Revenue Generation in Enugu State Local Governments, Nigeria: An Assessment of Tax Contractors

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Abstract: The study is set out to assess the effect of tax contractors in revenue generation of Enugu State local governments, Nigeria between the periods, 2010 – 2015. Stratified sampling and random sampling techniques were used in selecting three local governments from each of the three senatorial districts of the state; purposive sampling and convenient sampling techniques were adopted in distributing questionnaires to the sample size. Data were collected from both primary and secondary sources. Data collected were analyzed using frequency and percentages. The Three hypothesis formulated were tested using Chi-square and t-test statistical tools. Findings made include among others: that the use of tax contractors for revenue collection in Enugu State local governments does not lead to an increased revenue generation or an improved tax payers’ records; that factors such as political interferences, lack of transparency in recruitment, corruption, use of non-professionals, use of unorthodox methods of enforcement, etc. are major factors militating against the use of tax contractors. The study concludes that given the right conditions, the use of tax contractors could be a viable tool for increased revenue generation.

Keywords: Assessment, Enugu State, local governments, revenue generation/collection, tax contractors/consultants.

1. INTRODUCTION

Background to the Study:

Nigeria operates a federal system of government with a Federal Capital Territory (Abuja), which is made up of 36 states and 774 local governments. As creatures of the federal government, local governments are constitutionally mandated to perform four basic functions which are: to provide a machinery for the discussion of local needs and for the provisions of corresponding services within the competence and capability of the local area; to provide machinery for the execution at the local level of regional or federal government policy; to provide a consensus mechanism for the resolution of conflicts of interest at the local level; and to provide a training ground for political participation and articulation (Okoli, 2000). This implies that Nigerian Local Governments are to render cutting edge services that will foster socio-economic development for the rural people. If properly managed, local governments can be a viable instrument for rural transformation, development and the delivery of social services to rural communities in their jurisdiction. The above mentioned services and developmental projects which are being expected to be performed by the local governments in Nigeria can be a mirage without adequate funding to carry out these expectations. Finance of the local government can dictate the pace of the administration of the local government. Adedeji (1969) cited in Murana (2015, p. 6) is of the view that the success or failure of any local government largely depends on the financial resources available to the individual local authorities and the way these resources are utilized. Finance has remained the most critical policy issue in the local government administration in Nigeria. None of the local government councils in the polity can survive without a sound financial base. Owing to the development responsibilities placed on local governments, there is need for adequate funding of this tier of government (Murana, 2015).
Thus, a well-managed and administered local government system is essential for national transformation and development. However, certain provisions of the constitution under reference constitute a hindrance in the performance of local governments in the country. They by implications turn local government councils as appendages of state governments. For instance, Section 7 (1) of the 1999 Constitution of the Federal Republic of Nigeria (as amended) provides that the system of local government by democratically elected Local Government is under the Constitution guaranteed, and accordingly, the government of every state shall subject to Section 8 of the Constitution, ensure their existence under a law which provides for the establishment, structure, composition, finance and function of such council (Agba, Stephen and Nnamani, 2014). The above mentioned provision according Agba et al implies that the autonomy of local government councils in Nigeria is at the mercy of the federal and state governments. In most cases, State Governors are known to act as centre referees while the state legislators act as linesmen at the expense of the rural dwellers (Agba et al). The poor financial state of the local governments can be attributed to corruption, poor work ethics of the local government revenue officers, restricted tax jurisdiction, failure of most state governments in remitting the statutory 10 percent to the local governments, use of unprofessional tax contractors, constant deductions from the State-Local Government Joint Account by the state governments, conflict among local government staff, inadequate training of tax inspectors, lack of creativity of the executive arm, unreliable tax payers’ record, unjustified allocation formula, etc. (Uhunmwuangho & Aibieyi, 2013). Similarly, Fajobi (2010) cited in Murana (2010, p. 2) believed that the acute dearth of fund currently facing the local government could be squarely attributed to lack of creativity on the part of the local government in seeking alternative sources to complement the allocation from the Federation Account. The increasing cost of running the government coupled with dwindling revenue has led to various state governments in Nigeria, formulating strategies to improve the revenue generating base of the local governments (Adesoji & Chike, 2013). More so, the near collapse of the national economy has created serious financial stress for all tiers of government. Despite the numerous sources of revenue available to the various tiers of government as specified in the Nigeria 1999 constitution, over 80% of the annual revenue of the three tiers of government come from petroleum since the 1970s till date. However, the serious decline in the price of oil in recent years has led to a decrease in the funds available for distribution to the states, and local governments (Alade, 2015). This has necessitated states and local government seeking alternative sources for generating revenue rather than solely depending on the statutory allocation from the federal government. To meet the inescapable need for increased revenue, the use of tax contractors were introduced in the Federal, State and Local Governments (Alade, 2015). Tax Contractors have been adopted by most states and local governments for revenue collection in Nigeria. It is against this background that the study intends to investigate and assess the impacts and activities of the tax contractors in revenue generation in Enugu State Local Governments between the periods 2010 – 2015.

**Statement of the Problem:**

The failure of local government in the area of service delivery over the years has made the citizens to lose faith and trust in local government administration as an institution in Nigeria (Oviasuyi, Idada & Isiriaojie, 2010). In a bid to increase the internally generated revenue of the various tiers of government, the use of tax contractors were introduced by all tiers of government (Alade, 2015). While the engagement of tax contractors by most states and local government has led to increased internally generated revenue, tax education which improved voluntary compliance, better tax payers’ records, better accountability for taxes collected, better debt recovery ratio and an improvement on the knowledge of the government revenue staff (Rotimi, Aka Udu & Abdul-Azeez, 2013); it has also continued to generate controversies with various stakeholders pointing at its inadequacies ranging from multiplicity of taxes, federal government ban on tax contractors (Okonjo-Iweala cited in “FG outlaws tax contractors in states”, 2013); redundancy of government tax officers ( Omogu–Okauru cited in “FG outlaws tax contractors in states”, 2013); lack of transparency and probity in the process of their engagement, high consultancy fees (Wusu, 2007); corruption (Fjeldstad, Katera and Ngalewa, 2009); use of non-professionals (Eze, 2013), illegal methods of enforcement and diversion of revenue belonging to government into private pockets (Uhunmwuangho & Aibieyi, 2013).

**Objectives of the Study:**

This study has both general and specific objectives. The general objective of this study is to discover realistic and best measures that could be adopted in Enugu State Local Governments for increased internal revenue generation. The specific objectives are:
1. To investigate whether the use of tax contractors for revenue collection has increased the internally generated revenue of Enugu State Local Governments between the periods, 2010-2015

2. To investigate whether the use of tax contractors for revenue collection has increased the number of tax payers’ in the tax payers records of Enugu State Local Governments.

3. To identify the factors militating against the use of tax contractors for revenue collection in Enugu State Local Governments.

4. To suggest the strategies and measures that could be adopted in improving the mechanism for revenue collection in Enugu Local Governments.

2. METHODOLOGY

Research Design:

The researcher adopted the survey design. This involves the use of questionnaires, interviews (oral, written, structured, unstructured, etc.).

Sources and Method of Data Collection:

The primary and secondary sources of data collection were used for this study. The questionnaire and interview method were adopted as the primary instruments for data collection. A Closed ended questionnaire of likert scale format with an open ended question was used. The respondents were given a week to fill and return the questionnaires to the researcher. The secondary data for this study were collected from already written books both published and unpublished that were found to be relevant. These already written works include text books, journals, magazines, newspapers, online publications, government documents, and past research works by students and research institutions.

The Population of the Study:

The population of the study comprises of all the local government staff in the headquarters of the seventeen local governments areas of Enugu State. The Enugu State Local Government Service Commission gave the figure to be 15,416 staff. Therefore, the total population of the study is put at 15,416 people.

Sampling Technique and Sample Size:

Three local government areas were selected using Stratified Sampling Technique. The researcher stratified the seventeen local governments of Enugu State according to the three senatorial districts of the state. Simple random sampling techniques through the use of ballot paper were used to select Enugu North LGA from the eastern senatorial district; Udi LGA from the western senatorial district; Nsukka LGA from the northern senatorial district. Purposive sampling and convenient sampling techniques were adopted in selecting the local government staff at the local government headquarters. In addition, purposive sampling technique was also used to select some staff from the finance department for oral interview. A sample size of four hundred was determined using Taro Yameni’s formula on sampling (Yameni, 1964). The proportionate allocation formula according to Pandey and Verma (2008) was used to allocate accurate number of questionnaires to the selected local governments.

Validity and Reliability of Instrument:

The questionnaires were structured in line with the objectives of the study. In validating the instruments for data collection, content and face validity were established by consulting two experts in the field of social sciences who went through the work and exclude some items that were not necessary. This ensured that the instrument contains items that are suitable for the study.

Pilot study was conducted using twenty workers from each of the selected local government areas, though different from those used in the main study sample group, but have identical characteristics with the sample group of the main study. This helped the researchers in determining how consistent the test-retest pilot reliability results were before the main field work.

Method of Data Presentation and Analysis:

The questionnaire responses were computer processed and analyzed with the application of the statistical package for the social sciences (SPSS) using frequency and percentages; inferential statistics in the form of Chi-square and t-test were
used to test the hypothesis. On the other hand, data from interview were qualitatively analyzed relating pivotal points of the responses to the objectives of the study.

3. RESULTS

**Test of Research Hypotheses:**

The assumptions contained in the research hypotheses of the study were subjected to Chi-square test to reinforce the analysis and interpretation in the findings. The research tested these hypotheses using 5% level of significance to ascertain the validity or otherwise and also tested whether or not there is any association between set of variables and another. In general, three hypotheses formulated were tested using Chi square and t-test statistical tools. Statistical package for social science was used in testing the research hypotheses.

**Hypothesis One:**

H1: The use of tax contractors for revenue collection has increased the internally generated revenue of Enugu State Local Governments between the periods, 2010-2015.

**Results:**

**Table 1: Tax Contractors Facilitate an Appreciable Increase in the Revenue Base**

<table>
<thead>
<tr>
<th></th>
<th>Observed N</th>
<th>Expected N</th>
<th>Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>46</td>
<td>93.8</td>
<td>-47.8</td>
</tr>
<tr>
<td>Undecided</td>
<td>121</td>
<td>93.8</td>
<td>27.3</td>
</tr>
<tr>
<td>Disagree</td>
<td>183</td>
<td>93.8</td>
<td>89.3</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>25</td>
<td>93.8</td>
<td>-68.8</td>
</tr>
<tr>
<td>Total</td>
<td>375</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS version 20

**Table 2: Test Statistics**

<table>
<thead>
<tr>
<th></th>
<th>The use of tax contractors for revenue collection has led to an appreciable increase in the revenue base of Enugu State Local Governments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>17.624&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Df</td>
<td>3</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
<td>0.071</td>
</tr>
</tbody>
</table>

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 93.8.

Source: SPSS version 20

**Interpretation:**

A chi square analysis was conducted to determine if the use of tax contractors for revenue collection has increased the internally generated revenue of Enugu State Local Governments between the periods, 2010-2015. The result of the chi
square shows that \( X^2 = 17.624; \ p = .071 \) shows that the use of tax contractors for revenue collection has not increased the number of tax payers in the tax payers’ records of Enugu State Local Governments.

**Decision:** Since the p-value in which we are to accept or reject the Ho which state the use of tax contractors for revenue collection has not increased the internally generated revenue of Enugu State Local Governments between the periods, 2010-2015 is > 0.05, the Ho is accepted therefore the alternate which states that the use of tax contractors for revenue collection has increased the internally generated revenue of Enugu State Local Governments between the periods, 2010-2015 is rejected accordingly.

**Hypothesis Two:**

\[ H_1: \] The use of tax contractors for revenue collection has increased the number of tax payers in the tax payers’ records of Enugu State Local Governments.

**Results:**

<table>
<thead>
<tr>
<th></th>
<th>Observed N</th>
<th>Expected N</th>
<th>Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>33</td>
<td>93.8</td>
<td>-60.8</td>
</tr>
<tr>
<td>Undecided</td>
<td>31</td>
<td>93.8</td>
<td>-62.8</td>
</tr>
<tr>
<td>Disagree</td>
<td>186</td>
<td>93.8</td>
<td>92.3</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>125</td>
<td>93.8</td>
<td>31.3</td>
</tr>
<tr>
<td>Total</td>
<td>375</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: SPSS version 20*

**Table 4: Test Statistics**

<table>
<thead>
<tr>
<th></th>
<th>The use of tax contractors has increased the number of taxpayers in the tax payers’ records of Enugu State Local Governments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>112.557(^a)</td>
</tr>
<tr>
<td>Df</td>
<td>3</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
<td>.057</td>
</tr>
</tbody>
</table>

\( a. 0 \) cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 93.8.

*Source: SPSS version 20*

**Interpretation:**

A chi square analysis was conducted to determine if the use of tax contractors for revenue collection has increased the number of tax payers in the tax payers’ records of Enugu State Local Governments. The result of the chi square shows that \( X^2 = 112.557; \ p = .057 \) shows that the use of tax contractors for revenue collection have not increased the number of tax payers in the tax payers’ records of Enugu State Local Governments.

**Decision:** Since the p-value in which we are to accept or reject the Ho which state the use of tax contractors for revenue collection has not increased the number of tax payers in the tax payers’ records of Enugu State Local Governments is > 0.05, the Ho is accepted therefore the alternate which states that the use of tax contractors for revenue collection has increased the number of tax payers in the tax payers’ records of Enugu State Local Governments is rejected accordingly.

**Hypothesis Three:**

\[ H_3: \] There are factors militating against the use of tax contractors for revenue collection in Enugu State Local Governments
Results:

<table>
<thead>
<tr>
<th>Table 5: One-Sample Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>--------------------------------</td>
</tr>
<tr>
<td>The engagement of tax contractors renders the government revenue officials redundant</td>
</tr>
<tr>
<td>The use of tax contractors in Enugu State Local Governments is riddled with corruption</td>
</tr>
<tr>
<td>Tax contractors take home large part of the revenue collected as a cover to their costs and profits</td>
</tr>
<tr>
<td>There is lack of transparency in the process of recruitment of tax contractors in Enugu State Local Governments</td>
</tr>
<tr>
<td>Tax contractors in Enugu State Local Governments introduces multiple taxes</td>
</tr>
<tr>
<td>Political interferences inhibit the use of tax contractors in Enugu state Local Governments</td>
</tr>
<tr>
<td>Tax contractors in Enugu State Local Governments abide by the legally established methods on revenue enforcement</td>
</tr>
<tr>
<td>Most tax contractors in Enugu State Local Governments are not tax professionals</td>
</tr>
<tr>
<td>The Federal Government has placed a ban on the use of tax contractors by all tiers of government</td>
</tr>
</tbody>
</table>

Source: SPSS version 20

<table>
<thead>
<tr>
<th>Table 6: One-Sample Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test Value = 0</td>
</tr>
<tr>
<td>df</td>
</tr>
<tr>
<td>--------------------------------</td>
</tr>
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</tr>
</tbody>
</table>

Source: SPSS version 20

Interpretation:

A sample t-test was used to ascertain if there are factors militating against the use of tax contractors for revenue collection in Enugu State Local Governments. The result shows that all the questions are significant factors militating against the use of tax contractors in Enugu Local government. Based on the result, the null hypothesis is rejected and the alternate which state that there are factors militating against the use of tax contractors for revenue collection in Enugu State Local Governments is accepted as the p-value for each question is < 0.05.
4. DISCUSSION

The Internally Generated Revenue of Enugu State Local Governments between the Periods, 2010-2015:

Majority of the respondents hold the view that the use of tax contractors for revenue collection has not led to an appreciable increase in the revenue base of Enugu State Local Governments. This however is peculiar to Udi and Nsukka Local governments who over the years have had an almost stagnant increase in revenue generation. Meanwhile in Enugu North Local government, it was observed based on the data obtained that their revenue generation have been on the increase (see table 7); this is not surprising as it may be as a result of the geographical nature of the local government. The local government host the major highbrow areas of the state - Independence layout, GRA, New heaven; etc in which new businesses are springing up on daily basis; there are more banks, more economic activities, more infrastructure, two major markets, the popular polo park, more hotels, state government house, schools etc. in the local government. The inability of the tax contractors to have increased the internally generated revenue base of the local governments despite a reported improvement in their debt recovery ratio and an increase in the intensity of their revenue enforcement drive can be attributed to corruption between the tax contractors and the local government executives as well as lack of proper monitoring by the local government councils. Tax contractors remit a paltry sum in line with the target given to it by the council. This amount is insignificant considering that the major parts of the proceeds have been pocketed; this represents a huge profit to the tax contractors. Where the service fee to the tax contractors is based on commission, the contractors only remit a significant part of the officially reported revenue. These findings agree with the study of Fjeldstad, Katera and Ngalewa (2009). Fjeldstad, Katera and Ngalewa (2009) in their study of the use of private agents in revenue collection using Tanzanian local authorities, they found that the contract amount remitted to the councils only represented a small fraction of the revenues actually collected by the agent, they attributed it to corrupt deals between the tendering board and the private agents; they however reported an increased internally revenue generation by some local councils. The study however disagrees with the opinion of Adekanola (1996) cited in Rotimi, Aka Udu & Abdul-Azeez (2013: 26), who was of the view that there were an increase in the internal revenue for states that engaged tax contractors. Similarly, the study disagrees with Wusu (2012) who maintained that the use of tax consultants by all tiers of government has led to an increase in their internally generated revenues.

The Number of Tax Payers in the Tax Payers’ Records of Enugu State Local Governments:

Most of the respondents were of the view that the use of tax contractors has not improved the number of tax payers in the tax payers’ records of Enugu State Local Governments. Findings show that there were no tax payers’ records maintained by Udi and Nsukka local governments; a senior official of the finance department in Nsukka local government lamented that the tax contractors have always maintained the same number of tax payers every year. In Enugu North LGA, findings show that the tax payers’ ‘ledger’ handed over to the tax contractors still remain the way it was, it has not been updated for a long time now to reflect current realities. The study disagrees with Wusu (2012) and Rotimi, Aka Udu & Abdul-Azeez (2013: 31) that the use of tax contractors for revenue collection leads to better tax payers’ records. This could mean that the tax contractors deliberately avoids this aspect of their contract with a view to underestimate the potential internally generated revenues of their various localities in order to press for a lower contract amount during contract negotiation with the local government authorities. The local governments authorities upon relying on the
underestimated revenue potentials presented before it by the tax contractors approves a paltry sum as the contract amount (target) that should be remitted to it, where this happens, the tax contractor goes home for celebration; this means that after the tax contractors must have given the local government authority its own share of the anticipated revenue, the remnant would be pocketed into the purse of the tax contractors. In an encounter with one of tax contractors in Nsukka local government area, he confided in the researcher on how lucrative their businesses were and further revealed on how they don’t used to let people know about it. This finding underpins one of the basic tenets of the principal agent theory as enunciated by Roach (2016) that actors are perceived as rational utility maximizers (p. 2). This means that actors seek out their self-interests. Roach further explained that there are other interests that the agents may have in mind to accomplish that may not be consistent with the principals’ primary outlined expectations. Agents may engage in shirking behaviours which are self-serving. By so doing, they engage in non-compliance activities which divert their attentions away from achieving the principals’ primary objectives, in order to secure their secondary interests. Roach maintained that within public sector organizations, agents may deviate from their contract obligations to engage in behaviours that may be described as opportunistic leading to breaches in the terms and conditions of their employment contracts.

Factors Mitigating Against the Use of Tax Contractors for Revenue Collection in Enugu State Local Governments:

The study revealed that prominent among the factors mitigating against the use of tax contractors for revenue collection are political interferences from the state government, lack of transparency in the process of recruitment, corruption and the demand for huge service fee; others are the use of non professionals, the use of outdated method of revenue collection, unorthodox method of enforcement, the rendering of the traditional staff of the local governments redundant and the Federal Government ban on the use of tax contractors.

It was found that virtually all the tax contractors in the local governments are proxies of the various political stakeholders who are chieftains of the political party that forms the state government; the state governor facilitates the appointment of the tax contractors irrespective of their capacity to deliver on the assignment. This is a reward to the politicians in exchange for the support they gave the party during the electioneering process. The researcher was not able to ascertain which of the politicians, the various tax contractors are representing; however one of the tax contractors who served in Enugu North local government between 2013 and 2015 bears the same surname with one of the political heavyweights in the state. Findings show that these tax contractors are no longer monitored since they have an agreement with the local councils to remit a certain ridiculous sum and keep the rest; a large portion of government revenue goes into the purse of the tax contractors as a cover for their profits and operational costs. Profits made by the tax contractors far surpass what they remit to the government coffers. It was also gathered that in Enugu North local government council where a certain contractor was asked to remit 60% of the proceeds of revenue collected to the government and keep 40%; the contractor sometimes presents a laughable revenue output to the council with an excuse that ‘market is dull’, this implies that the unrecorded revenue represents a significant proportion of the amount presented to the council. Further findings revealed that though the local Government Chairmen are cooperative, they may not be the actual beneficiaries of the arrangements as their hands are tied; they are simply doing the biddings of their political masters in the government house. This is what the researcher termed ‘the utilization of the local cakes for the building of stomach infrastructure’. An overview of these problems underpins the concept of Logrolling and Clientelism. The study agrees with Uhunmwuangho & Aibieyi (2013) and Eze (2015). Uhunmwuangho & Aibieyi (2013, p. 204-205) were of the view that farming out of revenue sources on the bases of political patronage is one of the major problems militating against increased revenue generation while Eze (2015) maintained that most tax contractors are political acolytes of the man in power. The study also collaborates with Uhunmwuangho & Aibieyi and Fjeldstad, Katera & Ngalewa (2009, p. 8) on the amount remitted to the council. Uhunmwuangho & Aibieyi opined that the tax contractors are rewarded with arbitrary monthly targets to remit to the council, contrary to the financial memoranda regulation (6:2) which states that “where appropriate, a local government may appoint a person other than an employee as a revenue collector and such person shall receive an appropriate proportion of taxes or fees he collected as commission. In addition to this, Fjeldstad, Katera & Ngalewa reported that the contract amount remitted to the councils only represented a small fraction of the revenues actually collected by the agent; they attributed it to corrupt deals between the tendering board and the private agents, they contended that it is likely that the official margins underestimate the actual margins, since the revenue potential reflected in the contracts in most cases are underestimated. The study further agrees with the views of Omoigui-Okauru (2007) in “Tax consultants, states lobby Presidency, national assembly” (2007); Abuh (2014) and Fjeldstad, Katera and Ngalewa (2008, p. 5). Omoigui-Okauru stated that a brief survey indicated that where tax consultants exists, the state governments pay from 10 percent to 40
percent of the monies collected when such state government cannot give their revenue authorities 5 percent of the revenue collected to upgrade their facilities; this means that 5% is considered too much for the state government to release to the government revenue officials for the upgrade of their facilities. Similarly, Abuh observed that governments spend up to 10% to 50% of the collected revenue on consultants and fail to improve their staff. Fjeldstad, Katera and Ngalewa reported that the amount which varies between 32 percent to 60 percent depends on the type of contractor and revenue points; they maintained that the amounts retained by the tax contractors are so high by any country’s standard. However the study disagrees with (Rotimi, Aka Udu & Abdul- Azeez 2013) who were of the view that one of the benefits of the use of tax contractors is better accountability for taxes collected.

Furthermore, more findings revealed that neither the local government staff nor the general public are informed of any vacant positions for the tax contractors or an intention to recruit one. Those invited are out rightly given letters of appointment without any form of competitive examination. This explains why most of the tax contractors who parade themselves as ‘consultants’ are non tax practitioners. Though, it was gathered that most of the tax contractors attended higher institutions of learning, none belonged to any professional bodies or have gained any specialized knowledge on taxation from any relevant professional bodies like Chartered Institute of Taxation of Nigeria. These may explain why the tax contractors do not abide by the legally established methods of revenue enforcement as earlier findings revealed; the tax contractors may feel that since they do not belong to any professional association, their activities are no longer regulated. Responses from the respondents indicate that the tax contractors employ mostly the use of ‘seizure’ in revenue enforcement. They seize whatever they found valuable whenever they encounter one who evades payment. In most cases, the value of goods or properties seized far surpasses the value of the amount involved. This is to ensure that the tax payer comes up as soon as possible to make payment and reclaim seized goods or properties; they also threaten whosoever that refuses to pay with closure of their shops. The tax contractors in charge of tenement rates sometimes in collaboration with the Nigerian Police and/or thugs harass the tax payers and threaten to incarcerate them if they fail to comply. In some instances, they sue the defaulters. These findings agree with (Wusu, 2012) that the terms of the engagement of tax contractors are shrouded in secrecy. It also agrees with Eze (2015) that in most instances, the tax consultants are not tax professionals. The findings are in line with the publication ("FG outlaws tax contractors in states", 2013), Abuh (2014), Eze (2015) and Socio Economic Rights Initiative [SERI] (2015). “FG outlaws tax contractors in states” reported that the tax contractors sometimes manhandle citizens to force compliance; this not surprising as the police or thugs that accompanies the tax contractors are ready to manhandle any defaulter who stands on their way in a bid to make seizures. Abuh (2014) maintained that the tax consultants had often used means other than what the law prescribed to collect taxies and levies in the local government areas. Eze (2015) was of the opinion that the tax consultants have always threatened whoever fails to pay with closure of their businesses, he added further that they have always employed an orthodox means contrary to the provisions of the relevant laws like Taxes and levies Act (approved list for collection) Act no. 21 of 1998, which prohibits using unorthodox means such as blocking the highway etc. SERI in its May 25, 2015 publications maintained that agents of Enugu State local governments violently take away people and seize their properties in the name rates enforcement. These may not be unconnected to the researcher’s earlier findings on increase in the intensity of revenue drive and an increase in debt recovery ratio. The use of ‘force’ in tax collection on the residents on Enugu State Local Governments means that the people have no option than to part with what they have without questioning in order to avoid being molested.

The study further reveals that the engagement of tax contractors for revenue collection renders the statutorily recognized revenue officials redundant. Findings show that the engagement of tax contractors for revenue collection left the traditional revenue officials with virtually no duty to undertake, thus redundant. This may be the reason why most officials from the revenue unit rarely come to work, their office spaces have been taken over by the tax contractors who now attend to the tax payers inside the various revenue offices. This finding collaborates with Omogui- Okauru that the use of tax consultants in revenue collection renders the government tax administrators redundant (“Tax consultants, states lobby Presidency, national assembly”.2007)

More finding reveals that tax contractors in Enugu State local governments do not introduce multiple taxes. It was gathered that the tax contractors do not decide which of the revenues that should be collected in the local government areas; rather, the compilation of the ‘revenue chart’ which classified the revenue points according to type of business, size and capacity of business owner (ie. retail, wholesale, brand representatives etc.) with a corresponding amount attached to it is done by the councillors and subsequently approved by the chairman of the local governments before being handed
over to the tax contractors for implementation. Where the local government staff is used for revenue collection, the same document is also used. However, some of the respondents believed that such classifications are illegalities which is been encouraged by the tax contractors. This finding disagrees with The Manufacturers Association of Nigeria [MAN] (“FG outlaws tax contractors in states”, 2013) and Eze (2013). MAN blamed the multiplicity of taxes and levies nationwide numbering over 79 to the tax contractors who introduce all manners of levies to raise revenue for the states. Eze (2013) was of the view that the tax contractors invent levies and are being used to collect illegal taxes; though the study disagrees with Eze but it agrees with him that tax contractors are used to collect multiple taxes in the local government.

The study further confirms the ban on tax contractors for revenue collection. Findings show that the Federal Government of Nigeria has placed a ban on the use of tax contractors by all tiers of government. Majority of the respondents who confirmed this came across it over the radio and on the pages of newspapers. The ban on the tax contractors was for the purposes of collection, enforcement and assessment; it does not preclude the tax contractors from engaging in other vital areas in revenue administration. The implication of this is that the local governments may consider reforming the use of tax contractors to exclude revenue collection. However, some respondents argued that the ban should not apply to local authorities since the Local Government Financial Memorandum empowers the local governments to contract private agents for revenue collection. The study agrees with Abuh (2016) who posited that Decree 21 of 1998 prohibits the use of consultants for assessing and collecting taxes and levies by any tier of government. It also agrees with “FG outlaws tax contractors in states”, 2013 that the Federal Government has prohibited the use of tax contractors for revenue collection by all tiers of government.

Though majority of the respondents want a discontinuation of the use of tax contractors for revenue collection, they are however optimistic that if appropriate measures could be put in place; the use of tax contractors for revenue collection could be viable instrument for increased revenue generation in Enugu State Local Governments.

5. CONCLUSION

The increase in internally generated revenue of Enugu State local governments has been a mirage over the years; this has led to the failure of the local governments in the area of service delivery. The need to ensure improved internally generated revenue led most states and local governments at all tiers to engage tax contractors for revenue collection. The study revealed that the use of tax contractors in Enugu State Local Governments does not guarantee increased revenue generation. In Udi and Nsukka local governments, the internally generated revenue remain static and predictable in line with the contract amount with the council authorities while the tax contractors go home with a reasonable profit margin. This was due to corruption and political interferences from the state government which ensured that proxies of its political acolytes are imposed on the council for revenue collection as compensation for their support to the government during the electioneering process. However, local governments like Enugu North witnessed increased revenue generation, this was due to the increased number of businesses that are springing up on a daily bases.

There is underestimation of the actual revenue potential of the local councils due obsolete and outdated or in most cases nonexistent tax payers’ records. This has resulted to the allocation of an insignificant sum as a contract amount to the tax contractors as the same estimates are being bandied on a yearly basis. However given the right conditions, the use of tax contractors could be a viable instrument for increased revenue generation in Enugu State Local Governments.

6. RECOMMENDATIONS

Based on the findings of this study, the use of tax contractors for revenue collection in Enugu State Local Governments should be retained. Other recommendations include:

- The process of the recruitment of the tax contractors should be publicly advertised in radio and TV stations in the state as well as published in local and national newspapers. Proposals and tenders submitted should be evaluated by a competent team set up by the local governments. The best candidate should be selected based on capacity, experience and integrity.

- Tax contractors to be recruited should employ a modernized method of revenue collection like the point-of-sales (PoS) machine. In addition to PoS, any other technology that will ensure that all payments move directly from the tax payer to the revenue collecting account (like remitta) should be encouraged. A proper use of these technologies will
discourage sharp practices and keep record of tax payers. The field agents that are to be armed with the PoS should wear a branded T-shirts for easy identification

- Efforts should be made by the tax contractors in utilizing the data provided by the PoS in updating the tax payers’ record. A proper ‘Due Diligence’ and ‘Know You Customer’ (KYC) should be conducted on the customer at the point of issuance of the official receipt with a view to updating the tax payers’ record. There should be a periodic audit of the tax payers’ records by the local governments.

- The Local Government should set up an independent verification and audit team who are knowledgeable in accounting to inspect the activities of the tax contractors ‘on and off’ the field.

- The tax contractors should be paid based on commission upon revenue collected; this will reduce waste and at the same time increase their enforcement drive by motivating them.

- Government should ensure that companies to be engaged have its’ key staff as members of Chartered Institute of Taxation of Nigeria; this will ensure that they are more professional in collection and enforcement.

- The Local Governments should have the right to access information regarding the bank account used for revenue collection in order to ensure transparency and effective auditing.

- The President and the National Assembly should ensure a proper implementation of ‘a true local government autonomy’ that will guarantee a true independence of the local government leaders. The use of appointed transition Local Government Chairmen should be jettisoned.

- The Federal Government should ensure a restoration of the integrity of the electoral process; this will restore sovereignty to the electorate and reduce the influence of political godfathers on the polity.

REFERENCES


