the administration of His Excellency, the Governor of Kano State, Dr. Abdullahi Umar Ganduje OFR, is set to convert the Kano state economy from Crude Oil-based to Productivity-based (using tax and non-tax revenues sources) so as to ensure faster and sustainable development of the state.
Thanking you for listening!