EXAMINATION OF THE TREND IN INTERNALLY GENERATED REVENUE OF KWARA STATE SINCE 2015

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Abstract

In response to the Federal Government directive that States should improve on their internally generated Revenue and not depend solely on Federal allocation for its sustenance, the Kwara State Government, in its effort to increase its revenue base, signed into law on June 22, 2015, the Kwara State Revenue Administration Law 2015 (Law No.6 of 2015), thus giving birth to the Kwara State Internal Revenue Service, (KWIRS) and abolishing the old Kwara Board of Internal Revenue (KBIR). The State started to witness unprecedented increase in its IGR but suffered a major decline in the year 2020 due to the outbreak of the Covid-19 Pandemic. The State IGR however picked up in 2021 after the pandemic had subsided. This study discovered that while the Kwara State government witnessed about 56 percent decrease in IGR in the Covid-19 Pandemic year, the IGR at the Federal level did not experience a significant decrease when compared to the State, this is because the Federal government continue generating revenue through some outlets that are exclusive to it like seaports, Value Added Tax, and the Telecommunication industry amongst others. The study discovered that increased adoption of technology and steady blockage of leakages within the tax system can be credited for the increase in IGR post covid-19. The paper also discovered that Kwara State introduced some innovations that helped it to generate revenue during the Pandemic. The Paper concludes that revenue organisations should adhere to global best practices in its revenue administration.

Keywords: Internally Generated Revenue, Kwara State Internal Revenue Service, Revenue, Tax administration, Taxation.

1. Introduction

Taxation is a monetary charge imposed by the government of a country or its appropriate agency on taxable persons, entities, transactions or properties to yield revenue.[1] Taxation has also been defined as a pecuniary burden laid upon individuals or property to support government's expenditures.[2] The Oxford English Dictionary defines a tax as "a compulsory contribution to the support of government levied on persons, property, income, commodities, transactions etc., now at a fixed rate mostly proportionate to the amount on which the contribution is levied."[3] Tax can also be described as a compulsory exaction of money by a public authority for public purpose.[4]

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[1] OA Somorin, *Taxes Around the Globe: A Concise Review of Different Tax Types, Chartered Institute of Taxation of Nigeria* (CITN) (ASCO Publishers Lagos, 2015).

[2] LA Faseun, 'Tax Practice' (Paper Delivered at the Special Training Programme by CITN) between 3-5 May 2015) 36.

[3] MT Abdulrazaq, *Revenue Law, and Practice in Nigeria* (3rd edn, Malthouse Press, *2015)1 ; Tiley and Loutzenhiser (2012) Revenue Law (Hart Publishing)* pp 3-128, Willoughby & Harvey (1969) A Guide to Income

In the same vein, tax has been defined in the case of *Matthews v Chicory Marketing Board*[5] as a compulsory extraction of money by a public authority for public purposes. In *Michigan Employment Security Commission v Patt*[6] tax was described as a non-voluntary but compulsory contribution to a constituted authority. In *Petroleum Trust Fund (PTF) v FidelityBank Plc*,[7] revenue was defined as any income or returns accruing to or derived by the government from any source. A tax is therefore not a voluntary payment or donation, but an enforced contribution, exerted pursuant to legislative authority and which is imposed by government. The Constitution of the Federal Republic of Nigeria (CFRN) provides that "It shall be the duty of every citizen to declare his income honestly to appropriate and lawful agencies and to pay his tax promptly"[8]

Certain functions and objectives of the tax system have been identified. Abdulrazaq[9] identified four of these functions, they are: Raising revenue; Redistribution of Wealth; Management of the economy; and Modifying or affecting behaviour. Somorin[10] added to the above list in her work that tax performs the function of reducing inflation and stimulate growth in the economy. According to her, tax is a significant tool of fiscal and economic policy. Tax administration and revenue generation are therefore very important in the life of a nation. This is due to the fact that the primary responsibility of the government is to improve the welfare of the people and give them security over their lives and property. These responsibilities of the government can only be provided with adequate finance and funding. The Nigerian National Tax Policy[11] lists the objectives which tax policies, laws and administration shall promote, among which are the following:

i. The ability of all taxable persons to declare their income honestly to appropriate and lawful agencies and pay their tax promptly;
ii. Promoting fiscal responsibility and accountability that reflects the principle of fiscal federalism;
iii. Ensuring that the rights of all taxable persons are recognised and protected;
iv. Eradicating corrupt practices and abuse of authority in the tax system;
v. Ensuring that the resources of the nation promote national prosperity and self-reliant economy;
vi. Securing maximum welfare, justice and equity; and
vii. Ensuring that the resources of the nation are harnessed and distributed to serve the common good.[12]

Tax and Capital Tax in Nigeria (Sweet & Maxwell) : Taylor M, 'Is it a Levy or is it a Tax or both? (2012) 22 (1) Revenue Law Journal, Bond University.

[4] I.O Okauru, (ed) Comprehensive Tax History of Nigeria, Federal Inland Revenue Service (2012) 33: Soyode L and Kajola, S.O, Taxation: Principles and Practice in Nigeria (Silicon Publishing Co., Ibadan 2006).3.

[5] (1938) 60 CLR 263,276 (Vic); 1.

[6] 144 N.W.2d 663,4 Mich. App. 228.

[7] (2012) JELR 53023 (CA).

[8] Constitution of the Federal Republic of Nigeria, 1999 (as amended), s. 24 (f).

[9] M T Abdulrazaq , (n 3).

[10] OA Somorin (n.1).

[11] The National Tax Policy provides the guidelines, rules and modus operandi that would regulate Nigeria's tax system, as well as form the basis for tax legislation and tax administration in Nigeria.

[12] The National Tax Policy Cap 1.S 1.3 (2017).

The Nigerian Code of Ethics for Efficient Tax Administration[13] was adopted by the Joint Tax Board as an anti-fraud measure. It was a 12-point statement and nearly all the rules stipulated in the Code were geared towards stemming fiscal fraud.[14] Some of the points in the Code are that a tax officer shall:

a. Seek to encourage the taxpayer to pay his tax promptly, eagerly, and correctly;
b. Not collude with the taxpayer to engage in any form of tax planning, tax evasion or to engage in any act which tends to unduly reduce, withhold, or delay the payment of tax;
c. Seek to implement the tax laws fairly, faithfully, firmly, and equitably, irrespective of the status of persons and organisations concerned or the nature of goods and services involved; and
d. Display competence and professionalism in the discharge of his duties.[15]

2. The Defunct Kwara Board of Internal Revenue (KBIR)

Before the signing into law of the Kwara State Revenue Administration Law, 2015 (Law No.6 of 2015), the body responsible for the administration of Kwara State Internally Generated Revenue (IGR) was the Kwara State Board of Internal Revenue (KBIR). With the signing of the new law, the Kwara State Internal Revenue Service (KW-IRS) was born and the old KBIR became defunct. Prior to this time, the level of revenue generation in the state was at a low ebb due to poor administration and lack of proper return of accounts by the old KBIR.

To buttress the point that there was lack of administrative efficiency, the National Bureau of Statistics (NBS) in its Internal Revenue Generation report in 2015 said that only eleven out of the 36 States in Nigeria improved on their IGR in the year 2015.[16] Unfortunately Kwara State did not make the list of the States that bettered their 2014 records of revenue generation performance in 2015.[17]

The NBS, which relied on records obtained from the Joint Tax Board and states' boards of internal revenue, said the IGR earnings in 24 other states declined from the levels attained the previous year. Among the 24 states that performed poorly included Kwara, Imo, Bayelsa, Adamawa, Akwa Ibom, Benue, Cross River, Delta, Ekiti, Enugu, Gombe, Jigawa, Kaduna, Kano, Katsina, Kebbi, Lagos, Ondo, Osun, Oyo, Plateau, Rivers, Yobe, and Zamfara. Ebonyi was the only state whose internally generated revenue records were not available. Overall performance of the 36 states showed that the total IGR realised for the year dropped by 3.69 per cent, from N707.86 billion in 2014 to N682.67 billion. Details of the respective states' performances showed that Ogun State's IGR records were adjudged best, with a 49.42 per cent increase, almost doubling the N17.5 billion revenue earned in 2014 to N34.6 billion. Anambra followed closely, with its IGR rising by about 29.32 per cent from N10.45 billion in 2014 to N14.79 billion, while Borno came third with a 21.8 per cent improvement from N2.76 billion the

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[13] Code of Ethics –The Chartered Institute of Taxation of Nigeria https://portal.citn.org.

[14] For instance, the 7th point of the Code bars a tax officer from accepting, any form of gratification, favour or assistance from taxpayers.

[15] A new Works Ethics was drafted for Federal Inland Revenue Service Staff in 2007 after the promulgation of the Federal Inland Revenue Service Establishment Act ,2007.

The eleven States mentioned in the report were; Ogun, Anambra, Borno, Edo, Bauchi, Abia, Kogi, Nasarawa, Niger, Taraba and Sokoto.

[17] Nigeria Bureau of Statistics Internal Revenue Generation Report , 2015.

previous year to N3.53 billion. Other states with improved performances included Edo (10.95 per cent), Bauchi (10.2 per cent), Sokoto (9.75 per cent), Taraba (8.57 per cent), Abia (7.33 per cent), Nasarawa (4.59 per cent), Niger (3.98 per cent) and Kogi (3.05 per cent).[18]

Among the poor performers, the NBS showed that Kwara State topped with its IGR declining massively by about 73.57 percent , from about N12.46 billion realized in 2014, to about N7.18 billion in 2015.[19] The state was followed by Imo, whose IGR in 2014 dropped by 48.3 per cent, from N8.12 billion to N5.47 billion the following year. Yobe state came third with a 36.53 per cent drop in its IGR from N3.07 billion in 2014 to N2.74 billion in 2015.[20]Apart from lack of accountability and transparency, there was also a high incidence of tax evasion and avoidance in the State, which can also be attributed to ineffective tax administration, lack of trust for the tax system and general apathy by Kwara State indigenes. The law that established the KW-IRS made it autonomous from the Civil Service structure unlike when the defunct Board was under the Ministry of Finance. The KW-IRS is therefore more of a private sector oriented arrangement and is performance driven. Staff are well remunerated and are given additional incentives if they meet their targets and any staff may be dispensed with if he or she do not perform up to expectation. The erstwhile KBIR was not effective because its staffs were drawn from the mainstream Civil Service and they carried out their duties with the mentality and lackadaisical attitude of most Civil Servants which is that whether they work or not they are sure they will receive their monthly salaries.[21] Therefore during the time of the defunct KBIR, whether or not revenue staff met their target, their salaries were paid at the end of each month.

The defunct revenue board as at 2014 was making an average of 600 million naira per month, but the amount dropped in 2015 because of the introduction of a new law and preparation to change baton, making people to believe that most of what would have come to the government went into private pockets . This has succeeded in debunking the erroneous believe that prior to 2015 Kwarans were not paying their taxes, but the reality was that the money was not getting into government coffers.

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[18] Ibid

[19] Bassey Udo '11 Nigerian States record improved Internal Revenue in 2015' Premium Times 15 April 2016 https://www.premiumtimesng.com/news/headlines/201861-11-nigerian-states-record-improved-internal-revenue-2015.html. Accessed 5 Sept 2022

[20]Others included Bayelsa (25.76 per cent), Jigawa (23.46 per cent), Plateau (19.42 per cent), Ondo (16.05 per cent), Cross River (16.01 per cent), Zamfara (14.88 per cent), Adamawa (12.19 per cent), Kaduna (10.8 per cent) and Gombe (8.61 per cent)Also included among the poor performers were Benue (8.55 per cent), Rivers (8.54 per cent), Katsina (7.46 per cent), Kebbi (6.73 per cent), Enugu (6.47 per cent), Akwa Ibom (5.99 per cent), Osun (5.45 per cent), Ekiti (4.99 per cent), Delta (4.93 per cent), Oyo (4.11 per cent), Lagos (2. 96 per cent), and Kano (0.37 per cent).Among the oil producing states of the Niger Delta, apart from Edo and Abia, all others could not meet their 2014 IGR levels, with their average earnings dropping by about 6.6 per cent. In terms of IGR volume, Lagos state was ranked highest with a total of N268.23 billion during the year, followed by Rivers with N82.1 billion, and Delta, with N40.81 billion.

[21]<htpps://iproject.com.ng education project topics> 'Attitude to work in the Civil Service' See also 'Effect of Nonchalant Attitude of Civil Servants' <https://www.projectclue.com.

3. The Kwara Internal Revenue Service (KW-IRS) and its Revenue Generation Drive

The Kwara State Government, in its effort to increase and diversify its revenue base, passed a Bill establishing the Kwara State Internal Revenue Service. The Bill was signed into law on June 22, 2015[22] as the Kwara State Revenue Administration Law 2015[23] (Law No.6 of 2015), thus giving birth to the Kwara State Internal Revenue Service, (KW-IRS) and abolishing the old Kwara Board of Internal Revenue (KBIR). With the signing of this law, KW-IRS becomes the sole entity responsible for the effective and efficient administration of tax related matters on behalf of the Kwara State Government.[24]

In performing its administrative duties, the KW-IRS was given the following mandates:

i. To maintain the integrity of the tax laws and processes by eliminating all instances of multiple taxation;
ii. To assist the state government to attain specific economic and social policies, systems and targets; and
iii. To stimulate voluntary compliance so as to advance maximum representation of the populace in executive decision making.[25]

To achieve the above set objectives, the KW-IRS set out a vision and mission statements for itself which are to, 'mobilise revenue for the strategic development of Kwara state and to serve the residents of Kwara state using the most convenient strategies that will add value and integrity to the revenue mobilisation process and actualisethe developmental objectives of the government.'[26]

All over the world, the IGR,[27] which any state or government is able to raise sustains its economy and according to Dr Muritala Awodun,[28] Kwara State indigenes were continually being sensitised on the need to fulfill their civic obligation of paying tax. This awareness paid off because as at the inception of KW-IRS in the year 2015, ₦5billion was generated as taxes but these increased to ₦19billion by the year 2017.[29] This improvement in IGR made the revenue body target ₦38million as a projection for IGR for the year 2018.[30] This target, according to Awodun was achievable because more people were brought into the tax net.[31] The newly created KW-IRS was able to achieve its objective as it started on a clean slate by recruiting vision driven members of staff who were also adequately trained and equipped to carry out their duties and

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[22] By the then State Governor Alhaji Abdulfatah Ahmed.

[23] Kwara State of Nigeria, Law No.6 of 2015

[24] Kwara State Revenue Administration Law (KWSRAL) 2015. Section 9(b)

[25] Kwareve News Issue 26.The official Newsletter of KW-IRS.

[26] KWIRS Vision and Mission Statement. Irs.kw.gov.ng

[27] Funds generated internally other than grant, subvention and allocation from government. D O Okolie and F.E Eze, 'Local Government Administration in Nigeria' (John Jacob Classic Publishers Ltd, Enugu 2004) Okeke Ifeanyi, Chidi Mba & Eme Okechukwu, 'Enhancing Internally Generated Revenue: Issues, Strategies, Foresight & Insights' (2017) 2 (1) Science Arena Publications Specialty Journal of Humanities and Cultural Science. 1- 22

[28] The pioneer executive chairman of KW-IRS, 2015-2019.

[29] A Fagbemi , 'Nigeria: KWIRS Targets N38 billion in Tax Collection,' (The Guardian Newspaper, 23 January 2018)5

[30] Kwara State 2018 Budget

[31] M Awodun said more people are now paying the personal income tax of ₦1500 per annum for those in the informal sector and ₦12,000 per annum for those in the formal sector.

functions. The new body was able to record astronomical improvement on the performance of the old body.[32]

In addition to the foregoing, the new agency has been able to record successes because it has been acting as an intermediary between the people and the government, ensuring that people perform their obligation of paying tax, on the one hand, and on the other hand, encouraging the government to ensure that people feel the impact of the revenue collected from them. This they do by committing the accrued gains for developmental projects, stimulating the economy and creating jobs to fill the gaps created by dwindling federal allocations to the States.[33] To this end, the KW-IRS designed various projects through its Community Impact Programme (CIP), based on the four 'Es', which are, education, environment, enterprise, and employment.[34]

The State government also ensured that the new revenue generation system did not impose new and undue taxes on the people in view of wanting to accelerate its IGR. It however succeeded in blocking leakages that existed in the old order of revenue collection.[35]

The KW-IRS succeeded in generating 85billion naira as IGR between 2016 and 2019. This amount collected within four years amounted to 49 per cent of the total collection of 175billion naira it generated in 20 years.[36]

The improvement in Revenue Generation made by the KW-IRS between the year 2015 when it was inaugurated and year 2017 was attested to by the Chairman of the Federal Inland Revenue Service (FIRS) Mr. Babatunde Fowler,[37] who said that the National Joint Tax Board will adopt the blueprint of the KW-IRS, based on the success the State has recorded in its IGR, that was boosted by over 100 percent increments since the revenue body took charge of the revenue collection.[38] Fowler expressed optimism that other States will record the same success if the Kwara blueprint was followed thoroughly.

Consequently, representatives of other State Internal Revenue Services visited the KW-IRS to understudy the revenue administration system in Kwara State.[39]

4. The Effects of Covid-19 Pandemic on Economic activities globally in 2020

Just like other countries of the world, African countries, subnational, state or local governments in emerging market are more hit by the COVID-19 crisis. As they have been at the forefront of the crisis as regards the impact on budgets, citizens and the role in managing the

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[32] Kwareve News (n 23)

[33] Ibid

[34] The agency as part of its CIP, kitted school pupils, through the distribution of school bags and uniforms, provision of boreholes, clearing of blocked drainages and presentation of endowment prizes to tertiary institutions among others.Kwareve News Issue 26. ilovepdf-compressed.pdf

[35] Ibid

[36] S. Nwogu, 'Kwara Collected N85bn IGR in four years' Punch Newspaper (Lagos, 8 October 2019) 10 <https://punchng-com.cdn.ampproject.org>

[37] The Executive Chairman of the FIRS between

[38] Fowler disclosed this at the opening of the 137th Joint Tax Board meeting on the 13th of March 2017, at Ilorin, the Kwara State Capital

[39] The representatives of the Bauchi State Internal Revenue Service (BIRS) led by the Executive Chairman, Alhaji Jubril Useni Jubo visited KWIRS on 14th Feb 2018. Kogi state representatives paid similar visit in the year 2017.

pandemic.[40]Lockdown and other regulatory control affected business operations across the world[41] and revenue generation.[42]The resultant effect being a decrease in the revenue available to the various governments,[43] in contrast to the volume of expenditure of the government to meet her myriad obligations to the citizens.[44] The Nigerian government and individual states introduced new strategies to beef up their revenue. While some countries waived taxes on tourism and airline companies, others reduced taxes. In Nigeria, Jigawa State introduced a tax holiday of one year for all existing small and medium enterprises in the State from 1st July 2020- 30thJune 2021- and 18-months tax holiday for new enterprises from 1st July 2020- 31stDec 2021. In Katsina and Anambra States, 20% and 10% rebate were issued to new taxpayers respectively.

Kwara state generated N30.7 billion in 2019 but this dropped to N19.604 billion in 2020, a 56 per cent decrease. The KW-IRS attributed the significant drop in the State's revenue in the year 2020 to the biting effects of COVID-19 and other related factors. Addressing a news briefing in Ilorin the State capital, the KWIRS Executive Chair, Mrs Shade Omoniyi[45] said, the drop in revenue generation in 2020 was expected because of the COVID-19 restrictions, Kwara's uncompromising adherence to tax break and waivers for businesses during the period, and the fact of its operations being majorly manual up until the year 2020, coupled with the fact that there was no new raise in the tax rate, and that the agency made deliberate steps to tackle multiple taxation. According to Omoniyi, the hugely manual nature of KW-IRS operations as of 2020 meant that assessment and collection of relevant taxes payable to the State Government from both KW-IRS and other MDAs was on contact basis, however, because of the Covid-19 pandemic, its staff were unable to move around to collect taxes as COVID-19 hit hard. Despite the fact that KW-IRS since its inception in 2015 has operated a manual tax administration system, it has recorded steady IGR growth over the years. Upon its assumption of office in October 2019, the Service's new management began working tirelessly to sustain this momentum. These efforts culminated in the IGR growth from N23 billion as of 30th September 2019 to N30.7 billion as at the end of the year 2019.The Service made an unprecedented N7 billion in the last quarter of 2019.

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[40]Jean-Baptiste Legrand 'the impact of the Covid-19 Crisis on Subnational Governments in Emerging Markets: The Outlook one year on' International Finance Corporation, Word Bank group. July 2021. <https://www.ifc.org/wps/wcm/connect/a91e8819-f046-4b60-bc7e-359679b78195/IFC-Covid19>Municipalilities2021_final_web_7-28-21.pdf=AJPERES&CVID=nHKmD19> accessed 1 October 2022

[41] Daniel Twesige, 'Analysis of Finance and Accounting Measures to Mitigate the Impact of Covid-19 Pandemic among Businesses in Rwanda during and in a Post Covid Environment'' 2022 Open Journal of Accounting <.https://www.researchgate.net> accessed 15 September 2022

[42]Kumaran Kanapathipillai, 'The Impact of the Silent Enemy (Covid-19 Pandemic) on the Marketing Efforts Undertaken by the Automotive Industries in Malysia'' European Journal of Management and Marketing Studies (EJMMS) vol 5 issue 4 2020.

[43]D Bachman'The Economic Impact of Covid-19'', Delloitte Insights 2020 https://www2.deloitte.com/us/en/insights/economy/covid-19/economic-impact-covid-19.html accessed 17 September 2022. Accessed 5 Oct 2022

[44] Yunfeng,Haiwel,Ren 'Public Finance have been negatively affected by the Covid-19 Pandemic' Effect of Pandemic Outbreak on Economies Evidence from Business History Context <https;//www.frontiers.org>fpubh.2021.632043> accessed 9 August 2022.

[45] Mrs Sade Omoniyi took over as the new Chair of KW-IRS at the inception of the administration of Governor Abdulraman Abdulrazaq in 2019 and has been the Chairperson till date.

The Service blocked various revenue leakages avenues and introduced cost-cutting initiatives to maintain the achievement recorded in the last quarter of the year 2019. It also worked assiduously to automate its revenue and tax administration processes. The various revenue leakage blockages paid off as in the first quarter of year 2020, the Service generated N7 billion. With the gradual easing of the Covid-19 lockdown, revenue generation by the Service came to N4 billion in the third quarter of 2020 and to N6 billion in the fourth quarter of the same year. Thus, it is obvious that the low IGR figures in the second and third quarter of 2020 and consequent dip in 2020 IGR performance are solely attributable to the Covid-19 incidence and contact-based collection which proved quite ineffective while the lockdown lasted.[46]

5. Strategies Adopted by KW-IRS during the Covid-19 Pandemic

KW-IRS generated N19.604bn in the year 2020 compared with the previous year (2019) revenue of 30.64bn naira, a 56 percent reduction attributed to the crippling effect the Pandemic had on global economy. Apart from the negative effect the Pandemic had on the economy, most taxpayers did not comply with the payment of tax, hence, the need to adopt some strategies to continue to generate revenue in order to keep government afloat.

Tax authorities both at the Federal and State levels in Nigeria introduced some innovations in the way they carry out their functions. One can therefore say that the pandemic made some positive impacts on the economy because, it brought in its wake, the opportunity to think out of the box and to introduce innovative tax collection strategies such as on-line platform for payment and filing of tax documents, import duties waiver for certain commodities and some other tax incentives.

The following are some of the measures put in place by the Kwara State government during the pandemic to generate revenue:

i. Extension of deadline for filing of annual returns from 31st March to 30th September 2020 in order to enhance payment by taxpayers;
ii. 30% waiver on arrears on ground rent and land charge for property owners to encourage payment of tax;
iii. Granting moratorium (temporary suspension) to taxpayers in the informal sector;
iv. KWIRS also waived penalties and interest for high paying taxpayers and corporate organizations in order to encourage citizens to pay their taxes;
v. Taxes were generated from PAYEE (Pay as You Earn) because despite the pandemic, workers' salaries were paid hence taxes were deducted from the salary paid. This is a good source of revenue generation in Kwara State;
vi. Despite the lockdown, health personnel were allowed to go to work andtaxes were deducted from the services rendered by these personnel and from drugs bought by patients. KW-IRS posted its officials who were in charge of collection of fees and rates to hospitals;
vii. Taxes were deducted from the incentives paid by the government such as health hazards; paid to health workers, security agencies etc.;
viii. Citizens were encouraged through online platforms of the need to pay tax to enhance the smooth running of the State;

[46]These observations were enumerated in the quarterly revenue collections reports released by the Service in the year 2021

ix. KWIRS employed Alternative Dispute Resolution (ADR) for recovery of tax to generate revenue; and

x. KWIRS also waived penalties and interest for high paying taxpayers and corporate organizations in order to encourage them to pay their taxes.[47]

5.1 Analysis of KW-IRS' Performance in the First Quarter of 2021

KW-IRS generated a total of N9,598,504,939.90 in the first quarter of 2021 which is a great improvement over the N6,227,099,973.43 in the last quarter of 2020, a feat it credited to its increased adoption of technology and steady blockage of leakages[48].This figure is the highest ever collected by the agency(as at that time) since its inception. A break-down of the first quarter collections shows steady and significant growth on monthly basis.[49] This achievement is a reflection of the introduction of technology into Kwara State tax administration, through automation and online payment platforms to ease payment of all taxes. Other initiatives include re-profiling of taxpayers, making mandatory submission of schedules along remittances; carrying out prompt enforcement on recalcitrant taxpayers, and the expansion of ticketing model for the informal sector among others. One other good thing to note in the KW-IRS, is that, in spite of the drive to increase IGR, it has not introduced new taxessincethe inception of the administration of the incumbent Governor Abdulrahman Abdulrazaq. According to the Chairman of the Service, the required and legitimate taxes due are being paid by taxpayers and collected appropriately into the coffers of the State. Similarly, all revenue lines of the Ministries, Departments and Agencies (MDA) in Kwara State are the same as approved and as provided by existing relevant laws.[50] The Chairman pledged that the Service would continue to improve on its revenue generation drive by collaborating with all MDAs and Stakeholders in the State for effective and efficient collection of all that is legally due from taxpayers. She added that the Service will strategically and systematically play its part by using the most appropriate technology and committed workforce for the growth of revenue for the State.[51]

5.2 The Effect of Covid-19 Pandemic on Revenue Generation at the Federal Level in Nigeria and strategies introduced to stem the tide

The Covid-19 Pandemic and the consequential lockdowns and the several distancing measures have had severe economic consequences. However, the effect on economy differs considerably between countries, the informal and formal sectors, industries, and traded products.[52] The harsh effect of Covid-19 on the economy is not peculiar to Nigeria as an African country,[53] South

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[47] KW-IRS Executive Chairman's Financial Statement for the year ended 31st December, 2020, p 20

[48] These are part of the strategies it mapped out to achieve its IGR target

[49] January N2,984,312,074.60; February N3,058,746,474.21; March N3,555,446,391.09; total N9,598,504,939.90

[50] Taxes, Levies and Fees Collectible by State Governments in Nigeria

[51] The Chairman of KW-IRS made the pledge at a Press briefing after the Pandemic..

[52] Africa after the Covid-19 Lockdowns: Economic Impact and Prospect' 2020 GIGA Focus Africa.<https://www.giga-hamburg.de/en/publications/giga-focus/africa-after-the-covid-19-lockdowns-economic-impacts-and-prospects> accessed 19 October 2022

[53] Lakuma, Corti Paul, and Sunday Nathan, 'Impact of COVID-19 on Micro, Small, and Medium Businesses in Uganda' 2020https://www.brookings.edu/blog/africa-in-focus/2020/05/19/impact-of-covid-19-on-micro-small-and-medium-businesses-in-uganda> accessed 19 October 2022;Christian, Ugo Gentilini, Zainab Usman, and Penny Williams, 'COVID-19 in Africa: How Can Social Safety Nets Help Mitigate the Social and Economic Impacts?' 2020 World Bank, Washington, DC.,<https://blogs.worldbank.org/africacan/covid-19-africa-how-can-social-safety-nets-help-mitigate-social-and-economic-impacts> 19 October 2022;Wills Tom, 'Coronavirus in Africa: How Deadly Could COVID-19 Become?' 2020 < https://p.dw.com/p/3bLgl> accessed 19 October 2022; 'COVID-19 Forced

Africa also experienced decline in revenue generation by up to 30 percent in the 2019/2020 fiscal year between July 2019 and June 2020 compared to its projected annual budget.[54] Several states in Nigeria experienced a decline in their internally generated revenue. For example, in Lagos State, the internally generated revenue fell by 17% in the second quarter (April – June) of 2020, compared with the same quarter in the previous year, 2019.

The Nigerian government through the Federal Inland Revenue Service (FIRS) generated N5 trillion naira in the year 2019 when there was no Pandemic and N4.95 trillion naira in the year 2020 and 6.405 trillion naira in 2021. One can see that there is not really a wide gap between what was generated pre covid-19 and during covid-19. The FIRS throughout the covid-19 period, continued to generate revenue from manufactures, e-commerce and the telecommunication sector. Olaoye[55] in a study on the impact of Covid-19 outbreak on tax revenue generation in Nigeria concludes that the Covid-19 outbreak did not have remarkable negative impact on tax revenue generated in Nigeria. These figures show that the pandemic negative impact is minimal as one would have expected that the margin between the three years will be more than what was declared, as was the case in Kwara State. In fact, some researchers are of the opinion that the pandemic had actually contributed positively to the growth of tax revenue generated in Nigeria.[56] This growth was as a result of the various innovations and strategies introduced by the government during the pandemic. Businesses such as the health sector, power generation sector, security companies, Pay as You Earn (PAYEE), generate revenue for the country. Value Added Tax (VAT) was another source of revenue and taxes were also gotten from seaports that transport some essential cargoes needed for the survival of the nations. All these aided generation of revenue by FIRS.

However, some other researchers believe that the effect of the pandemic was reflected more in the falling development index such as manufacturing and fixed investment.[57]Taxes generated from road, self-employed persons and services declined by 60%. The highest decline was recorded for taxes paid by self-employed persons.

The Nigerian government, in order to achieve favourable economic conditions, introduced tax incentives. Nigeria not being an exception to countries hit[58] by the pandemic, introduced the following innovations during the pandemic to prevent the economy from imminent collapse:

Businesses in Ghana to Reduce Wages for over 770,000 Workers, and Caused about 42,000 Layoffs - Research Reveals' 2020 World Bank. <https://www.worldbank.org/en/news/press-release/2020/08/03/covid-19-forced-businesses-in-ghana-to-reduce-wages-for-over-770000-workers-and-caused-about-42000-layoffs-research-reveals> accessed 19 October 2022; James Dzansi, Adopt an Enhanced Revenue Mobilisation System to increase IGFs' 2020.<https://www.theigc.org/adopt-an-enhanced-revenue-mobilisation-system-to-increase-igfs> accessed 19 October 2022

[54] Jean-Baptiste Legrand 'the impact of the Covid-19 Crisis on Subnational Governments in Emerging Markets: The Outlook one year on' International Finance Corporation, Word Bank group. July 2021.

[55]Olaoye "Impact of Covid-19 on tax Revenue Generation in Nigeria:A Differential Analysis" 2020 Journal of Economic Research & Business Administration Al-Farabi Kazakh National University 92 https://be.kaznu.kz . accessed 20 July 2022

[56]ibid

[57]Farayibi Adesoji and SimpliceAsongu 'The Economic Consequences of the Covid-19 Pandemic in Nigeria'SS RN Electronic Journal DOI: 10.2139/ssrn . 3637668 accessed 20 July 2022

[58]Okonjo-Iweala, 'COVID-19 and Debt Standstill for Africa: The G-20's Action is an Important First Step that Must Be Complemented, Scaled Up, and Broadened' 2022 Africa in Focus. https://www.brookings.edu/blog/africa-in-

i. Extension of filing period of Personal Income Tax returns for Foreign Affairs, Military and Police sector till 30th of June 2020.
ii. FIRS waived tax penalty for late returns, for taxpayers who pay taxes promptly as an encouragement for tax payment.
iii. The Federal Government announced one-month extension to file Companies Income Tax (CIT) withholding tax as well as two months delay in submission of audited financial statements and 20% tax discount for qualified taxable companies.
iv. Import duty waiver for pharmaceutical firms and some other tax incentives.
v. FIRS created VAT automated collection system known as VATrac. This system aided VAT collection for businesses like supermarkets, eateries and standard shops.
vi. FIRS also encouraged the public to make use of its available e-platforms which can be used for tax filing returns, payment of taxes, tax clearance certificates, etc.
vii. Taxpayers who faced challenges in offsetting their liabilities, were given the option of paying in naira.[59]
viii. Tax payers were allowed to file their annual CIT returns without the need to accompany it with the mandatory audited accounts.

All these measures contributed immensely to the generation of revenue during the period in question.

In summary, the FIRS generated N5.32 trillion in 2018, N5 trillion in 2019, N4.95 trillion in 2020, and N6.405 trillion in 2021. The 2021 figure represented 30.6 percent increase when compared to the amount generated in 2020 and a 28 percent rise when compared to N5 trillion generated in 2019.[60]

The State generated N30.7 billion in 2019 but this dropped to N19.604 billion in 2020, a 56 percent decrease. However, there was remarkable improvement in the revenue generated in 2021 when a total of N29.96 billion was generated, representing 95.61 percent achievement of its annual budgetary target.[61]

6. Conclusion and Recommendations

In conclusion, this paper has examined how the KW-IRS has fared over the past seven years when it was established to replace the erstwhile Kwara Board of Internal Revenue. It has also examined how Covid-19 pandemic impacted negatively on revenue generation in 2020 and how the revenue agency has been able to bounce back through its adoption of technology and steady blockage of leakages that existed within the tax system. The KW-IRS has been able to make tremendous progress in revenue generation because the law establishing it makes it autonomous from the civil service structure unlike when the defunct Board was under the Ministry of Finance. The KW-IRS is more of a performance driven organization with a private sector arrangement, where staff are well remunerated if they met their target. This paper has also discussed the impact of covid-19 on revenue generation in Nigeria. The paper recommends good

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focus/2020/04/18/covid-19-and-debt-standstill-for-africa-the-g-20s-action-is-an-important-first-step-that-must-be-complemented-scaled-up-and-broadened> accessed 19 October 2020

[59] Naira is the Nigerian Local Currency.
[60] <https://punching.com>firs-others-revenue-collection-cost> accessed 8 August 2022)
[61] This was the highest target hit since the agency was founded in 2016

corporate governance practices for revenue authorities such as the KW-IRS.[62] The following a the suggested good governance practices in revenue generation:

i. Employing the services of external auditors to check tax authorities' account. This is good governance global best practice. It is against the rule of accountability a transparency for the auditor to be a staff of the agency it is auditing, as there is t tendency to dance to his master's tune in line with the adage, 'he who pays the pip dictates the tune.'

ii. Technology should be further incorporated to forestall error in the computation of dire tax for self-employed citizens. Once this is achieved technologically, it curbs the excess of corrupt assessment officers who may want to manipulate data.

iii. KW-IRS should be diligent in hastening the remittance of internally generated revenue the state treasury. The will enable the government to respond to its obligations as at wh due since the revenue will be readily available.

iv. Conversion from manual record keeping to an automated digital system.

v. There should be a continuous taxpayer education and sensitisation through worksho and media.

vi. Explore modalities that will bring in more people into the tax net because the more t number of taxpayers, the more the IGR.

[62] https://www.managementstudyguide.com accessed 8 August 2022.