THEORETICAL REVIEW OF TAXATION ISSUES: IMPACT ON COMPANIES' PERFORMANCE

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ABSTRACT
Taxation is an instrument employed by the government to generate public funds. It is a required payment imposed by the government on the income, profit or wealth of individuals, "groups of persons, and corporate organizations. This paper offers a review on taxation, with reference on theoretical propositions. In Nigeria today, a certainty characteristic implies that the collection of taxes from taxpayers is assured. Tax collection is not affected by the state of the economy, whether the economy is declining, stagnant or growing. Its flexibility makes it possible for the government to adjust the tax system to suit her desired purpose. In Nigeria, corporate taxes levied include company income tax, tertiary education tax, information technology levy, Nigerian police trust fund levy among others. The paper offers brief literature, presents the theoretical postulations on taxation, as well as issues on taxation in Nigeria.

1.0 Introduction

Taxation is an instrument employed by the government for generating public funds (Anyaduba, 2004). It is a required payment imposed by the government on the income, profit or wealth of individuals, group of persons, and corporate organisations. Taxes can be used as an instrument for achieving both micro and macroeconomic objectives especially in developing countries such as Nigeria. A well-designed tax system can help governments in developing countries prioritize their spending, build stable institutions, and improve democratic accountability (Brautigam, 2008). The dwindling level of tax revenue generation in the developing countries makes it difficult to use tax as an instrument of fiscal policy for the achievement of economic development (Musgrave & Musgrave, 2004).

Some governments like Canada, United States, Netherland, and The United Kingdom have substantially influenced their economic development through tax revenue generated from Company Income Tax, Value Added Tax, and Personal Income Tax, and have prospered through tax revenue (Oluba, 2008). In Africa, natural resources such as income from production sharing, royalties, and corporate income tax on oil and mining companies yield the significant portion of tax revenue (Pfister, 2009). The tax sources are the basic and most reliable sources of government revenue because of their certainty and flexibility characteristics. Certainty characteristic implies that collection of taxes from taxpayers is assured. Tax collection is not affected by the state of the economy, whether the economy is declining, stagnant or growing. Its flexibility makes it possible for the government to adjust the tax system to suit her desired purpose. In Nigeria, corporate taxes levied include company income tax, tertiary

education tax, information technology levy, Nigerian police trust fund levy among others. These corporate taxes are, in addition to capital gain tax, stamp duty, small and medium enterprise development levies and other forms of national taxes. At the state level, many companies are required to pay environmental sanitation levies, business premises registration levies among others forms of levies.

Tax charged by government is based on the profit of the organization, and the profitability depends on the ability of a firm to produce more revenue which is capable of absorbing all expenses incurred in generating such revenue, including tax and still have a balance called retained earnings which could be absorbed back into the business for expansion (Omodero & Amah, 2018). The paper's reminder includes section 2 discusses brief literature, section 3 presents the theoretical postulations on taxation, including theories as the ability-to-pay theory of taxation, stakeholder theory, hoffman's tax planning theory, dividend irrelevance theory, economic deterrence theory, fiscal exchange theory, social influences theory, comparative treatment theory. Section 4 discusses issues on taxation in Nigeria, and Section 5 concludes.

2.0 Literature

Several empirical analyzes have been conducted to assess the impact of taxation which, in turn, serve as crucially important scientific sources in testing and confirming assumptions in scientific theories on improving the taxation (Corlett & Hague, 1953; Koester & Kormendi, 1989). Corlett and Hague (1953) suggest an interesting case in which a reduction in the income tax rate is compensated by a small ad valorem non-uniform indirect tax in a two goods economy. This combination makes sure the same tax revenue is raised from the consumer. Their central conclusion is that in general, the consumer will work harder when the higher rate of tax is levied on the good which is more complementary with leisure, and vice versa. Therefore, a shift from taxes on income to taxes on consumption, raising the same revenue from an individual, can either increase or reduce the supply of effort and real income. On the contrary, lowering the tax-adjusted user cost of capital, perhaps by providing more generous investment tax credits, allowing for faster depreciation of assets, or simply reducing the statutory corporate income tax rate, can induce additional investment. Another argument against an income tax is that it may reduce the return to saving, which is thought to be inefficient because it changes the relative prices of current and future consumption, and unfair because it discriminates between individuals with different preferences for saving.

Romer (1986), looking at the agricultural sector, finds that agriculture tends to be taxed implicitly. Where inputs to agriculture include commodities that are traded in the foreign sector and thus other taxes such as excise duty apply. Implicit taxes therefore means that the cost of production to farmers increases and raising these taxes would have adverse effects on agriculture. Barro (1989) analysed the ratio of real government consumption expenditure to real GDP and found a significantly negative correlation with growth. Koester and Kormendi (1989) used measures of the average and the marginal tax rate but do not distinguish between different tax instruments. In contrast to Barro, they discovered only limited evidence of a relationship between tax rates and growth. King and Rebelo (1990) used several different measures of marginal tax rates to explain growth but find no significant correlation between tax rates and growth. King and Rebelo (1990) introduced a endogenous growth model which addresses the relative distortiveness of different taxes, whose conclusions lend some support to the premise that taxes on income are more distortionary than taxes on consumption. Levine and Renelt (1992) fail to find a robust cross-country relationship between a diverse collection of fiscal policy and growth.

Barro and Sala-I-Martin (1992) provide a comprehensive survey on the role of fiscal policy in endogenous growth models. Hossain (1995) investigates the income distributional implications of different value-added tax (VAT) schemes in Bangladesh. This paper explores the income distributional impact of an alternative policy package, consisting of a basic rate of VAT with exemptions and excise taxes for certain commodity groups, chosen based on their distributional characteristics He found that revenue-neutral uniform VAT is regressive in its impact on the income of different households. Mendoza et al. (1997) find that their tax variables become insignificant once they control for the initial level of GDP. Anyanwu (1997) investigated the effects of taxes on Nigeria's GDP/Economic Growth (1981-1996) and findings revealed that companies' income tax positively and significantly affects GDP just as do customs and excise duties. However, petroleum profit tax

positively and insignificantly affects Nigeria's GDP. The same is true of other direct taxes (capital gains and stamp duties).

Kneller et al. (1999) make a distinction between distortionary taxes on one hand, which they define as taxes on income and property, and so-called non-distortionary taxes on the other hand, which include consumption taxes. Their conclusion is that while the former reduce growth, the latter do not. Also, they find that productive government expenditure is beneficial for growth while non-productive public expenditure is not. Kneller et al. (1999) argue that this allows them to separate the effects of policy variables on the transition from those on the steady state.

Folster and Henrekson (2001) investigate the relationship between growth and the size of government and find a negative relationship between total public expenditure as a share of GDP and growth. Widmalm (2001) points out that this is an empirical regularity reflecting conditional convergence, which is consistent with both the neoclassical growth model and certain types of endogenous growth models. Therefore, the estimated coefficients on other explanatory variables in these studies should not be interpreted as indicating long-run growth effects. He examines economic growth between 1965 and 1990 in a cross-section of 23 OECD countries and finds that the proportion of tax revenues raised from taxing personal incomes is negatively correlated with growth. She also documents a tendency for consumption taxes to be growth-enhancing. Cullen and Gordon (2002) show that there are several possible routes through which taxes can affect the amount of entrepreneurial risk-taking. On the other hand, in the framework of endogenous growth models, any tax policy that distorts the incentives for factor accumulation can have a permanent impact on the growth rate.

Lee and Gordon (2004) in their study on tax structure and economic growth examine the effect of tax policies on economic growth of a nation. Their study work was based on cross-country data for the period of 1970-1997. The outcome of their work shows that tax rate is significantly negatively correlated with economic growth rate while other standard variables and other determinants of economic growth are put under control. Their finding also shows that in fixed-effect regression increase in corporate tax rate led to lower future growth rate within countries. Although according to their study, high tax rate as a policy negates economic growth as low income will be generated, this can be applicable to Nigerians context as well as other developing economy. It might be slightly different and may not fully apply to developed economies. The rich are taxed more and they are happy with which ever tax rate applicable and this is not really a factor for their investing.

Lee and Gordon (2005) find a significant negative correlation between statutory corporate tax rates and growth for 70 countries during 1970-1997. Agell et al. (2006) dispute the methodology behind these findings and find only an unstable and insignificant relationship between the expenditure ratio and growth. The findings of the few studies that analysed the link between growth and tax structures rather than tax levels provide somewhat more conclusive answers than the studies that have focused on the level of taxation. Vartia (2008) and Schwalm and Arnold (2008) report a negative effect of corporate taxes on the productivity of firms and industries, based on a large data set of firms and industries across OECD countries.

Arnold (2008), Johansson et al (2008) and Arnold et al (2011) have investigated the effect of the tax structure on long-run GDP, using a panel error correction model for 21 OECD countries over the years 1971- 2004. Based on the results of these estimations the authors suggest a growth- friendliness ranking for tax instruments, which is led by property taxes, by recurrent taxes on immovable property, followed by consumption taxes (and other property taxes). The authors classify personal income taxes as inferior to these two tax instruments, and corporate income taxes as having the most negative effects on GDP per capita. Also, Lanaspa et al. (2008) find that the price elasticity of demand for tobacco is low. Therefore, an increase in price from increases in taxes on tobacco products is unlikely to reduce demand by so much, while instead increasing government revenue. As suggested by Arnold et al. (2011), one possible solution is to focus on the growth effects of revenue neutral changes in tax structure, which avoids the complication that changes in total tax revenue are reacted in changes in public spending. Widmalm (2001) analyses the growth effects of revenue-neutral changes in tax structure based on data provided by the OECD Tax Revenue Statistics, which covers 23 OECD countries over the period 1965-1990. Yahaya (2009) carried out a study to investigate the challenges of taxation in Kwara

State using survey research method. Primary data was collected through the administration questionnaire on tax officers in Kwara State Board of internal revenue. The data was analyzed using descriptive and inferential statistics. The study found that corruption, ignorance of tax procedure and tax evasion are the major societal factors hindering effective taxation. The study also revealed that ineffective utilization of collected taxes, improper record keeping, non-enforcement of tax policies and inadequate facilities to monitor tax payment amongst others were expressed as the major administrative factors retarding effective and efficient taxation in Kwara State.

Ebeke and Ehrhart (2010), while examining the sources and consequences of the instability of tax revenue in Sub-Saharan African Counties, using a panel of 30 countries over the period of 1980- 2005, found that tax revenue instability in Sub Saharan Africa is leading to public investment and government consumption instability which in turn generate lower public investment ration and therefore detrimental to the long run economic growth. Ken and Mansour (2010), in analyzing the revenue mobilization in Sub-Saharan African found that within Sub-Saharan African, revenue has performed more strongly in resources rich countries. In the same vein, Desai, Foley and Hines (2004) stated that government have at their disposal many tax instrument that can be used to finance their activities. These taxes include personal income tax, company income tax; value added tax, petroleum profit tax, capital gain tax etc. The revenue accrue from these taxes are used by government for investment and economic activities. In line with their work, it is evident that there are many instruments for financing government expenditure activities; however, taxes are some of the instruments apart from FDI.

D'Archy (2011) analyzed the theoretical model of comparative treatment on tax compliance in several African countries, using survey method. The result of the study revealed a considerable support for comparative treatment in tax compliance. D'Archy (2011) found that to earn the right to collect tax, the state must fulfill its adjudicatory role by providing a judicial system that the citizens trust and in addition the state must be responsive to address the needs of the citizens through the delivery of services. In line with his work, given the African context, voluntary compliance will be achieved if citizen see the result of their tax payment in terms of visible developmental infrastructures that transform to growth. Xing (2012) argued that the used Pooled Mean Group (PMG) estimator's assumptions might not be valid for the investigated dataset. The PMG estimation method assumes that the long-run relationships between variables are homogenous across countries and only allows for heterogeneous short-run dynamics.

Jubrin etal (2012) that the abundance of petroleum in Nigeria is an opportunity for more revenue generated to the economy. This is done via petroleum profit tax if it is adequately administered. Ebiringa and Emeh (2012) in their paper, Analysis of tax formation and Impact on Economic Growth in Nigeria examined the empirical form of tax on the economic growth in Nigeria. Secondary data for the period of 1985 to 2011 was used, using the simple linear regression technique with E-view econometric software. Their finding revealed that from the analysis of GDP estimate, Company Income Tax and Value Added Tax have direct relationship with GDP. This implies that if Company Income Tax and Value Added Tax revenue increases, it leads to increase in GDP which is an indicator of economic growth.

Xing (2012) first replicates the estimations by Johansson et al (2008) using slightly different specifications and concludes that income taxes and consumption taxes are worse than property taxes. Ogbonna and Ebimobowei (2012) examined the impact of tax reforms and economic growth of Nigeria using relevant descriptive statistics and econometric analysis. Their finding revealed that tax reforms is positively and significantly related to economic growth. The study also revealed that tax reforms improve on the revenue generating machinery of government to undertake socially desirable expenditures that will transform to economic growth in real output and per capita basis. In line with their study, if tax policies are stringent, it makes tax revenue to decline; therefore, there is need for constant reforms in the system.

Jubrin e tla. (2012) in their work, they examine the impact of petroleum profit tax on the growth of Nigerian economy for the period of 2000-2010. They adopted the use of ordinary least square method of analysis. Their finding revealed that petroleum profit tax impact positively on Gross domestic product of Nigeria and it is statistically significant. It was also found that total oil revenue impact positively on Gross domestic product of Nigeria and statistically

significant. They have shown via their work that taxes contribute significantly to GDP of Nigeria; however, the highest contribution comes from petroleum profit tax. This also implies that Nigeria can tax more on petroleum products whereas less on other commodities. In other words, the policy makers can concentrate on policies that will marginally increase the petroleum profit tax while marginally reduce the rate for other taxes. Ogbonna and Appah (2012), in their study, the impact of petroleum revenue and the economy of Nigeria. Using ordinary least square regression and descriptive statistics, their finding reveals that petroleum revenue effects gross domestic product and per capita income of Nigeria positively.

Abdul Rahomoh et al. (2013) in their work the analysis of the effect of petroleum profit tax on Nigeria economy empirically examine the effect of petroleum profit tax on Nigeria economy for the period of 1970 – 2010. The study adopted the use of multiple regressions to analyze the data on variables such as gross domestic product petroleum profit tax; inflation and exchange rate were all found to have significant effects on the economic growth. Acti and Abigail (2014) in their paper, The Nigeria Tax System and Economic Growth: A Time Series Analysis, examine the Nigeria tax system and economic growth using a time series data. Regression analysis was used to analyze the data. Their result revealed a linear relationship between economic growth and tax revenue. The study also shows that indirect tax contributes more to the economy than direct taxes which include personal income tax. In view of the above it will be wise to concentrate on policy that will enhance the tax generation prospects from the direct taxes including personal income tax. In other words. Friendly tax rates for direct taxes such as personal income tax should be advocated by policy makers to increase revenue generation to the government from direct taxes for economic" growth.

3. Theoretical Framework

Ability-To-Pay Theory of Taxation: Kendrick (1939) propounded this theory "which states that taxes should be levied on individuals and companies according to their ability to pay. This implies that tax burden should be placed on companies and individuals with higher income. He stated that money for public expenditure should come from him that hath, instead of him that hath not This implies that more tax burden should be placed on companies and individuals with higher income. In other words, individuals, and companies should pay taxes according to what they earn. Someone who earns more should pay more tax while an individual who earns less should pay less tax. This is in line with progressive taxation principle, fairness, and equity.

Stakeholder Theory: This theory was developed by Freeman (1984). The theory asserted that the main objective of an organization is to satisfy the needs of all stakeholders that are related to the organization. The theory states that firms are established not only to generate wealth of shareholders but also to cater for the welfare of other stakeholders like government in environment in which it operates. Thus, the theory opined that tax managers are concerned with the generation revenue or enhancement of shareholders wealth and also ensures tax payment to the government (Nwaobia & Jayeoba 2016). Summarily, the theory asserts that tax managers should ensure that shareholders wealth are enhanced through effective tax planning while ensuring that appropriate tax are paid to the government but must not negatively affect financial performance (Kayode & Folajinmi, 2020).

Hoffman's Tax Planning Theory: This theory was promulgated by Hoffman (1961). Fagbemi, *et al.,* (2019); Omesi and Appah (2021) opined that, this theory is stress the role of tax planning in reducing tax payment without negatively influencing accounting income. This theory supports the reduction of tax payment to government thereby increasing the financial position and growth of an organization (Nwaobia & Jayeoba, 2016). According to this theory, tax planning activities are advantageous and help to minimize tax income without adjusting tax income (Akintoye et al., 2020).

This theory asserted that taxation are based on business concepts, thus, an organization can adjust business activities to reduce tax burden. Therefore, the theory proposes direct or positive linkage between tax planning activities and financial performance of a firm (Hoffman, 1961; Omesi & Appah, 2021). Hoffmann (1961) notes that firms capitalize on some loopholes in existing tax within legal frameworks to generate tax savings opportunities for a firm thereby enhancing performance.

Dividend Irrelevance Theory: Dividend irrelevant theory was developed by Miller and Modigliani in the early1960's. The basic

proposition of this theory is that under the assumption of perfect capital market, dividend policy adopted by a firm is irrelevant (Miller & Modigliani, 1961). Their argument was that given a perfect market dividend policy has no effect on either the price of a firm's stock or its cost of capital, shareholders wealth is not affected by the dividend decision and therefore they would be indifferent between dividends and capital gains. The reason for their indifference is that shareholder wealth is affected by the income generated by the investment decisions a firm makes, not by how it distributes that income. Therefore, in M&M's world, dividends are irrelevant. The position of dividend irrelevance theory is that regardless of how the firm distributes its income, its value is determined by its basic earning power and its investment decisions (Al-Malkawi Rafferty & Pillai, 2010). The assumptions of a perfect capital market necessary for the dividend irrelevant hypothesis can be summarized as follows: (i) No differences between taxes on dividends and capital gains; (ii) No transaction and flotation costs incurred when securities are traded; (iii) All market participants have free and equal access to the same information (symmetrical and costless information); (iv) No conflicts of interests between managers and security holders (i.e. no agency problem); and (v) All participants in the market are price takers. Given the importance of M&M's argument in the dividend policy debate, the following section provides proof of irrelevancy.

Economic Deterrence Theory: Economic deterrence theory otherwise known as AS model of tax compliance was propounded by (Allingam and Sandmo 1972). This theory is based on tax evasion compliance behaviour by taxpayers. The theory is of the assumption that taxpayer's behaviour towards taxation is determine or influenced by tax audit, detection of evasion and the extent of the severity of penalties that is melted on tax evaders. In other words when severe penalties is melted on tax evaded there is the tendency that few people will evade tax. On the other hand, more people will evade tax if the penalties are relaxed thereby giving room to noncompliance (Andreoni etal 1998), posited that the model relies upon a wide range of major assumptions that are generally unrealistic for determining taxpayer's behaviour.

Focusing on the use of coercion on compliance rather than the use of consensual method led to more criticism of the model. However, despite the criticism of the model, it is widely used in tax administration especially when enforcement strategies involving the use of penalties and tax audit is to be adopted as people become indifferent when it comes to taxation. There are some evidences to support the relevance of deterrence theory in addressing taxpayer's noncompliance (Mckerchar and Evans 2009). Due to the fear of tax audit, the detection of evasion and the penalties that follows, it is seen as an effective strategy to induce taxpayer's behaviour towards compliance. It can be therefore said that when situation demands that coercive measure be adopted for tax compliance and penalties on defaulters these will make people to comply with the resultant effect of increase in tax revenue generation.

Fiscal Exchange Theory: This theory is of the assumption that taxpayer's compliance behaviour will be influence by the provision of public goods and services by government (Moore 2004). This means that when government discharges its traditional functions and obligation to the citizen, it therefore influences their behaviour toward tax payment compliance as the main concern of taxpayer is what they receive in exchange of the taxes they paid. This theory is seen as a contractual relationship between taxpayers and the government as the taxpayer could be said to be exchanging purchasing power in the market in return for government services.

The benefit expected to be received by the taxpayer aid in voluntary compliance rather than coercion. It is the bargaining over taxes which is central to building relations of accountability between the government and society based on mutual rights and obligation rather than on patronage and coercion (Brautigam 2009; Moore 2004). Therefore, Fiscal exchange theory is more or less a game of politics and power by the government in authority to provide the basic public goods and services to the citizenry so as to influence the behaviour toward tax payment. By the motivation of the citizen through the provision of social and economic goods needed by the citizen, taxation will be accepted as a normative act hence there is the tendency that increase tax revenue will be generated due to tax compliance.

Social Influences Theory: This is of the assumptions that the behavior of human beings towards taxation is influenced by the social interactions (Snavely 1990). The interaction of people for instance peer group towards taxation affects taxpayer's compliance behaviour. When

a taxpayer notices that certain type or group of people, he expects to pay tax is not paying he will tend to evade taxes like them. On the other way round, social relationship may also help preventing people from evading taxes for fear of social sanctions imposed for failure to pay taxes. Hence, it can therefore affect compliance especially the perceived probability of detection and penalties.

Comparative Treatment Theory: The idea behind comparative treatment theory is based on equity principle of taxation. The compliance of people with rules governing taxation is perceived to be determined by the impartiality (Mckerchar and Evans 2009). This is to say that where there is partiality and inequalities the behaviour to compliance will be negative on the other hand where there is equity treatment the relationship of taxpayer and government will tend to improve on tax compliance. D'Arcy (2011) posited that the treatment of government to citizen has a lot to do with taxpayer's compliance behaviour. If the state treats certain groups of people preferentially it may affect the relationship with the state and the group receiving preferential treatment therefore equity theory is very crucial in addressing the issue of taxpayer's compliance behaviour.

Political Legitimacy Theory: Legitimacy means the belief or trust people have in the authorities, institutions and social arrangement to be appropriate, proper just and work for the common good. Tax compliance behaviour is influenced by the level of trust people have and the perceptions about government authorities and institutions. The higher the legitimacy for political institutions the higher the level of tax compliance (Torgler & Schneider 2007). It is of the notion that the more accountable the government is with taxpayer's money, the more legitimate its actions become. In turn, citizens become increasingly willing to assent to and comply with taxation. Legitimacy theory is said to work well or could be better applied when there is higher degree of trustworthiness of tax authorities. It is said to be positively related to tax compliance and perception about government on tax matters (Tayler et al., 2008). The trust bestowed on government makes taxpayer to have cooperative behaviour and the willingness to pay taxes voluntarily. People are more compliant when they feel the government is politically legitimate and accountable towards taxation.

Theory of Planned Behaviour: This theory focus on the intention of people or individual to pay or not to pay taxes. Under this theory one may decide to perform its civic responsibility of paying taxes to the government hence such payment is governed by his will to do so. Ajzen (1991) posited that intentions are the motivational factor that influences behaviours which is under the control of an individual. Therefore, since the will or intention of choosing for oneself to do or not to do, it is referred to planned behaviour. However, other motivation factors can influence the behaviour of an individual towards the payment of taxes.

Benefit Received Theory: This theory dictates that the state should levy taxes on individuals according to the benefit they derived from government expenditure. The more benefits a person derived from the activities of the state, the more he should pay tax to the government. In other words, this theory proceeds on the assumption that there is basically an exchange or contractual relationship between a tax payer and the state. Tax revenue is expected to be used by the government to provide common benefit to the citizen. It is not intended to provide a direct or specific benefit to any individual. One of the objectives of taxation is to redistribute income by taxing the rich more than the poor. It then means that if the benefit received theory is to be applied; the poor will end up paying more tax than the rich because most of the government expenditures are intended to benefit the poor more than the rich. Secondly, taxation based on the benefit theory will not yield enough revenue to the government because many people who can afford to pay high taxes may end up paying less since they do not receive much benefit from government activities. This theory therefore kicks against the principle of justice.

4. Taxation in Nigeria

Corporate taxes are one of the major sources of revenue available to finance government expenditures and it's also an important factor that determines capital investment in every nation of the world (Ileana et al, 2016). Companies Income Tax (CIT) is a tax imposed on the profits of registered companies in Nigeria and those of foreign companies carrying on any business in Nigeria. Companies Income Tax Act, 2007 (as amended) is a principal law that regulates the taxation of companies in Nigeria and also empowers the Federal Inland Revenue Service Board (FIRSB) with the ability to assess

and collect taxes from all limited liability companies that carries out their operation from or within Nigeria except those specifically exempted from tax by the ACT.

Tax system is structured in a way that allows domestic corporations to be taxed on its assessable profit which is generated from all its activities carried out globally while foreign corporations are subjected to tax only on income from domestic activities within the jurisdiction(Adejare, 2015). After all allowable expenses have been deducted of as specified by the Act; companies are required by the Act to pay 30% of their assessable profit to the government as tax. However, the CIT rate for small companies is 0% for companies with gross turnover of N25 million or less and that of medium companies with gross turnover greater than N25 million and less than N100 million to be 20% (Pricewaterhousecoopers, 2021). Organizations are also subjected to various taxes such as property tax, withholding tax, customs duties, payroll tax, and excisetax, value added tax and other taxes which, however, are rarely referred to as corporate tax (Adejare, 2015). The Federal Inland Revenue Service (FIRS) is the body charged primarily with the responsibility to administer tax on behalf of the government (Omodero & Amah, 2018).

In Nigeria, the government can emphasize on any one of the tax forms depending on the objective it wants to pursue. In Nigeria, different legislations that allow the government tax its citizens and to increase the tax revenue of the country exist. These legislations are the Personal Income Tax Amendment Act 2011, Companies Income Tax Amendment Act 2007, the Petroleum Profit Tax Amendment Act 2004. Others are the Capital Gains Tax Amendment Act 2004, the Value Added Tax Amendment Act 2007 and the Education Tax Amendment Act 2004. The agency of the federal government in charge of the administration and collection of these taxes, (except customs/excise duties) up to April 2007 was the Federal Board of Inland Revenue (FBIR). In 2007, the board was scrapped and replaced by the Federal Inland Revenue Services (FIRS).

5. Conclusions

Taxation is an instrument employed by the government for generating public funds (Anyaduba, 2004). It is a required payment imposed by the government on the income, profit or wealth of individuals, group of persons, and corporate organisations. The main purpose of a tax is to enable public sector to finance its activities to achieve some nation's economic and social goals. In Nigeria today, different types, forms and classes of taxes exist (Anyaduba, 2004) but the commonest classification in Nigeria is that according to the tax payer categorised as direct or indirect. The direct tax is a levy on personal, corporate income or property. Examples are Personal income tax, company income tax, petroleum profit tax, and capital gains tax. When the imposition is on the price of goods and services, then it is called an indirect tax. Indirect tax is payable on" the consumption of products and services associated with import duties/tariffs, export duties, value added tax and excise duties.

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