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TITLE PAGE

EFFECTIVENESS OF TAXATION AS AN INSTRUMENT FOR CONTROL OF MONEY IN CIRCULATION

BY

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A PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MASTERS DEGREE IN ACCOUNTANCY (MBA)

DEPARTMENT OF ACCOUNTANCY
FACULTY OF BUSINESS ADMINISTRATION
UNIVERSITY OF NIGERIA
ENUGU CAMPUS

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SEPTEMBER, 2012

DECLARATION

I, **Eze Judith Chinwendu**, a Post-graduate Student in Department of Accountancy with Registration Number **PG/MBA/11/60288** hereby certify that this project is original and has not been submitted in any part or full for any Diploma or Degree of this or any other university.

Eze Judith Chinwendu
PG/MBA/11/60288

APPROVAL PAGE

This is to certify that **Eze Judith Chinwendu** a Post-graduate Student in the Department of Accountancy with Registration Number **PG/MBA/11/60288** has satisfactorily completed the requirement for project research in partial fulfillment for the award of Masters Degree (MBA) in Accountancy

____________________________	____________________________
Dr. Robinson .O. Ugwoke	**Dr. Robinson .O. Ugwoke**
Project Supervisor	**Head of Department**
Date: __________________	**Date:** ______________________

DEDICATION

This project work is dedicated to Almighty God for his infinity mercy, grace, love and protection upon me.

ACKNOWLEDGMENT

My gratitude first and foremost goes to God Almighty for his protection and grace throughout this programme period and to this research work.

I wish to express my profound gratitude to my project supervisor, Mr. Ugwuoke R.O. who in spite of his work load and tight schedule spared his time to go through this manuscript one after the other, making corrections and giving necessary advice and other lecturers who contributed to my success in one way or other.

Also, my appreciated goes to my beloved parents, Mr. and Mrs A.O. Eze for their moral and financial support and my siblings for their wonderful love and care.

Once more, I recognize the advice and research support of my noble friends, families, colleagues and others for their immense contribution towards the completion of this project.

I thank you all.

ABSTRACT

This research work is been designed to untold the effect of Taxation on the Economy of Nigeria. The aim and objective is to find out if taxation constitutes significant impart as an instrument for control of money in circulation such as the effect on the rapid rise in price on Revenue, Expenditure and credit; the extent to which the tax system may be effective in preventing or combating an inflation; And how taxation can be used to breach the vicious circles of poverty, to find out if taxation can be used to industrialize a developing economy like Nigeria. The research instrument used for data collection was questionnaire which contained 15 items. The data collected were analyzed through the use of percentage. From the findings, it was discovered that taxation can help in regulating the level of money in circulation and can be used to combated inflation and also breach the wide gap between the rich and the poor. Based on the finding, recommendations were made which the researcher hope would help to understand that taxation can be used as an instrument of control of money in circulation.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Government, all over the world needs tax to fund and control their economic activities and one of source of revenue is taxation. Taxation can be variously defined. Fundamentally however, it is a compulsory levy on income since the decision to pay tax is not that of the tax payers. According to Amaechina (1998:9), "taxation has been defined as a levy which a government imposes on the income of the citizens or corporation in a state for which the government gives no direct benefit to the taxpayer" or "a non-punitive but yet a compulsory levy by government on the properties and income of individual and corporation". The government cannot build a school or a hospital personally for somebody because he has paid his taxes, but the money realized is used to finance general government expenditures.

The existence of taxation in Nigeria is linked with the era of the colonial master in the early 20th century. The introduction becomes necessary as a result of the enormous tasks facing the government.

In Nigeria, tax system has undergone significant changes in recent times. The tax laws are being reviewed with the aim of repelling of obsolete provision and simplifying the main ones. Under current Nigeria law, taxation is enforced by the tiers of government that is local, state and federal government.

The tasks have to do with how government can control its economic activities and how government can achieve the desired level of price inflation and deflation and how to control supply of money.

1.2 STATEMENT OF THE PROBLEM

The project titled effectiveness of taxation as an instrument for control of money in circulation is aimed at determining the nature of taxation and how it can be used to control the supply of money and regulate the economic activities in our country.

It is obvious that Nigeria being one of the developing nations of the world is seriously faced with series of problems which includes;

i. The extent in which the tax system has been inactive or ineffective in preventing or combating inflation.

ii. The probable effects of a rapid rise in prices on revenues and expenditure.

iii. The vicious circles of poverty (i.e. the gap between the rich and poor in too wide).

1.3 OBJECTIVE OF THE STUDY

To critically examine the reasons for taxation as an instrument of money control and its effects on government and its citizens, and its general effects on the Nigeria economy with regards to political, social and economic development of our country.

In this case government has to meet the desired standard of living and cost of living of the citizens and adopt a suitable level of economy to boast investors and improve natural output.

For the purpose of this study, the following objectives are expected to be attained:

i. To determine how tax system can be effective in preventing and combating inflation.
ii. To ascertain the extent on which revenue and expenditure are probable effects of a rapid rise in prices.
iii. To determine and to use tax system to breach the vicious circles of poverty on our country.

1.4 RESEARCH QUESTIONS

In order to achieve the objective highlighted above, the following research questions were formulated as follows:

i. In what ways can tax be used to effectively prevent or/and combat inflation?

ii. The effectiveness of rapid rises in prices on revenues and expenditure

iii. The effect of vicious circles of poverty in Nigeria economy.

1.5 RESEARCH HYPOTHESES

H_I: The extent to which tax system is inactive and ineffective in preventing and combating inflation.

H_O: The extent to which tax system is not inactive and ineffective in preventing and combating inflation.

H_I: There is significant effect of a rapid rises in prices on revenues and expenditure.

H_O: There is no significant effect of a rapid rises in prices on revenue and expenditure.

H_I: There is significant effect on tax system and supply of money with the vicious circles of poverty.

H_O: There is no significant effect on tax system and the supply of money with the vicious circles of poverty.

1.6 SIGNIFICANCE OF THE STUDY

The study is important in such that:

i. The outcome of this study would enhance the ability of the students offering course in taxation to understand the subject properly and help the researcher to obtain the award of Master Decree in Accountancy.

ii. The study would serve as an information bank for future research in the area of taxation.

iii. The findings of this research would help government officials to utilize taxation in achieving desired goals.

iv. It shall also serve as an eye opener to government of the present time that taxation can be used as economic tool for the control of money in circulation in order to avoid inflation, control high cost of living and low standard of living.

1.7 SCOPE AND LIMITATION OF THE STUDY

This topic, the effectiveness of taxation as an instrument for control of money in circulation should been expected to cover Nigeria (i.e. Thirty six (36) states and the FCT) but decided to limit it to some states of the federation, since the economy of every state of the federation is the same and the same tax Act is applied throughout the Federal Republic of Nigeria.

Due to financial handicap, distance (Landmass) and the constraints and the attitude of the respondents, most of them were either not available or incorrectly completed the questionnaire given to them. The irrational behavior of human beings who react differently as same were willing to give the needed information, other were reluctant or refused to co-operate even under several persuasion.

1.8 DEFINITION OF TERMS

Some technical term, which features in this work are defined to enhance letter understanding of the research work.

Taxation: Taxation refers to compulsory levy imposed on private, individual, institutions or groups by the government.

Tax: Tax is the money paid by the citizens, according to their income, value of goods purchased etc to the government for public purposes.

Financial Handicap: This means shortage of money for an activity.

Tax Payer: People, group of people or companies that pays tax.

Vicious Circle: It is a situation in which one problem leads to another, which then makes the first one worse.

Inflation: This is when there are to much money in circulation.

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CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 MEANING AND NATURE OF TAXATION

Research work has been conducted on respect of this work and articles have been written on the economy of Nigeria. In this review, some relevant existing work relating to taxation will be the conceptual background of this study.

The word “Tax” has been defined by different authors. According to Egwa, Udu and Agu (1999) , tax was defined as a compulsory payment made by each eligible citizen towards the expenditure of the state.

Agyei (1983), defined tax as the transfer of resources from the private sector to public sector in order to accomplish some of the nation’s economic and social goals.

Okpe (1993), tax is the transfer of resources and income from the private sector to the public sector in order to achieve some of the nations economic and social goals.

Adebayo (1999), defined tax as a compulsory levy imposed by the government on individual and business organization.

Furthermore, Anyanwaokoro (2004) also defined tax as a compulsory payment imposed by the government on individuals and corporate bodies in governed area for which no direct goods or services are given in exchange of the payment made.

In a comprehensive definition of tax in Nigeria by Anwornde (1982) he state that tax is compulsory contribution made by companies, individuals residents in Nigeria and non-residents or person having earning or deriving taxable income in Nigeria.

For example Interest on loan, dividends from shares and rent from property to the various government without reference to special benefit conferred to enable the various government defrag their expenses incurred on the common interest to the Nigeria. Fines and penalties for legal offence are not taxable.

From the above definition, one can convenience say that tax is basically payment made by individuals, companies, partnerships, so as to enable the government to execute its programmers such as education, health, defense, transport, etc which are imperative for the growth of the remainder of the economy. This system of raising money through tax is called taxation.

In the context of this study, taxation is defined as "the process or machinery by which communities or group of persons are either made contribute part or their income is some agreed quantum and method for the purpose of administration and development of the society". This is understandable tax as we know is imposed by status and this constitutes the most important source of tax laws.

2.2 HISTORY OF TAXATION IN NIGERIA

Adeola (1998) states, "Economic history of Nigeria has shown that people in Nigeria paid taxes before the British administration, especially in the Northern part of Nigeria. The organized forum of Emirs' administration and the spirit of Mohammedism made it possible for the people to contribute towards clarity, which laid a sound foundation for direct taxation in Nigeria.

Prior to 1904, there were number of leveis and forms of taxes on agricultural products and livestock like the Zakat, Kurdin Kasa, Sukkashukka, Jangalia and Kharaut. These taxes were imposed and collected by the Emrs without any existing product in mind. The collections were easy and possible due to the highly organized and efficient administration of the Emirs.

In the Yoruba, taxes were collected in form of tribute, tolls, levies, fine and fees etc.

However, taxes were so perplexity, varied and complex in the Northern region, that is in 1800's the problem was not how to introduce new tax system but how to simplify the existing tax form. At the beginning of Lord Lugar's Administration as the British High

Commissioner for Northern Nigeria, he attempted to combine the different levies and taxes into a simple understandable and collectable direct tax in order to maintain an acceptable canon of equality, certainty, convenience and economy etc. Lord Laggard passed many laws in Northern Nigeria to enable him collect the taxes.

They are: -

1. **1904 Land Revenue Proclamation:** The proceeds of this tax were collected by the traditional rules and shared among them and their government.
2. **1906 Native Revenue Proclamation:** This replaced the 1904 proclamation and aimed at unifying all existing forms of taxation.
3. **1917 Native Revenue Ordinance:** This replaced the 1906 proclamation and regulated the imposition of collection of taxes from natives. The 1917 ordinance was imposed on both the north and south but it was grudging accepted in the south.

In the words of Amechina (1998:7); in 1937, both the native direct taxation (colony ordinance) and non-native income tax (protect rate ordinance) were passed, out of those ordinance initiated discrimination in direct taxation by the direct taxation ordinance 1904 and income tax ordinance of 1943 which consolidated all earlier ordinance and attempted of unity direct taxation in the country.

In 1958, the Raisman Fiscal Commission recommended the introduction of uniform basic principle of taxing incomes of persons order than limited liability companies throughout the country. The recommendation that was embodies in the Nigeria (constitution) order in council 1960 formed the basic of the present income Tax Management Act (1961 Act); the companies income tax (1979), the persona income Act (Lagos Act 1961) as amended.

Accordingly, other tax laws such as Industrial Development Income raised ordinance, the petroleum profit tax act, the income tax, etc where necessary today, companies and non-residents in Nigeria are taxed by the federal inland revenue series while the State Board of Internal Revenue Tax persons other than Companies (Referred to as personal income tax), capital gain tax (individuals only), etc while the local government tax shop and kiosks rates, tenement rates, marriage, birth and death registration fees, etc.

Presently, we have the following tax laws in Nigeria: they are as follows, in accordance with income tax in Nigeria by Ekwereike (2002:10)

- Value Added Tax Decree 102, 1993
- Companies Income Tax Act, Cap 345 LFN
- Companies Gains Tax Act Cap 42 LFN
- Companies Income Tax Act Cap 60 LFN
- Withholding Tax Decree 8 1993
- Industrial Development (Income Tax Relief Act)Cap 178 LFN.
- Personal Income Tax Decree 140 1993.

2.3 THEORY OF TAXATION

Taxation is an important part of public and business finance, its principle have received attention form the earliest day of economic analysis. Like many others, Richardo (1961:30) recognized the division of the subject matter of public finance into revenue, expenditure and public debt. In the work, he discussed the problems of taxation while treating the effects of taxation in various forms like rents, wages, houses, profit etc.

The Nigerian Accountant Journal (1993), defined taxation fundamentally. However, it is of course a compulsory levy on income since the decision to pay tax is not that of the tax payers. No rational human being would subject his earnings to tax. People pay tax because the law so stipulates.

Also, it is the same fact that makes people look for ways and means to prone down their taxable income and consequently their taxes from time to time.

The concept of taxation is a very interesting one and like many events in the affairs of men, undergone several modification and changes. Taxation is now comparatively very sophisticated in most part of the world.

In Nigeria, some of the types of taxation we have include personal income tax. (PAY-AS-YOU-EARN), companies income tax capital gain tax, sales tax and petroleum profit tax and modified value added tax. There is one element, which remains very clear, taxation, in every sense, is a tool of economic information. Government, the world over, have always found ways of imposing various levies (Taxes) on their subjects. This is done in a view of raising revenue for its expenditure.

Tax reduction or tax holiday may, on the other hand, be granted to certain sectors in order to stipulate activities or bring about increase activities in such are not the economy, and the law effectively prescribes penalties for tax evasion.

It should be noted that an increased in government spending natural implies the opposite (i.e. a reduction) in private spending of the citizens. The corollary is also true. Hence, taxation is a method of transferring resources from the private sector or effecting a reshuffling within different parts of the public and private sectors.

Though there are other method by which government generates money (for instance through currency devaluation, raising at loans or charging for goods and services they produce or provide), taxation is often the most important, dependable and regular source of their revenue.

This is why it constitutes a veritable instrument of shaping and directing economic activities. Increased taxation withdraws money from circulation in the private sector. On the other hand reduced tax or tax abolition for certain areas automatically increases or stimulates activities or investment in the areas attended with the attendant benefits.

2.4 ORIGIN OF TAXATION IN NIGERIA

Tax polices represent key resources allocator between the pubic and private sector in a country. It is usually imposed on individuals and entity that make up country. The funds provided by tax are used by the state to support certain state obligations such as education system, health care systems, and pensions for the elderly, unemployment benefits and public transportation. A national tax system is often a reflection of its communal values or the values of those in power. To create a system of taxation, a nation must make choices regarding the distribution of the tax burden – which will pay taxes and how much they will pay and how the taxes collected will be spent.

In Nigeria, the taxation system dates back to 1904 when the personal income tax was introduced by the colonial masters. It was later implemented through the Native Revenue Ordinance to the Western and Eastern Regions in 1917 and 1928 respectively. Among other amendments in the 1930's: it was later incorporated into Direct Taxation Ordinance No 4 of 1940. Since then, different governments have continued to improve on Nigeria's taxation system. The general opinion among scholars is that Nigerian fiscal regimes are characterized by unnecessary complex distortion and largely inequitable taxation laws that have united application in the formal sector that dominates the economy.

2.5 TAXATION AND FISCAL REGULATIONS IN NIGERIA

The Nigerian Tax System has undergone significance changes in recent times. The tax laws are being reviewed with the aim of repelling obsolete provisions and simplifying the main ones. Under the current Nigerian law, taxation is enforced by the three (3) tiers of government i.e. federal, state and local government with each having its sphere clearly spelt out in the taxes and levies Decree 1998.

The importance of tax regulation cannot be overemphasized as most transactions with any ministry, department, or government agency cannot be concluded without evidence of tax clearance, i.e. a tax clearance certificate certifying that all taxes due for the three immediately preceding years of assessment have been settled in full. The main bodies recognized by law as tax authorities in Nigeria are the Federal Board of Inland Revenue, State Board of Internal Revenue and JOINT Tax Board.

A List of taxes and levies for collection by the three tiers of government has been approved by government and published by the Joint Tax Board (JTB) as follows:

A. Taxes collectible by the federal government

i. Companies Income Tax

ii. Withholding Tax on Companies

iii. Petroleum Profit Tax

iv. Value Added Tax (VAT)

v. Education Tax

vi. Capital Gains Tax – Abuja residents and corporate bodies.

vii. Stamp duties involving a corporate entity

viii. Personal income tax in respect of

- Armed forces personnel
- Public personnel
- Residents of Abuja FCT
- External Affairs Officer and
- Non Residents.

B. Taxes/Levies Collective by State Government

i. Personal Income Tax

- Pay as you earn (PAYE)
- Direct (Self and government) assessment
- Withholding tax (individuals only)

ii. Capital gain tax

iii. Stamp duties (instruments executed by individuals)

iv. Pools betting, lotteries, gaining and casino tax

v. Road taxes

vi. Business premises registration

vii. Rates in markets where state fiancés are involved

viii. Naming of street registration fee in state capital

C. Taxes/Levies collective by local government

i. shops and kiosks rates

ii. On and of liquor license

iii. Slaughter slab fees

iv. Marriage, birth and death registration fees

v. Tenement rates

vi. Naming of street registration fee (excluding state capital)

vii. Market/motor park fee (excluding market where state fiancé are involved)

viii. Customary, burial ground and religious place permits.

2.6 CURRENT TAXATION REFORMS IN NIGERIA

In 2002, a study group (the SG) was inaugurated to review the entire tax system in Nigeria. The terms of reference included:

- Reviewed all aspects of the Nigerian tax system and recommend improvement therein
- Review the entire tax administration and recommend improvements in the structure for the whole country.
- Consider measures to bring international developments in tax administration to be in Nigeria.

In 2004, a working group (The WG) was inaugurated to review the report and recommendations study group's recommendations for a National tax policy and recommended the creation of an Autonomous National Customs and Revenue Authority to assimilate all tax administration powers and duties with finding from retained earnings. The working group also reviewed each study group proposed modification to existing tax laws and provided comments thereon. They include: strengthening of tax administration, proposed prioritized strategies for implementing the proposed reform and passage of new tax bills.

Subsequent to the report of the working group in 2004, the government has presented the following tax legislation to the National Assembly.

1. The Federal Inland Revenue Services Act to establish the agency as an autonomous body and guarantee it's finding from a percentages or retained tax collections.
2. Amendments to the personal income tax Act, company's income tax Act and the VAT Act.

For the most part, the amendment bill reflects the recommendation of the study group and working group. It is expected that the new tax legislation will be passed into law by 206. However, 4 out of the 8 tax bills namely.

Bill for an Act to establish the FIRS as an autonomous service, bill for an Act to amend the companies Income Tax Act, Bill for an Act to amend the petroleum profit tax and Bill for an Act to amend the National Automotive Council Act have been passed by the National Assembly ad signed into laws by President Olusegun Obasanjo on April 16, 2007 while the remaining four tax bills are still at the fiscal debate stage of the parliament.

2.7 CHALLENGES OF THE DRAFT NATIONAL TAX POLICY

A thorough examination of the Current National Taxation policy reveal that it is comprehensive when compared with earlier attempts at designing a policy. However, there are some perceived challenges that this Draft is likely going to face challenges because of the experiences of past taxation laws.

These challenges are as follows:

Administration challenges: experience has shown that the institutional capacity to administer taxes effectively is woefully lacking in this country. Procedures reinforced by third parties audit appear to ensure that taxes are paid and received albeit with potentially serious and costly internal lags. However, Nigeria lacks capacity to assess the reasonableness of the returns submitted by tax payers including costs and staffing, skills, pay scales and other funding and computer and information technology infrastructure. Meanwhile, the current draft has not put in place an administrative strategy.

Compliance Challenges: A recurring problem with PIT Nigeria is the non-compliance of employers to register their employees and to remit such taxes to relevant authorities. To address this, in 2002, the government amended the 1993 PIT ACT to make non-compliant employers liable to penalties up to N25, 000 as well as liable for the payment of all tax arrears.

Employees failing to keep of open record would also face a penalty of N5, 000. A fine this small tends to encourage tax evasion since the penalty for being caught is lower than the cost for non-compliance. The issues of unremitted funds from the PAYE system and withholding taxes particularly among government ministries and agencies as well as tax adherence by all three levels of government to the approved list for tax collection as stipulated by the 1998 taxes and levies act 21, have over the past five years attracted the attention of joint tax board (JTB). This same issue of compliance was not properly addressed in the Draft National Tax Policy:

Challenge of Multiplicity of Taxes: There is the challenge of multiplicity of taxes which is a major problem with the draft document. Already Nigeria is known for having problem with compliance. It must be noted that a good tax policy set out the fundamental objectives of a country's tax system and prescribe some guidelines that would shape government policy actions.

Poor Taxation Drive from Tiers of Government: The political economy of revenue allocation in Nigeria even with the current draft document does not prioritize tax efforts. It is listed anchored on such factors as equality of states (40%), population (30%), land mass and terrain (10%), social development news (10%) and internal revenue efforts (10%).

The approach discourages a proactive revenue drive particularly for internally generated revenue, makes all government tiers heavily reliant on unstable oil revenues which are affected by the volatility of the international oil markets.

2.8 OVERVIEW OF TAXATION SYSTEM IN NIGERIA

The Nigeria Tax system is basically structured as a tool for revenue collection. This is a legacy from the pre-independence government. Based in 1948 British tax laws and have been mainly static since enactment. The need to tax personal incomes throughout the country promoted the income tax management Act of 1961. In Nigeria, personal income tax (PIT) for salaried employment is based on a “pay as you earn” (PAYE) system and several amendment have been made to the 1961 ITMA Act. For instance, in 1985, PIT as increased from N600 or 10 percent of earned income to N2000 plus 12.5 percent of income exceeding N6, 000. In 1987, a 15 percent withholding tax was applied to savings deposits valued at N50, 000 or more while tax on rental income was intended to cover chartered vessels, ships or aircraft. In addition, tax on the fees of direction was fixed at 15 percent. These policies were geared to achieving effective protection for local industries, greater use of local raw materials, generating increased government revenue among others.

Since the implementation of the Structural Adjustment Programme (SAP), however, taxes have been used to enhance the productivity and competitiveness of business enterprises. Consequently, attention has been focused on promoting exports of manufactures and reducing the tax burden of individuals and companies. In line with this charge in policy focus, many measures were undertaken. These involved, among others, reviewing custom and excise duties, continuing with the reduction of company and income taxes, expanding the range of tax exemptions and rebates introducing capital allowances, monetizing benefits and implementing VAT. Nigeria has a number of tax treaties referred to as double taxation Agreements with a number of countries. This is to ensure that the tax payables in Nigeria on the Profit of a Nigerian Company being remitted into the country are reduced by the amount of 'Foreign Tax" paid abroad and vice versa. In the last few years, Nigeria has entered into double taxation agreements with a number of countries.

These agreements are entered into with a view to affording relief from double taxation in relation to taxes imposed on profit taxation in Nigeria and any taxes of similar character imposed by the laws of the country concerned. Where an Overseas Company receives profits from Nigeria that have already been taxed in Nigeria. Some of these countries include the UK, France, and Netherlands Belgium Canada and Pakistan. The following are however, exempted from tax:

- Medical or Dental expenses incurred by the employee
- Retirement gratitude and compensation loss of office.
- The cost of passage to or from Nigeria incurred by the employees.
- Interest on loans for developing an owner-occupied residential house.
- Leave allowance which is computed as 10% of annual basic salary subject to a maximum of N7, 5000 per annum.

2.9 CHALLENGES OF TAX ADMINISTRATION AND COLLECTION IN NIGERIA

In discussing an efficient and effective system of tax administration, there must always be consideration of the challenges which militate against the creation and maintenance of such a system. In Nigeria, most of the issues of faced out across the three tiers of government. Accordingly, these issues will be discussed without references to which tiers are affected or otherwise. The major challenges faced in tax administration in Nigeria include:

i. Lack of an overall understanding of the role of taxation in National development.
ii. Dependence on oil revenue leading to a neglect of taxation as a source of revenue.
iii. Lack of sufficient political support for the tax administration
iv. Level of business activity in the economy.
v. Large informal sector outside the tax net
vi. Poor attitude to taxation, lack of tax culture low awareness amongst tax payers
vii. Low level of voluntary compliance.
viii. Deliberate evasion and non-compliance
ix. Multiple taxation
x. Corruption, leakage and diversion of tax revenue by tax officials before and during collection by government officials after distribution.
xi. Lack of accountability for tax revenue
xii. Lack of inter-governmental collaboration, co-operation and co-ordination between tiers and agencies of government.

xiii. Lack of sufficient government impact on citizens

xiv. Issue within the tax administration set up which include capacity issues, quality and quantity of human resources, technology issues, manual system of tax operatives, lack of records, law level of tax payer education and finding challenges.

2.10 TAX SYSTEM IN NIGERIA HAS UNDERGONE CHALLENGES

The Nigeria tax system has undergone several reforms geared at enhancing tax collection and administration with minimal enforcement cost. The recent reforms include the introduction of Tin-unique tax payers identification number which become effective since February 2008, automated tax system that facilitates tracking of tax positions and issues by individual tax payer, E-payment system which enhances smooth payment procedure and reduced the incidence of tax touts, Enforcement Scheme – (Special purpose tax officers), this is a special tax officers scheme in/collaboration with other security agencies to ensure strict compliance in payment of taxes. The integrated tax offices and authority new have autonomy to assess, collect and record tax. This enabling environment which came into being on the basis of (section 8Q of

FIR Establishment Act 2007) has led to an improvement in the tax administration in the country.

The Nigerian tax system has undergone significant change in recent times. The tax laws are consistently being reviewed with the aim of repealing obsolete provisions and simplifying the main ones. Under current Nigerian law, taxation is enforced by the 3 tiers of government i.e. federal, state and local government with each having its sphere clearly spelt out in the taxes and levies Decree 1998. Despite this improvement, there are still a number of contentious issues that requires urgent attention and among them is the issue of appropriate tax authority to administer several taxes. The recent crises between Lagos State and Federal Government on the tax jurisdiction of VAT in the state are still a contentious issue in the court.

Other states like Ogun, Oyo and Benue have joined Lagos state while states like Abia have gone against this.

Also, the issue of multiple taxes severally administered by all the three tiers of government some times imposes welfare cost. Furthermore, the issue of the paucity of data base which contributes to tax avoidance in the country. The issue of corruption is still a personal issue in the country; this reduces the confidence and trust of the tax payer in discharging his civil duty. The issue of infrastructural development is also a crucial issue.

In Nigeria the level of infrastructural facilities is in a deplorable state, most of the facilities (electricity, water etc) are often privately sourced, this a number of people wonder what the tax collected are used for, hence tendency to evade or avoid tax payment. Furthermore, the problem of the tax language that is legally codified makes it difficult for an average Nigerian to be conversant with these laws. It is the duty of the government to erect stringent laws and institutions to combat tax evasion by deducing taxes automatically from the salary of its employees. In case of industries that are not under the government, the agency responsible for tax collection should be constantly on their heels to collect tax

2.11 TAX ADMINISTRATION ACROSS THE GLOBE

Taxation is the most important source of revenue for modern governments, typically accounting of about 70-90% or more of their income while the remainder of government revenue comes from borrowing both domestic and external. Countries differ considerably in the amount of taxes they collect. As at 2005, in the United States, about 30 percent of the Cross Domestic Product (GDP) is spend on tax payment. In Canada about as percent of the country's gross domestic product goes for taxes.

In France the figure is 45 percent and in Sweden it is 51 percent. Government imposes many those of taxes. In most developed countries, individual pay income taxes when they earn money, consumption taxes when they spend it, property taxes when they own a home or land and in some cases estate taxes when they die. In the United States, Federal State and Local Governments all collected taxes. Taxes on people incomes pay critical role in the revenue system of all developed countries. In the United States, personal income taxation is the single largest sources of revenue for the government. In 2006 it accounted for nearly 50% of all Federal Revenue.

From the foregoing non-oil revenue especially tax has been mainstay of most developed countries in contrast to developing countries that still depend on primary products.

Also, indirect taxes appear to be in vogue in developed countries due to higher return, lower administration cost and higher compliance rate; however, most developing countries still rely on direct taxes with low compliance rate.

Tax on personal income in Australia – other states followed and the common wealth started taxing in 1915. Between 1915 and

1941, income tax was levied by both state and Federal Government Control of personal tax shifted to the common wealth during the Second World War and stayed there by agreement of the state which take their shares by way of grants. PAYE was introduced in Australia in 1942, in the US in 1943 and in the UK in 1944.

2.12 ECONOMIC AND SOCIAL EFFECTS OF TAXATION

Orji J. (2001:147) enumerated these effects to include;

i. **Effects on supply of Resources:** If savings are taxes investors would naturally be able to have smaller volume of savings and the overall level of investment will decline. When the government taxes earnings from investment. It might become a problem for firms to raise adequate capital in the financial market.

ii. **Effects on Retained Profits:** When retained profits are taxed, firms fail to depend on their internal resources for expansion but resort to borrowing of they car obtain such loans. Thus the internal capacity to invest is likely to decrease as retained profits are taxed.

iii. **Effects on corporate profit:** Taxation has the effect of reducing the net profit after tax available to the shareholders.

If the tax rate is high, the net profit of the firm will be low and their hampers ability of the firm to raise money internally.

iv. **Effects on Inflation:** During periods of rapid and unsustainable economic depression, especially when such expansion has inflammatory consequences, the government may attempt to dampen the level of economic activities by increasing tax rate. When tax rates are raised, both personal disposable incomes and corporate profits after tax are reduced, this reduces the purchasing power of both firms and individuals and their demand falls and prices consequently fall as well.

v. **Effects on dividends:** When dividends are taxed very heavily, the shareholders would prefer to capitalize their earnings instead of receiving it as cash dividend. However, those investors who are dependent on cash dividend for their viewing will no longer invest in shares and the implication for the firm would be a fall in available resources.

vi. **Effects on Retained Profits:** When retained profits are taxes, firms fail to depend on their internal resources for expansion, but resort to borrowing of they can obtain such loan. Thus the internal capacity to invest is likely to decrease as retained profits are taxed.

2.13 THE ECONOMY OF NIGERIA – AN OVERVIEW

According to Natural Bureau of statistics, the economy of Nigeria is a middle income mixed economy emerging market with well developed financial, legal, communications, transport and entertainment sectors. It is ranked 31st in the world in terms of GDP (PPP) as at 2009 and its emergent though currently under performing manufacturing sector is the second largest on the continent, producing a large proportion of good and services for the West Africa region. Previously hindered by years of mismanagement, economic reforms of the past decade have put Nigerian back on track towards achieving its full economic potential. Nigerian GDP at purchasing power parity more than doubled from 170.7 billion dollars in 2005 to 374.3 billion dollars in 2010 although estimate of the size of the informal sector put the actual numbers closer to 520 billion dollars.

Correspondingly, the GDP per capital doubled from 1200 dollar per person in 2005 to an estimated 2, 500 dollar per person in 2009. Again with the inclusion o the informal sector, it is estimated that GDP per capital hover around 3500 dollars per person. It is the largest economy in the West African region and the third largest economy in the West Africa region and the Third

Largest Economy in Africa behind South Africa and Egypt and on trade to becoming are of the top 30 economies in the world on the early part of 2011. Although much has been made of it's status as a major exporter of oil, Nigeria produces only about 3.3% of the world supply and though it is ranked as 15th in production at 2.2 million barrels per day.

To put oil revenue in perspective, at an estimated export rate at 1.9 million barrels per day with a projected sales prices of 65 dollar per barrel in 2011, Nigeria's anticipated revenue from petroleum is about 52.2 billion dollars. This accounts for less than 14% of official GDP figures (and 0 to 10% when the informal economy is included in the calculations).

Therefore, although the petroleum sector is important, it remains infect, a small part of the country's overall vibrant and diversified economy. Oil alone accounts for 40 percent of the country's GDP, 70 percent of budget revenue and 95 percent of foreign exchange earnings. Nigerian's dependence on petroleum is much greater than that of many other major producing countries. In 1970, the non-oil revenue was higher than the oil revenue, however, from the mid 1970's, the share of the oil sector in total revenue become higher and substantial. This trend has continued to date.

2.14 TYPES OF TAXATION

Although, there are various forms of taxation Samulson (1980) and Ajyel (1983) recognized two broad categories of tax as direct and indirect taxes.

A DIRECT TAXES

Direct taxes are these taxes that are based on income of individual or groups of individual, corporate bodies and institutions. In Nigeria, direct tax is progressive, that is, it is graduated accordingly to the level of income. Examples of direct taxes, include personal income tax , company's income tax, petroleum profit tax capital gain tax, capital transfer and death duties.

i. Personal Income Tax:

This is a tax income of an individual. The PAY-AS-YOU-EARN (PAYE) system is mostly adopted in Nigeria because it males income tax collection more economical and convenient. All those below a certain income level taxes, some allowances are usually given to the taxpayer, e.g. children allowance, wife allowance, defendant relative allowance and personal relief.

The history of personal income taxation in Nigeria can be said to be dated back to the age of man prior to the period of the European colonization, these are a type of personal income taxation in Nigeria dating back to the days of ones great – grand fathers whereby communities tax themselves through communal labour to execute community projects to help them made of aggression of inter-tribal or other kinds o evil outside the community. Investigation revealed that the inter-tribal wars, which existed in the olden days, were attributed to search by stronger towns or communities to get more towns or communities under their control. The weaker towns/communities conquered become the subject of the stronger one, paying taxes to them while securing will be provided in turn. During the era, people cheerfully paid taxes in kind by rending services such as clearing the bush paths, digging of toilet pits, wells and go on for the benefit of the community as a whole. Failure to render such services usually resulted in seizure property reclaimable on payment of money or which represent money and even lead to ostracizing.

This is still being practiced on various parts flowns or villages) of this country today especially in the Igbo speaking areas. And this is the reason behind fund lunching in every festive period for executing the community development project common among the Igbo today.

The earliest trace of any form of direct taxation was in the Northern Nigeria. The organized forms of administration by emirs, who are highly respected leaders and the spirit of Islam which made it possible for people to contribute towards clarity laid a sound foundation in Northern Nigerians. Prior to 1900, there were a number of levies or forms of personal tax on agricultural products and livestock like the “Zakka”, “the Kurdin”, and the “Jangali” taxes. The “Zakka” tax prescribed by Holy Korean as levied on Moslem for charitable, religious and educational purposes. This is levied on cattle and gains. Kurdin Kasa, an agricultural tax is levied on non-Muslims. The “Shukk Sukka” is levied on formers on plantain tax. The cattle owners were subjected to “Jangali” a cattle were subjected to “Khara” or community tax. In addition, there existed a form of death duty called “Gado” and a type of gift to the superiors termed “Gaisua”. Nigerian income tax in modern form began in 1940 although there was a simplified type of tax dating back to 1927 and Northern Nigeria was one of the first sections in Africa to use direct personal taxation under the Fulani Emirs prior to the advent of the British. There is in doubt, therefore that a complicated system of direct taxation existed in Northern Nigeria before the advent of colonial rule.

In the western part of Nigeria where kings and chief’s existed. Tribute, tolls and arbitrary levies/fees provided the main source of revenue in Ibadan, Oyo and Ife, there was a system of annual levies.

Special contributions at special festivals and fees collected through the heads of the family. In the Eastern Part of Nigeria, due mainly to lack of any form of organized central authority, tax paying as virtually non-existed rather each community contribute equally or at will when the community embark on one form of project or another. They have no leader to account to as in the case of the northerners and westerns.

In fact, personal income tax also existed in the southern Nigeria during the same period. Each group of people within a geographical area now called Nigeria adopted the form of taxation that was suitable to their needs. In retrospect, the system may be described as irregular, arbitrarily and duplicative at that time but the system serve its purpose.

Taxes were no varied perplexingly and in complex that in 1805 the problem was not how to introduce new tax forms but how to simplify the existing ones. At the beginning of Lord Lugard's administration as the British High Commissioner for Nigeria, he tried to combine the different levies and taxes into a simple understandable and collectible direct tax. So as to maintain some acceptable canons of equity, certainty, convenience and economy, Lord Lugard then passed many laws on Northern Nigeria where he trust introduced in 1904 and at this time, community tax became operative.

ii Corporate Or Company Tax

This is a tax on the profit tax companies usually, allowance is made for capital expenditure before calculating taxable profit. This tax is also progressive in nature because the higher the income the higher the tax and vice verse. It is also noted that tax evasion and avoidance are lower here when compared with the personal income tax, because of the federal government insistence on the submission of tax certificates with respect to any official issue involving companies. The tax year or Assessment runes from 1st January every year to 31st December the same year. Company income tax is payable to the federal inland revenue service, a government department that it charged with assessment and collection of the companies income tax.

iii. Taxation of Profit/Losses:

The profits of companies are chargeable to tax on preceding years bases. That is any profit made by a company says in 2002 accounting year is chargeable to tax under CITA and payable in the year 2003. The profit can only be taxed on actual basis when the commencement or cessation provisions are being applied.

Some times, a company may sustain losses during an accounting period. In this case, the law allows for a relief of losses from profit of subsequent years, with a limit of four years. After four years any loss not relieved will be forfeited. However, there is so such limit for agricultural businesses.

iv. Company tax Assessment:

Every company taxed under CITA is required by the companies and Allied Matters act to make returns every year to the Board of Inland Revenue. These returns must be in a prescribed form. Information to be field which include a complete form declaring the income of the company, the audited financial statements of the company for the relevant year of assessment, income tax and capital allowance computation, a self assessment of tax liability of the company. There must be a federation signed by a directed or secretary of the company stating that the information contained in the returns made, and the profits stated are correct. These returns must be made within six months after the end f the company's accounting year.

The board after assessment sends a notice of assessment to the company stating the total profits, the tax payable, the place where the tax should be paid and the rights of the company. Unless the company objectives to the assessment which it has the right to, the assessed tax should be payable within two months from the date of the notice of the assessment. The assessment is payable in one lump sum only. If the company for any reason will not be able for reason settle the liability in the lump sum, it can apply to the board for the payment to be made in a manner of installments. Such a request can be granted if the company is qualified but eh number of installments is at the discretion of the board.

v. Company Income Tax Rate

The company income tax rate has varied over the years. It is fixed by the federal government in the annual budget. Before 1st January 1996, the rate was 35% of the profit but after then the rate up to date has been 30%. The rate for small business is 20%. A small business is one with a turnover of N100,000 or less on the year of assessment. The rate is not applicable to all small companies, but only these engaged in agricultural production, manufacturing wholly export trade, and mining to solid minerals.

vi. Capital Gain Tax

Capital is governed by capital gain tax of 1967. It is form of tax chargeable on profits made on disposal of all forms of non-trading properties or elsewhere individuals also pay capital gains tax. The gains are taxed at 10% but before 1994 it was 20%.

When an asset is sold at a price above the cost any gain arising from it is regarded as capital gain and it is chargeable to tax at the rate of 10%. A loss may also arising from disposal of non-trading assets should form part of profit or loss on ordinary activities of the business for a period. The tax effect is included in the tax-expense for the period as well where the gain or less arises as a result of disposal of an extraordinary item, the tax on the gain or loss should be shown as a deduction from the extraordinary item to which it relates. Any loss arising on disposal of an asset is not reductible from gains made on disposal of another asset even if they are of the same type.

vii. Capital Transfer Tax:

Capital transfer taxes are imposed on property and other capital assets. For instance when a person dies, his assets are subject to capital tax. In this case, the term “death duty” or estate duty is used before the asset could be transferred to the relatives who will inherit the assets. These taxes are paid either yearly or at particular time.

viii. Petroleum Profit Tax:

Since the introduction of petroleum profit tax in Nigeria from 1959, it was remained the most important revenue item not only under the direct taxes, but among all revenue items. This single tax item has been accounting for over 70% of government revenue for many years now only the oil producing companies are paying this type of tax.

B INDIRECT TAXES:

These are taxes that can be shifted either partially or entirely to someone other than individual or firm originally, indirect taxes are levied on consumption of goods or services and each person pays according to the level and the rate of consumption. Very often the payer of such a tax does not know how much tax he/she paid. Example of indirect taxes is custom duties, excise duties, licenses, sales tax and value added tax:

i. **Custom Duties:** These are taxes levied on goods imported into the country. They are sometime regarded as import duties. The effect of these duties is to increase the price of these imported goods into the economy.

ii. **Exercise Duties:** These are taxes levied on how or locally produced goods. Not much goods are produced locally.

iii. **Value Added Tax:** This is an ad-velour (i.e. based on the value of commodity generally collected at the whole sale stayed). Value Added (VAT) comes into reckoning in Nigeria through the Decree No. 102 of December 31st 1993 although actual implementation did not start until 1st January 1994. The VAT Decree of 1993 defined VAT as a tax which is imposed on goods and services. The rate of tax is 5%.

There are two types of value added tax; which are input value added tax and output value added tax:

(a) **Input Value Added Tax:** This refers to as the charges on sales of good and service paid to the federal Inland Revenue Service Department after deduction.

(b) **Output Value Added Tax:** This means the value added tax paid on goods and services by another person.

However, there are some goods and services that are zero rated, that is, they are taxed at zero percent. Zero rating is similar in VAT treatment like exempted goods and services. The major difference between the two is that whole input VAT is refused in respect of zero-rated goods, they are not under exempted goods, they are not under exempted goods and services.

Up to 1995, all exported goods are noted as zero-rated and not as exempted items.

Goods and Services Exempted from VAT

(a) Goods

(i) All medical and pharmaceutical products

(ii) Newspapers and magazines

(iii) Baby product

(iv) Commercial vehicles and commercial vehicle spare parts.

(v) Fertilizer, agricultural and veterinary medicine, farming machinery and farming transportation equipment.

(b) Services

(i) Medical Service

(ii) Service rendered by Micro Finance Banks

(iii) Plays and performance conducted by educational institutions as part of learning.

(iv) Value Added Tax (VAT): As noted early VAT is multistage tax levied and description. In accounting, value added refers to the incremental value, which a producer employing labour adds to his raw materials or purchases prior to selling the processed goods and services as they pass through stages in the business chain from the manufacturing, importation through whole sale, to retailing, the payment is bore by the final consumers because it is includes in the selling price. VAT is a consumption tax which is relatively easy to administer and difficult to evade.

All these form the major bulk of source of revenue for Nigeria and therefore, an effective and efficient application of these revenue should be of paramount important not only to the government but also for economic development and buoyancy in Nigeria.

2.15 PRINCIPLES OF TAXATION

For tax to be considered as good or not it has to be able to satisfy the basic principles of taxation as propounded by Adam Smith (1979) in his famous book, "The wealth of Nation" referred to as Smiths Canon to Taxation. By principles, we mean the rules, reasons, quality and condition that lie behind a particular tax or tax system. The four cannon put forward by Smith are as follows:

a. **Canon of Equality**: This states that a tax payer should pay as much tax as nearly as possible in proportion to his ability to pay, that is, tax payment should be progressive. Meaning, the higher the level of income, the higher should the proportion of that income as tax.

b. **Canon of Certainly:** The certainty principle state that a tax payer should know exactly how much he is to pay as tax and when it is being paid. Meaning: that payment should be arbitrary.

c. **Canon of Economy:** This emphatically states that the cost of collecting and assessing a tax should be small in relation to the revenue it brings in. Any tax system which has the cost of collecting higher than the accruing should be avoided.

Furthermore, recent application of modern economics shows that two other criteria are necessary.

i. That tax should not hamper the creation of wealth.

ii. That tax should not deter the tax payer from work.

d. **Canon of Convenience:** This principle means that a tax should be due at a time and a place convenient for the tax payer. Other canons added by different author include.

e. **Neutrality:** By neutrality, we mean that a tax system should not distort relative prices in an economy. It should not interfere with that operation of the price system.

f. **Diversity:** The tax revenue should come from diversified sources, but much multiplicity unnecessary cost of collection and violates the economy.

g. **Flexibility:** It should be possible for the authorities without undue to revise that tax structure, both with respect to its coverage and rates that suits the charging requirement of the economy and the treasury.

h. **Simplicity:** That tax system should not be too complicated that is makes it difficult to administer and understand so as not to be breed problem of difference in interpretation and legal dispute.

2.16 ADMINISTRATION OF INCOME TAX

The basic administration authority consists of the Federal Board of Inland Revenue, the Joint Tax Board and State Internal Revenue. Sequel to the recommendations of the Ro Roisman's Commission of 1960, based on the Nigeria Constitution of 1960, exclusive power was given to the parliament to make law for Nigeria with respect to tax. In exercising this power, the Federal Government enacted the Income Tax Management Act (ITMA) 1961, also because Lagos territory was beings administered as a region. it enacted the personal income tax (Lagos Ac5 1963).

It must be noted that by 1979 constitution as amended, the power to legislate on income and profit for the exclusive legislative list. It automatically follows that the various state law has now became that of Federal Government.

However, the administration of income tax under the Income Tax Management Act (ITMA) is vested on the Joint Tax Board (JTB).

The palace of Joint Tax Board is a unique one in the deferral taxation network as it acts as a connecting link between all the state authorities within the federation. The Federal Board of Inland Revenue is the body charged with administration of companies tax in Nigeria. It was first established under section 3 of the income tax administration ordinance of 1958 as amended by subsequent acts and decrees of the latest, of which is Company Income Tax of 1979. (CITA) as amended to date.

2.17 THE EFFECT OF PRODUCTION AND DISTRIBUTION

The best system of taxation is that which has the best economic effects. Tax influences on the ability to work, to serve and to invest can affect the volume of production by combining consumers' demand and investment. Person's ability to work will be reduced by taxation which reduces his efficiency. This applies to direct taxes on small income and indirect tax on necessities. Dis-incentive of his income taxes may reduce the volume of production thereby increasing inflationary pressures. Inflation may be the result of excessive pressures of demand upon resources to satisfy consumer's needs and also resources for investment.

Action may be necessary to restrain the rate of investment. Example, making depreciation allowance less favourable on indirect tax upon investment or restricting all sources of credit. However, variation on the structures and amount of taxation may have powerful anti-inflationary effects. It is unlikely at least in the short run to be of much value in stimulating the level of effective demand. A reduction in the standard rate of income tax may not produce immediate increase in spending particularly where only relatively few tax payers earn much income upon which tax is levied at this later. Similarly, demand would not produce more spending. The case might be different on goods with elastic demand, example, motor cars, if the proceeds of taxation are well spent, the stimulus to production due to this expenditure may be far stronger than the check to production due to taxation.

On the other hands, a reduction of income tax rate services to raise the level of nation income. Tax reductions lead to an increase in people's disposable income and to increase initial consumption spending. This tax cut may involve large budget but it also involves an expansion of the private sector of the economic system. Both the United State of America (USA) and Japan used this tax-cut mechanism repeatedly to increase their employment and income levels.

The idea distribution is that, which causes a given amount of production to yield maximum of economic welfare. This is distributed according to needs or according to wide consumption is generally aggressive since the large the person's income, the smaller the proportion of its spending on anyone of such commodity. But taxes on luxuries are essentially progressive as between rich and poor.

2.18 TAXATION AS A REGULATOR OF CONSUMPTION AND SAVINGS

Tax is used by both the federal and state government at one time and the other to control the level of consumption and savings on the economy with a view of achieving a reasonable level of investment on the economy. If for instance, the government has intention of controlling the rate of consumption of locally made goods such as cigarette, sale and exercise taxes are used. in doing this, government imposes high rate of tax on cigarette so as to increase the selling price. When this is done, consumers are propelled to reduce their level of consumption on cigarette.

2.19 TAXATION AS A REGULATOR OR COMBATING INFLATION

Government uses taxation to control the rate of inflation on the economy. When an economy is operating at inflationary level, the government controls the economy by reducing expenditure and increasing tax. The effect of this is that there will be a reduction on the disposable income and this will in turn reduce the aggregate demand for goods and services in the economy. Also, another side of the can is that a decrease in taxation as a fiscal tool will have opposite effect on the economy.

2.20 TAX EFFECTS ON INVESTMENT AND EFFICIENCY

It is agreed that in the sectors of economy, national income is made up of consumption and investment and that investment is equal savings since one cannot invest where there is no savings. In other words or rather in mathematical terms, C+S = C+I therefore consumption = investment. Civil servants favored the argument that tax does not in any way effect their investment and efficiency in their places of work since they do not feel tax. But they agreed that a reduction in tax may increase their investment opportunities and efficiency since it will means more disposable income while an increase in tax may decrease their investment opportunities resulting to less disposable income.

On the other hand, questionnaire spouses from private sector and self-employed individual argued that tax affects their business profits and are uncertain due to the present economic situation. As a result of this, most of them tend to avoid it by all means. They suggested that tax incentives should be introduced to benefit their business.

At this point, the researcher referred them to the existence of industrial development (income tax relief) Act of 1971 which they claimed ignorant of.

This is connected with the high rate of illiteracy between the private sector and self-employed individuals. They however, supported the idea of reduction of tax since this will increase their investment opportunities for efficiency and credit more employment opportunities for the school leavers, more revenue to the government on the form of income tax from the employed citizens. While an increase in tax means of further decrease in their investment opportunities and efficiency thereby worsening the economy because most of them might decide to close down.

2.21 TAXATION AS A MEANS OF PROVIDING SOCIAL AMENITIES

The purpose for which the government imposes taxes on the citizens is to generate revenue in order to pay for public and merit goods and also to meet up with its social, economic and political obligations e.g. building, schools, hospitals, roads etc. Government owns it as a duty to see to the welfare of its citizenry at large. Since people should pay taxes in relation to the benefits they will receive from the governments it therefore, becomes necessary that, tax level on government benefits would imply that government would supply services to the citizenry as those of a business organization, and would therefore charge for those services on the same way.

Taxation as a source of revenue help most state government as well as local government to build market place and stalls which are rented out by then to raise revenue for the provision of more and essential services such as maintenance of law and order in the society.

2.22 TAXATION AND THE ESTABLISHMENT OF INDUSTRIES

Government could through the use of taxation as an economic tool for development, stimulate this economy towards growth and development. This could be achieved through tax holidays to new firms or investors and that could lead to industrialization and development of tax economy.

According to a seminar to and out from the Nigeria Institute of legal studies 1986 reported as thus: “As a potentially powerful tool in the hand of any government, taxation can determine the structure and size of government private sector investments. More importantly, expending investment in the private sector which invariably has a higher employment capacity it can be encouraged through carefully directed tax incentives. For instance, the National Policy of Integrated Rural Development cannot be fully achieved without deliberate incentives to attract private investment.

From the above report, it can be said that a tax incentive is needful if rural development is to be achieved by the government. This tax incentive will serve as a motivation to any private sector, which ordinarily will not consider investment in such a remote area to do so.

2.23 TAXATION AND THE DEVELOPMENT OF EGALITARIAN SOCIETY

By the principle enunciated by Adam Smith (1976), there is no saying the fact that taxes help in the development of egalitarian society in the sense that the more you earn the progressive nature of taxation (relative to Nigeria in particular). There is a very fair equitable distribution of income. Hence, people with high income rate expected to contribute more toward the economic development of the country. In this sense, development of egalitarian society is made possible because all the revenue generated through taxation, is used to develop the society.

Furthermore, the problems of currency and taxation are intimately connected. The basis of the unfavorable currency condition (the inflation) can be successful combated solely by means of change on the tax system. Taxes alone offer the best means of preventing the progress of inflation. They are also the means of getting an existing inflation under control. The best method to stabilize a currency is contraction. The state should obtain control of all outstanding currency and the best means of so doing is the use of loans and taxes".

The contraction of the amounts of outstanding circulating media by means of taxation is definitely a form of non-fiscal motivation in taxation. However, unlike most other cases of non-fiscal taxation the goal in this instance, namely the collection of more funds, is the same as that is the desired and in ordinary revenue considerations. This aspect supports the impression that the taxing power is a suitable medium for counter-inflationary government intervention.

Finally, it is difficult to convince a same person that general improvement takes place in the tone and progress of business affairs. The reduction of a nation to a panicky state of poverty hardly can be achieved by amelioration in general conditions. On the other hands, security transfer activity, advances in export business and foreign speculation may lead themselves to bigger tax revenue. It is just these individual phenomenon which relate to specific taxes and which may exercise beneficial influences on revenue yield, through the power of these factors to enhance general economic welfare is doubtful. A discussion of individual taxes will bring out further point with regard to the tax yield from specific boom features.

2.24 OPEN MARKET OPERATIONS

These are federal power to buy and sell government securities like T-Bills. The Federal Government uses Open Market Operations more than any other tool to regulate the economy. Most people do not pay attention to this less public action but it is very effective. Open market operation is just that, the buying or selling of Government bonds by the Central Bank in the open market. If the Central Bank were to buy bonds, the effect would be top expand the money supply and hence lower interest rates. The opposite is true if bonds are sold. This is the most widely used instrument on the day-to-day control of the money supply due to its ease of use, and the relatively smooth interaction it has with the economy as a whole.

It the federal buys lack bond it is putting money into circulation because the money is going from the government to the people. So if the government buys bonds, it increases inflation. Selling bonds restricts the money supply; if we do this we can lower inflation rates.

Monetary and Fiscal Policy

Fiscal Policy: This power of the federal government to tax and spend in order to achieve its goals for the economy.

Monetary Policy:

This programs that try to increase or decrease the nation level of business by regulating the supply of money and credit.

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CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 RESEARCH DESIGN AND METHOD

The main objective of this part of this research work is to indicate how data were collected and analyzed. The method of the Research Design used for this research was survey research instrument which includes the use of library, questionnaire and orals interview.

3.2 SOURCES OF DATA

This research work entails outlining the source or instrument used, upon which the justification of the outcome of the study will be based, pattern of response, sample design, questionnaire design and method of data analysis and above all on the internet. The nature and instrument for this study are questionnaire, interview and observation.

3.2.1 Questionnaire

A questionnaire is a set of question relating to the aims and objectives of the study to which the respondent are required to answer by writing in their responses. It is a useful instrument used for collection of data.

3.2.2. Interview

This is another useful instrument for data collection it involves eliciting information through verbal interaction between the respondent and the researcher. The question have to be properly framed in such a way that the interviewer can easily understand what information is being asked for.

3.2.3 Observation

The observation method was however used in obtaining the primary data. This involves the observation of the economy and how effective can taxation be used to control money in the economy, that if taxation can be used as an instrument of regulating money in circulation.

3.3 POPULATION AND DETERMINATION OF SIMPLE SIZE

The population of the study comprises of staff of the Enugu State Ministry of Budget Policy implementation ranging from senior staff of their department.

3.4 VALIDITY OF THE INSTRUMENTS

This includes the instruments used for study as follow, questionnaires, interview and internet facts from textbooks. Therefore, the validity of aforementioned instruments was discovered when effect were made by the researcher to ensure that the methods and procedure taken was systematic and understandable. The personal interview and question are responded positively and without bias. The researcher believed wholly that the data were consistency, reliable and testable enough.

3.5 SAMPLE OF THE STUDY

Obviously not every member could be considered because of time and financial constraints, sample size can be arbitrary or statistically determine, the statistically to be used is Yaro Yamane Formula (1964).

However, the formula is,

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

Where n = Sample size

N = The entire population

e = The level of significance

L = Constant

The above population is 700 and taking of 5% significant level, the Taro Yamane formula will be given as:

$$n = \frac{700}{}$$

$$1+700\ (0.05)2$$

$$n = \frac{700}{1+700 \times 0.0025}$$

$$n = \frac{700}{1+1.75} = \frac{700}{2.72} = 254.54545454$$

$$n = 2555 \text{ Approximately}$$

In other to proportional allocate the total number of the section the Kumasam's allocation formula was adopted.

$$\text{Hence} = \frac{Nhn}{N}$$

Where N = Population size

n = Sample size of study

The sections are:

$$\text{Administration} = 75 = \frac{75 \times 255}{700} = 27$$

$$\text{Accounting} = 120 = \frac{120 \times 255}{700} = 44$$

$$\text{Budgeting} = 60 = \frac{60 \times 255}{700} = \underline{22}$$

93

Therefore, ninety-three (93) persons, who work with the three sections, are used by the researcher.

3.6 METHOD OF INVESTIGATION

The questionnaire was designed in such a way that comprehensive and supply of answers to the questionnaire was easy, so as to facilitate questions, qualification and analysis, furthermore useful information were extracted from relevant textbooks, journals etc and most importantly from the internet.

The "Z" test measuring techniques would be employed in analyzing the data collected and in testing the hypothesis formulated.

The "Z" test is given by the formula:

$$= \frac{P - PO}{\sqrt{\frac{PO\ (1-PO)}{n}}}$$

Where P = % affirmative of the hypothesis

Po = Positive side of the normal curve

n = No of question returned properly

i = Constant.

Section Response	Accounting	Admin.	Budgeting	Total	%

Yes	7	11	4	22	27.5
No	10	25	15	50	62.5
No idea	5	2	1	8	10
Total	**22**	**38**	**20**	**80**	**100**

$$\text{Testing} = Z = \frac{P-Po}{\sqrt{\frac{Po\,(1-Po)}{n}}}$$

$$Z = \frac{0.625-0.5}{\sqrt{\frac{0.5\,(1-0.5)}{80}}}$$

$$= \frac{0.125}{\sqrt{\frac{0.25}{80}}}$$

$$= \frac{0.125}{\sqrt{0.003125}}$$

$$= \frac{0.125}{\sqrt{0.055901699}}$$

$$= 2.236067995$$

$\therefore$ Z = 2.24 Approximately

Critical ‘z’ test

$$\frac{Z}{2} = 5\% = 0.05$$

$$= \frac{0.05}{2} = 0.025$$

$$= 0.5 - 0.025$$

$$= 0.4750$$

Statistical Table = 0.4750

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CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 DATA PRESENTATION AND ANALYSIS

The aim of this chapter is to present and analyze the data collected during the research survey, followed by finding resulting from the data.

The presentation and analysis will take the form of tabulation and explanation of the data collected from the completed questionnaire. The following analyses are based on the data obtained from the response to questionnaires.

Analysis of the findings were stated below:

Question 1: Do you pay tax?

Option	Number of Respondent	Percentage %
Yes	51	63.75
No	11	13.75
No Idea	18	22.5
Total	**80**	**100%**

Source: Field Survey, 2012.

Based on the above data (63.75%) 51 persons affirmed that they do pay tax while (13.75%) 11 person disagree to pay tax and (22.5%) 18 of the respondents said no idea.

Question 2: How effective do you pay tax?

Table 2: Response on how effective do they pay tax

Option	Number of Respondent	Percentage %
Effective	9	11.25
Not Effective	29	36.25
Very Effective	42	52.5
Total	**80**	**100%**

Source: Field Survey, 2012.

In response to the above question, only 9 of the respondents said effective, 29 said not effective while 42 of the respondents pay their tax very effective.

Question 3:

Do you know that without tax, there will be no development and there will be too much money in circulation?

Table 3: Response on whether there will be development and too much money on circulation

Option	Number of Respondent	Percentage %
Yes	50	62.5
No	13	16.25
No Idea	17	21.25
Total	**80**	**100%**

Source: Field Survey, 2012.

The above table show that 62.5% of the respondent agree that without tax their will be no development and their will be too much money on circulation, while 16.25 disagree with the idea, and 21.25 said they have no idea to the question.

Question 4

Do you think that employment of tax planning technique can help to control money in circulation?

Table 4: Response on whether to employ tax technique or not.

Option	Number of Respondent	Percentage %
Yes	45	56.25
No	14	17.5
No Idea	21	26.25
Total	**80**	**100%**

Source: Field Survey, 2012.

Responding to the question above, 45 respondents were in view that employing of tax planning techniques can play a role in controlling money in circulation, while 14 disagree and 21 of the respondent have no acknowledgement.

Question 5

Can u now say that tax can be used as a measure of combating and prevent inflation.

Table 5: Response on if tax can be used on combating and prevent inflation

Option	Number of Respondent	Percentage %
Yes	47	58.75
No	11	13.75
No Idea	22	27.5
Total	**80**	**100%**

Source: Field Survey, 2012.

From the above question, 58.75% believe that tax can be used as a measure of combating and prevent inflation, hence 13.75% does not believe and 27.5% of the respondent have no idea.

Question 6:

Does a tax consideration have a significant effect on the economy?

Table 6: Response on If tax have an effect on the economy

Option	Number of Respondent	Percentage %
Yes	42	52.5
No	18	22.5
No Idea	20	25
Total	**80**	**100%**

Source: Field Survey, 2012.

From the above data, 45 of the respondent agree that tax have a significant effect on the economy, while 18 respondents disagree and 20 respondents said no idea.

Question 7:

At what rate do you think that tax can influence the price of commodity?

Table 7: Response on tax influence rate on commodity.

Option	**Number of Respondent**	**Percentage %**
20% - 44%	30	37.5
45% - 69%	30	37.5
70% and above	20	25
Total	**80**	**100%**

Source: Field Survey, 2012.

Responding to the above question 30 respondents believe that tax can influence the price of commodity by 20% - 44% also 30 respondents adopt 45% - 69% and only 20 respondent said 70% above.

Question 8:

Is there any way it can be regulated

Table 8: Response on if the price of commodity can be regulated

Option	**Number of Respondent**	**Percentage %**
Yes	43	53.75
No	10	12.5
No Idea	27	33.75
Total	**80**	**100%**

Source: Field Survey, 2012.

From the table above, 43 of the respondent say there are other ways which it can be regulated, 10 respondents say no, while 27 of the respondent said they have no idea to the question.

Question 9:

Can we now say that, there is significant effect(s) of a rapid raised in price on revenue and expenditure?

Table 9: Response on the effect of a rapid rose in price on revenue and expenditure.

Option	**Number of Respondent**	**Percentage %**
Yes	49	61.25
No	12	15
No Idea	19	23.3
Total	**80**	**100%**

Source: Field Survey, 2012.

From the above data show that 49 of the respondent believe that there is significant effect(s) of a rapid raise in price on revenue and expenditure while 12 respondent do not believe in that aspect and 19 of the respondent have no idea.

Question 10:

What is your view on taxation to the poor masses?

Option	**Number of Respondent**	**Percentage %**
Bad	36	45
Very bad	24	30
Fair	13	16.25
Good	7	8.75
Total	**80**	**100%**

Source: Field Survey, 2012.

From the data above, 36 respondents said badly, 24 respondent said very bad, 13 said fair while 7 of the respondent said good.

Question 11

In considering the poor masses, which forms of tax/policy should be adopted?

Option	**Number of Respondent**	**Percentage %**
Progressive tax	45	56.25
Proportional tax	10	12.5

Regressive tax	23	28.75
Pay-As-You-Earn	2	2.5
Total	**80**	**100%**

Source: Field Survey, 2012.

From the above data 45 respondents agreed in proportional, 23 of the respondent agreed regressive tax while only 2 of the respondent agreed pay-as-you-earn.

Question 12

Do you believe that tax can breach the gap between the rich and the poor?

Table 12: Response on whether tax can breach the gap between the rich and the poor

Option	**Number of Respondent**	**Percentage %**
Yes	45	56.25
No	15	18.7
No Idea	20	25
Total	**80**	**100%**

Source: Field Survey, 2012.

Responding to the above question 45 (56.25%) of the respondents are in view that tax can breach the gap between the rich and the poor, 15 (18.75%) of the respondents do not agree and 20 (25%) of the respondents said no idea.

Question 13:

Do you think tax can be used to regulate the economy?

Table 13: Response on whether tax can be used to regulate the economy.

Option	**Number of Respondent**	**Percentage %**
Yes	48	60
No	12	15
No Idea	20	25
Total	**80**	**100%**

Source: Field Survey, 2012.

From the above data show that 48 of the respondents is in view that tax can be used to regulate the economy, while 12 respondents disagree and 20 of the respondents said no idea.

Question 14:

Apart from the economy, is there any other way(s) in which tax can be used to control the supply of money in circulation?

Table 14: Response on any other way in which tax can be used to control the supply of money.

Option	**Number of Respondent**	**Percentage %**
Yes	46	57.5
No	15	18.75
No Idea	19	23.75
Total	**80**	**100%**

Source: Field Survey, 2012.

From the data above, 46 of the respondent believe that there is any other way tax can be used to control the supply of money, 15 of the respondents disagree and 19 of the respondent said no idea.

Question 15

Can we now say that taxation is an instrument for control of money in circulation?

Table 15: Response on if tax is an instrument for control of money in circulation.

Option	**Number of Respondent**	**Percentage %**
Yes	47	58.75
No	18	22.5
No Idea	15	18.75
Total	**80**	**100%**

Source: Field Survey, 2012.

Responding to the above question47 (58.75%) of the responding agree that taxation is an instrument for control of money on circulation, while 18 (22.5%) of the respondents have no idea to the question.

4.2 Test of Hypothesis

Hypothesis 1

H_I: The extent to which tax system is inactive and ineffective in preventing and combating inflation.

H_O: The extent to which tax system is not inactive and ineffective in presenting and combating inflation.

Table 4.2.1a

Option	**Senior**	**Junior**	**Total**	**Percentage %**
Yes	17	30	47	58.75
No	5	6	11	13.75
No Idea	4	18	22	27.5
Total	**26**	**54**	**80**	**100**

$$Z = \frac{P-Po}{\sqrt{\frac{Po\,(1-Po)}{n}}}$$

Where P = Percentage in affirmative to the Hypothesis

Po = Positive side of the normal curve

n = Sample size

$$Z = \frac{0.5875-0.5}{\sqrt{0.5\,(1-0.5)}}$$

$$Z = \frac{0.0875}{\frac{}{80}\;0.055901699}$$

80

$$Z = \frac{0.0875}{0.055901699}$$

Calculated Z = 1.56

Critical Z = $\frac{2x}{2}$

= $\frac{5\%}{2}$

= 0.025

Take the positive side of a normal curve 0.5 – 0.025 = 0.475

Therefore, 0.4750 was seen under 1.9 differences 0.06

1.90

0.06

1.96

Critical Z = 1.96

Decision

Since the critical *z* is greater than the calculated *z*, we reject the alternative hypothesis and accept the null hypothesis. We therefore conclude that the extent to which tax system is not inactive and ineffective in preventing and combating inflation.

Hypothesis II

H_I: There is significant effect of a rapid rises in price on revenues and expenditure.

H_O: There is no significant effect of a rapid rises in prices on revenue and expenditure

Option	Senior	Junior	Total	Percentage %
Yes	13	36	49	61.25
No	4	8	12	15
No Idea	9	10	19	23.75
Total	**26**	**54**	**80**	**100**

$$Z = \frac{P-Po}{\sqrt{\frac{Po\ (1-Po)}{n}}}$$

Where P = Percentage in affirmative to the Hypothesis

Po = Positive side of the normal curve

n = Sample size

$$Z = \frac{0.6125 - 0.5}{\sqrt{\frac{0.5\ (1-0.5)}{80}}}$$

$$Z = \frac{0.1125}{0.055901699}$$

Calculated Z = Za

$$2$$

$$Z = \frac{6\%}{2}$$

$$\text{Calculated} \quad Z = 1.89$$

Decision

Since the calculated *z* is greater than the critical *z*, we reflect the null hypothesis and accept the alternative. We therefore conclude that there is significant effect of a rapid rise in prices on revenue and expenditure.

Hypothesis III

H_I: There is significant effect on tax system and supply of money with the vicious circles of poverty.

H_O: There is no significant effect on tax system and the supply of money with the vicious circles of poverty.

$$Z = \frac{P - Po}{\sqrt{\frac{Po\ (1-Po)}{n}}}$$

$$Z = \frac{0.45 - 0.5}{\sqrt{\frac{0.5\ (1-0.5)}{80}}}$$

$$Z = \frac{0.05}{}$$

0.055901699

Calculated Z = 12.89

Critical Z = $\frac{Za}{2}$

Z = $\frac{3\%}{2}$

Critical Z = 2.17

Decision

Since the critical z is greater than the calculated z, we reject the alternative hypothesis and accept the null hypothesis. We therefore, conclude that there is no significant effect on tax system and the supply of money with the vicious circles of poverty.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

This study is designed to ascertain the effect of taxation in Nigeria economy, that is to know how taxation can be used as an instrument of control of money in circulation. Indeed, the Federal and State Boards of Inland Revenue constitute the respective bodies responsible for taxation in the state and the nation in general.

The main objective of carrying this study is to find out how taxation can be used as instrument of control of money in circulation.

In order to achieve this objective, the research endeavored to generate a number of research questions. The researcher as well stated the usefulness of the research to both government and students. In addition, the nature of taxation, types of taxation, the administration of income tax law, how taxation regulates consumption, how it helps in the provision of social amenities among other are issues discussed in details.

From this, it was discovered that taxation help in provision of social amenities, economy and above all it regulate the supply of money. However, taxation contributes positively in the areas of promotion of employment and correction of balance of payment deficit.

5.2 CONCLUSION

Ultimately, taxation has not only contributed to the Federal Government only but has become an important instrument in regulating most economic activities and has been an instrument for control of money in circulation. In view of this, taxpayers must be persuaded to pay their taxes regularly.

With the present policy of liberalization of the Nigeria Economy being vigorously pursued by the Federal Government, Nigeria is fast becoming an investor's haven albeit with a few teething problems what is required for the foreign investor however a careful approach to the following area is:

- Proper enterprise set-up
- Procurement of necessary permits and approvals
- Access to the best professional advice.

5.3 RECOMMENDATION

The following recommendations are hereby presented by the researchers which he feels will help in the development of the Nigeria Economy in order to reflect to increase in standard of living and economy development.

1. Let us for a moment disagreed the illusory aspects of money measure, employed by those who see any advantages accruing from inflation. There as feature that point to a shrinkage of tax basis. Unlike depression, whose tax reactions are all stable or downwards, inflation offer a wide range experiences.
2. That the treasury, even with radically revised policies, will hardly be able to tax enough of the increment created by inflation to compensate for the losses on real tax basis. The tax system is, however expected to go beyond merely covering contraction through taxation, the excess amount or the too rapid circulation of the media of payment. Contraction of the currency is not a goal in itself, but through it, confidence that the price rise has run its course and perhaps be restored.
3. That if an increase or decrease in tax is anticipated income and expenses should accelerated or deferred accordingly.
4. Government should endeavor to utilize the proceeded realized from taxation on the provision of social amenities in order to reach the vicious circles of poverty (the gap between the rich and the poor) and standardized the cost of living and promote the standard of living.

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APPENDIX 1

Department of Accountancy
Faculty of Business Administration
University of Nigeria
Enugu Campus.

Dear Respondent,

QUESTIONNAIRE

I am a Postgraduate Student of the above-named institution. In order to satisfy the requirements for the award of a Masters Degree of the institution, I am requested to present a project on the topic: “Effectiveness of Taxation as an Instrument for Control of Money in Circulation”.

Please kindly assist me by providing honest answers to the attached questionnaire. I wish to assure that all information supplied shall be used for academic purposes only hence, shall be treated in high degree of confidence.

Where narration is required, please be brief and concise.

Thanks.

Yours faithfully,

Eze Judith Chinwendu
PG/MBA/11/60288.

APPENDIX II

QUESTIONNAIRE

1. Sex of respondents

   i. Male [ ] ii. Female [ ]

2. What is your academic qualification?

   i. WASC/GCE [ ] ii. B.Sc/HND[ ]

   iii. Others [ ]

3. Do you pay Tax?

   i. Yes [ ] ii. No [ ]

   iii. No idea [ ]

4. How effective do you pay tax?

   i. Effective [ ] ii. Not Effective [ ]

   iii. Very Effective [ ]

5. Do you know that without tax, there will be no development and there will be too much money in circulation?

   i. Yes [ ] ii. No [ ]

   iii. No Idea [ ]

6. Do you think that employment of tax planning technique can help to control money in circulation?

   i. Yes [ ] ii. No [ ]

   iii. No idea [ ]

7. Can you now say that tax can be used as a measure of combating and preventing inflation?

   i. Yes [ ] ii. No [ ]

   iii. No idea [ ]

8. Does a tax consideration have a significant effect on the economy

   i. Yes [ ] ii. No [ ]

   iii. No idea [ ]

9. At what rate do you think that tax can influence the price of commodity?

   i. 20% - 44% [ ] ii. 45% - 69% [ ]

   iii. 70% - above [ ]

10. Is there any way it can be regulated?

   i. Yes [ ] ii. No [ ]

   iii. No idea [ ]

11. Can we now say that, there is significant effect(s) of a rapid raised in price on revenue and expenditure?

   i. Yes [ ] ii. No [ ]

   iii. No Idea [ ]

12. What is your view on taxation to the poor masses?

   i. Bad [ ] ii. Very bad [ ]

   iii. Fair [ ]

   v. Good [ ]

13. In considering the poor masses, which forms of tax/policy should be adopted?

   i. Progressive tax [ ]

   ii. Proportional tax [ ]

   iii. Regressive tax [ ]

   iv. PAY-AS-YOU-EARN [ ]

14. Do you believe that tax can breach the gap between the rich and the poor?

    i. Yes [ ] ii. No [ ]

    iii. No idea [ ]

15. Do you think tax can be used to regulate the economy?

    i. Yes [ ] ii. No [ ]

    iii. No idea [ ]

16. Apart from the economy, is there any other ways in which tax can be used to control the supply of money in circulation?

    i. Yes [ ] ii. No [ ]

    iii. No idea [ ]

17. Can we now say that taxation is an instrument for control of money in circulation?

    i. Yes [ ]

    ii. No [ ]

    iii. No idea [ ]