

Peace, Security and other Developmental Problems in Nigeria: Taxation as the Light at the End of the Tunnel

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Abstract. The elusive and precarious nature of peace, security and development in Nigeria today is at an alarming rate. Series of criminality and criminal tendencies in form of religious, economic as well as socio-political upheavals now takes the central stage in the Nigerian polity devoid of any known common solutions. Using doctrinal research method, this paper examines the issue of peace, security and developmental problems in Nigeria. The paper posits and argues that using and applying functional as well as equitable tax on the derivative revenue foundation and sharing formula by Nigerian government, most of the associated problems with peace, security and development in Nigeria will be a thing of the past. To actualise this position, the paper proffers some practical solutions in form of recommendations.

1. Introduction

Before the discovery of oil in Nigeria, the country was basically an agrarian society. Revenue generated from Agriculture coupled with some traditional taxes and levies accounted for 100% of her GDP. In the Northern part of the country, we had Islamic based types of taxation like *Zakat*, *Sadakat*, *Jangali*, *Kudin n Kasa* etc. While in the South, we had taxes and levies in form of tribute to land and farm owners

and community leaders such as the Obas, the Obis and the Baales. The cumulative addition of all these revenues was what sustained the pre-colonial economy of Nigeria. That was situation before the coming of the white colonialist and that was the foundation on which Lordlugard built upon. The only modification made was to collect those taxes and levies from the subjects through the traditional rulers. The system was then known as indirect rule system. The system was successful largely in the North but not so successful in the south due to series of resistance by the people in the South and the Western part of Nigeria. The Aba Women Riot and the popular Agbekoya saga was a clear reference point.

Despite the unwillingness of southerners to pay tax to the colonialist, the resistance did not extended to the traditional tribute. Any attempt to halt the traditional tax or tribute payment by any subject normally resulted to severe punishment or war. The kings and the Obas therefore by force continued the collection of various traditional levies otherwise known as Isakole among the Yorubas. The supreme king Alafin and some high chiefs largely relied on tax and levies to sustained their community and domain. If taxation could be so important even at the pre-colonial as well as early colonial era, what cant the same have the same effect and

impact on the peace, security and developmental problems in the cotemporary Nigeria? This is the jurisprudence of this paper.

This article, structured into five sections is based on review of published literatures and other media sources. Conceptual frame work and definition of key terms are in part two, while part three discusses the way and manner Nigerian walked herself in to the present precarious situations and the contemporary situations with regards to peace, security in Nigeria. How to source for solution on all these and the jurisprudential reasons attached thereto constitute the forth part. The fifth and final part concludes the paper with some recommendations.

2. Conceptual Framework and Definition of Key Terms

Our pre occupation in this paper is how tax could be used to serve as panacea for peace, security and developmental problems in Nigeria. In appreciating this topic, there are some key terms that need to be defined. The terms are Peace, Security, Developmental Problems and Light at the end of the Tunnel.

Peace in this study is used in conventional term to mean a situation where anarchy or conflict is abated. Peace herein is a situation where rule of law is jurisprudentially achieved in Nigeria there by paving way for series of economic as well as socio-political development.

Security in this paper is a situation where the populace and the citizenry are protected against attack or danger in Nigeria.

Developmental Problems in this paper are series of other socio-political and religious inclined conflicts facing Nigeria as a country.

Light at the end of the Tunnel refers to possible cure; simply a solution.

3. Walking in to the Dark

The stumbling on black diamond otherwise known as oil marked the walking in to the dark for Nigeria as a country. The discovery of oil in Nigeria though beneficial initially, later turned to a curse and now accounted for her precarious situation. Since the discovery of oil at Olobiri all other revenue generating sources especially tax

were jettison, abandoned, and neglected. They onetime historical Kano groundnut pyramid became a things of the past, the booming cocoa business in the west was terminated and all eyes directed to crude oil in the south.

Unfortunately despite getting high revenue from oil, Nigeria failed to safe for the raining day. FESTAC and some unmeritorious increment of worker salaries inform of Ndoji and other allowance as well as un-planned spending of revenue from oil now turned the table against Nigeria. The results are disappearance of peace, security and development in the country. Thus, the journey in the dark became a reality and the reality is what we are witnessing today in terms of social, political, religious as well as economic upheaval in Nigeria. Due to free flow of revenue from oil from government stopped looking the way of tax. The result of this action was the relegation of tax to the background.

Oil that supposes to be a blessing is now a curse for Nigeria. To make the matter worst, the price of oil continue falling in the world market and more country have also discovered oil thereby, dethroning Nigeria as a major oil producing country in Africa. In some years to come according to a World Bank report Nigerian oil may dry off soon! If this happens, what next? If exports in Cotton, Cocoa, groundnut oil etc that used to be the pride of Nigeria in the past could “dry up” what assurance do we have to proof the World Bank latest prediction on Nigerian economy wrong? If there is none, then what preparation are we making towards any eventuality?

Even before the fearful prediction of ends to Nigeria oil, the mono-cultural dependent on a single export commodity in this case, crude oil, has made the economy of this nation to be vulnerable to fluctuations. The resultant effect was that whenever global prices fell, the economy also shakes. It is a clear fact that, the structural problem that hindered the economic growth of Nigeria starting from the 20th Century was the over-reliance on the mono-cultural export commodity.

3.1 Peace, Security and Developmental Problems in Nigeria: The Contemporary Situation

Today in Nigeria, ethnic, religious, geo-ethnic, youth violent acts and other challenges have punctuated the political process and rendered extremely fragile the security of persons, groups and their properties. Increasingly, violence is becoming a characteristic hallmark of group relations in the country (John, 2010). Formation of militias became the order of the day, and the unemployed and underemployed youth embarked on range of violent activities in search for livelihood (Olokooba, 2013:275). This situation has produced heroes in the context of political thug, assassination, militancy, and ethnic massacre (Akeem, 2010). Some relatively impoverished youth have gravitated into religious fundamentalism with networks stretching across Africa and Saudi Arabia in case of Islam and to England and the US in the case of Patencostal Christianity (Akeem, 2010).

Nigeria's enormous endowments of natural and human resources are never being doubted but the challenges confronting her economy today are diverse and enormous. While in fact Asian countries, such as Singapore and Malaysia, with similar colonial heritage, attributes and natural resource endowments, have recorded significant successes in the development of their economies since 1965 when they were at par or even behind Nigeria, (Daniel, 2014) Nigeria is yet to stand their level of development. Due to un-even distribution of oil revenue, the south-south part of Nigeria is constantly facing chaos. Cases of Oil pipe vandals, kidnapping and arm robberies carries the day. In the North, the Islamic fundamentalists' - Bokko Harram sect continuously attacking and killing people. Up till now, the actual location where the Chibok Girls kidnapped from their school in Chibok Local Government of Borno State are hidden remain un-known. In the West, the Oodua People's Congress (OPC) is tormenting the populace under the pretence of securing the people. Though there may be other reason for all these conflicts, but the common reason usually given by the militias for taking up arms in Nigeria is bad economic management by Nigerian leaders

(Olokooba, 2013:276). The latest in line of insurgency is the Niger Avengers that are asking the government to stop the probing of the corrupt politicians.

Since the discovery of oil, Nigerian economy relied heavily on the revenue derived from petroleum products, as it provide 70% of government revenue and about 95% of foreign exchange earnings (Onyemaechi, 2012:61). However, despite the economic significance of petroleum products, it has had so many problematic issues which now aggravate peace process, security and other developmental problems in Nigeria. The magnitude of problems associated with overreliance on crude oil economy is unimaginable because, it breeds corruption, tribalism, nepotism and series of economically-induced conflicts. The resultant effects of conflicts are not only in terms of alarming rate of casualties and refugees but also contribute vastly to socio-political problems like the spread of disease, coup d'etat, malnutrition, starvation, economic upheaval and decline in moral decadence.(Olokooba and Suliati, 2015).

Amongst the major security and other developmental problems Nigeria is facing as a nation are: Political Conflicts, Economically-Induced Conflicts, Reliance on mono-cultural economy and environmental challenges. (Olokoba and Suliati, supra). Despite being one time Africa's largest oil producer, contributing to 40% of all of Nigeria's revenue locals are angry that they do not receive enough money from the oil resources of their own country, thus, methods of which they demonstrate their anger are quite extreme, ranging from oil theft to sabotage and even kidnapping (Olokooba, 2012) and in effect many people died; thousands of homes destroyed; tens of thousands of men, women, and children displaced. It was not a civil war, but a bloody battle over the use and control of resources, a battle that ultimately is about property rights (Leekahhow, 2008). The latest in line of developmental problems facing the Nigerian Nationhood is terrorism and problem of insurgency.

4. Peace, Security and Developmental Problems in Nigeria: Sourcing Solution through Effective Tax System

4.1 Historical Background of Tax Reforms in Nigeria

Song (2002) described tax as a compulsory levy imposed by the government authority through its agents on income, consumption and production of goods and services to achieve some developmental goals. Tax reform is therefore the process of changing the way taxes are collected or managed by the government (Helms, 1985). Taxation has always been a means by which communities provided themselves with common social and economic facilities such as roads, water, security, markets and recreation centers even in pre-colonial times. Nigeria officially became a British colony in 1861 and with colonialism came a formal imposition of taxation as an instrument for organized development. Expectedly, there was intense resistance to taxation in pre-independent Nigeria resulting in riots and massacre in several parts of the country.

Nigeria became independent in 1960. With impending independence, the colonial authorities had to prepare the ground for fiscal policies that would address post-colonial developmental challenges. In 1958, the Raisman Fiscal Commission was set up to look into fiscal issues in the country to solve problems of inconsistency and confusion inherent in the existing laws. It was also to examine the jurisdiction and powers of the various tiers of government in Nigeria's post-independence. The Commission came up with a recommendation that there should be harmonization of taxation principles throughout the country. This report according to Taiwo *et al* (*supra*:87) formed the basis of the tax system in Nigeria to the present day.

According to Alli (2009,Taiwo,2015:87), the objectives of tax reforms in Nigeria include but not limited to the bridging of the gap between the National Development needs and the funding of the needs; to ensure taxation, as a fiscal policy instrument, to achieving improved service delivery to the public; to improve on the level of tax derivable from non-oil activities, *vis-à-vis* revenue from oil activities; efforts at constantly

reviewing the tax laws to reduce/ manage tax evasion and avoidance; and to improve the tax administration to make it more responsive, reliable, skillful and taxpayers friendly and to achieve other fiscal objectives as well as to cure other developmental problems in Nigeria.

4.2 Peace, Security and Other Developmental Problems: Sourcing Solution through Taxation

The world is recently focusing on employing taxation not only as modifier in an inflation-ridden economy but also a measure of access and control of informal businesses that dominate developing economies of the world. (Usman, Bilyaminu and Modibbo: 113) The fact is that these informal activities collectively have a large share of gross national product sprayed in piecemeal manner in the streets, market places and some times, even in our houses. The process of Nation-building is slow and complex but is now increasingly recognized as the necessary condition for effective socio-economic development. An effective state requires a social contract between a ruling elite and its population, based on a political settlement that allows the elite to collect taxes without excessive coercion in return for delivering basic security and essential public goods. The state-building approach to taxation, therefore, recognizes tax as one of the few core capabilities that any state needs in order to function effectively. (Usman *et al. supra*)

The more effective the tax system, the stronger the capability, prosperity and legitimacy of the state, (Everest-Phillips 2008). This insight according to Usman *et al supra*, is not new: Aristotle and Confucius both noted that a prosperous and politically stable society required a political leadership and administration funded through fair and effective tax systems. In a lecture in 1755, Adam Smith as cited in Fjeldstad and Moore (2007:11) and Adam *et al. supra* famously observed that little else was required to 'carry a state to the highest degree of opulence from the lowest barbarism but peace easy taxes, and a tolerable administration of justice.' This is easily said, but the strategy of delivering the result in practice remains a major obstacle to development. A tax system should aspire to this virtuous circle of societal

development. The ‘fiscal social contract is a key factor in delivering both political legitimacy and sustainable economic growth a stable, transparent, even-handed tax system is perceived by investors as a sign of established ‘rule of law’. In other words, tax is a key indicator of an institutionalized framework of political stability and fairness (Bird, Martinez-Vasquez, and Torgler 2006, Usman et al, *supra*). Governments should concentrate on establishing simple, predictable, neutral tax systems as analyzed by Adam Smith. In Nigeria, at the Federal level, the tax reform is spear headed by the Federal Inland Revenue Service in its quest to achieve greater revenue Collection, encourage voluntary and willing compliance, while at the state level, different state Inland or Internal revenue Services are striving to break the long piercing phobia between taxpayers and tax collectors.

Governments require revenue to augment the spending needs to maintain an adequate level of public investment and social services. Taxes are the main source of raising revenue in both developed and developing countries (Aizenman and Jinjark, 2008; Saeed and Sheikh, 2011, Taiwo et al, 2015: 85). As observed by Aregbeyen and Fasanya, 2013 as cited in Taiwo et al, *supra*: Nigeria just like other developing countries has a very low tax to GDP ratio which is attributable to tax criminality in form of evasion, narrow tax base, inelastic tax system, complex tax laws, complex network of exemption, ambiguity in tax languages, and weak tax administration. This situation is being strained by the oil revenue which accounts for about 80 percent of government revenue. The large size of Nigeria’s tax gap suggests that increasing the country’s tax effort in an equitable and efficient way requires reforms of both tax policy and tax administration (Taiwo, Samson, Dopemu, and Unam:85, Olokooba 2013:67).

The categorization of a functional tax system may be in two ways-the income theory as well as the incidence theory. The major characteristic of the former is that such tax is levied on the basis of percentage of percentage of income of the taxpayer. The type of taxes we have here are:

(a) progressive tax system;

(b) regressive tax system, and

(c) proportional tax system

(d) Under the incidence theory categorization, the major focus is lies the incidence of such taxes. Here we have:

(e) direct tax system

(f) indirect tax system.

Apart from the fact that taxes provide the money that makes it possible for government to function, it also has some other economic significances to wit, the provision of employment, satisfactory rates of economic growth, and stability of money supply in any economy. The economic goals of taxation are achieved by raising or lowering tax rates. The fewer taxes people pay, the more they have for their personal use. Conversely, the more taxes they pay, the less money they have available for themselves. All these have a direct impact on economy of a Nation.

Furthermore, tax can serve as a regulatory mechanism to control and regulate various forms of business activities. For instance, alcoholic beverages and tobacco may be taxed heavily on the grounds that their use is hazardous to the health of individuals. Such revenue, often called a “sin tax”, is in fact a penalty paid by the users of the substance. Similarly, Government can control private consumption, especially of imported goods, by increasing customs tariffs but where there is an increase in taxation on personal income, it may result in a decrease in private savings without affecting the level of consumption.

Tax can also be used for redistribution of wealth. The purpose of income redistribution is to lessen the inequalities of wealth in society. This is done through what is called a system of transfer payments. The effect of the system is to transfer money from those who have a good deal of it to those who have very little.

5. Conclusion and Recommendations

From all the aforesaid, it could be gleaned that uneven distribution of state wealth carries higher percentage of the causes of absence of peace, insecurity and other developmental problems in

Nigeria. However, the point of emphasis and argument in this paper is that, with good taxing system and effective use of same, tax can serve as the saving grace therefore, to achieve and actualise the practicability of using tax to achieve peace and curb insecurity and other developmental problems in Nigeria, the followings are recommended:

(i) Nigerian Economic growth to be tied to good taxing system

Economic growth should be tied to activities in the non-oil sectors, especially, tax. Nigeria can no longer rely solely on resources from the oil sector because this has failed the nation but if more money is sourced from tax it can be used to advance other sectors and better the nation's growth.

(ii) The revenue collection system should be restructured to realize the essence of taxation

The revenue collection system should be restructured to realize the essence of taxation. Most of the systems are not known to the majority of the populace. If people are aware of the system and they realize the essence, it would be easier to administer.

(iii) Need for continuation in the Nigerian tax reformative policy

There should be continuity in any kind of reformative policy to restructure and coordinate the tax system in order to achieve the motives of taxation. There are numbers of countries that are not endowed with natural resources and they have grown in National development solely on tax administration. Nigeria can copy good samples to better her tax system from such countries.

(iv) Transparency in the use of the revenue generated from tax

There should be transparency in the use of the revenue generated from tax and tax payers' right should be guaranteed and made justiceable in the case the tax collected is not adequately used.

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