



INTRODUCTION

With the persistent, collective yearning and demand of citizens across the country for more development impact and for the dividend of democracy from government coupled with the dwindling oil revenue accruable, government is finding it increasingly challenging to find finance for development.

Taxation of the informal sector has become the pivot in the drive for revenue by governments at all levels.

The informal sector remains the hub of economic activity in the country. Between the FIRS, Joint Tax Board (JTB), the states and local governments, there lacks a clear, coherent and systematic policy on how to effectively tax the sector in a manner that is sustainable, protective of the rights of the taxpayers, promote voluntary compliance, ensure fairness and justice for tax payers, including women, stimulate job and wealth creation as well as ensure effective service delivery.

The Finance for Development, FFD, project provides opportunity for civil society and non-state actors to ensure robust engagements that can ensure that the drive to increase tax revenues from the informal sector does not exacerbate poverty and increase inequality. The dearth of needed data, information and evidence with which to effectively engage governments at the state and local levels necessitated this research.

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GOAL

The goal of the intervention is to provide a well-researched report on tax policies and practices in the informal sector in Akwa Ibom state, clearly addressing impacts on subsistence businesses and small players in the informal sector.

OBJECTIVES

- To understand the administration of taxation of the informal sector in Akwa Ibom State as it affects all players in the sector, especially small scale artisans, traders, including women and subsistence businesses
- To provide CSOs and government with evidence of the effect of taxation on the informal sector in Akwa Ibom state to inform advocacy and policy review
- To apprise workers in the informal sector of their tax liabilities and mobilize active citizenship for rights based approach to tax administration
- To increase awareness about tax compliance and demand for accountability in revenue management



METHODOLOGY

The research was conducted using key informant interviews in four focus LGAs. Actors in the informal sector, including traders, market women, artisans and tricycle riders, rate officers and relevant government officials were identified and targeted for information.

KEY FINDINGS/DISCUSSION

1. Taxes are collected by consultants, especially at the Local Government level while tax officials are left redundant and completely not part of the tax collection process.

2. The use of consultants to collect revenue has often worked at cross purposes to the objectives of government.

3. Tax rates are known only to the consultant tax collectors, who fix the rates according to their whim and caprice thereby making tax payment a huge burden.

4. There is a huge loss of revenue as a result of the use of consultants for tax collection

5. One of the reasons why tax payers are reluctant to pay taxes is because of its perceived burdensomeness.

6. That that the way and manner taxes are collected can reduce economic dynamism and, impose additional burden on an already vulnerable group.

7. Instances of multiple and illegal taxes are rife in the state, especially within the markets and in rural communities, such as community levy, boys or youth levy and as well as association or union levy, and such like.

8. There is no enabling law guiding tax collection within the informal sector.

9. There are no bye-laws on taxation in the LGAs.

10. The state government recently passed a law, "The Akwa Ibom State Revenue Administration Law, 2016 (June 2016). This law does not specify what tax to be collected and the rates.

11. At the markets, tolls and Sanitation levies are collected daily with nothing done about the sanitation of the markets.

12. When there seems to be a delay in paying the daily tolls, apparently for lack of sales, the traders' wares are either seized or trashed and stomped upon.

13. Many women have been beaten and some injured

14. That there is no commensurate development of infrastructure, especially within the markets

LIST TAXES & LEVIES COLLECTED IN THE INFORMAL SECTOR IN AKWA IBOM STATE

S/N		Type of Taxes Paid	Amount	Collecting Agency	Frequency
	MARKETS	Market Toll	N100	LGA through friends/contractors	Daily
		Landing fee	N100	LGA through host community	Daily
		Sanitation fee	N100	Ministry of Environment through Market Union/Agents	
		Security revenue	N200	Market Union	Daily
		Development revenue	N100	LGA/Agents	Daily
	MOTOR PARKS	Registration of vehicle	N15,000	Park Management Committee/NURTW/LGA	Daily
		Route registration	N1,000 – local		
		Emblem	N3,000 – long		
		Union dues	N5,500	MOT, LGA/Agents	Annually
			NARTO - 200	Unions	Daily
		Route registration	NURTW - 300	MOT, LGA/Agents	Daily
		Maintenance levy	N150	MOT, LGA/Agents	Daily
		Security fee	N100	MOT, LGA/Agents	Daily

S/N		Type of Taxes Paid	Amount	Collecting Agency	Frequency
	TRICYCLE	Registration of Keke	N3,000	MOT, LGA/Agents	Annually
		Renewal	N100	LGA through host community	Daily
		Daily ticket	N100	Ministry of Environment through Market Union/Agents	
			N200	Market Union	Daily
	BUSINESS PREMISES	Shop/Kiosk	Determined by the whim of the agent and the negotiating power of the payer	LGA/Agents	Daily
		Sign Post		LGA/Agents	
		Development Levy		State/LGA/Agents	
		Public Health Rate		LGA/Agents	
		Operational Permit		LGA/Agents	



RECOMMENDATIONS

1. The government must stop the use of consultants to collect taxes so as to plug the leakages associated with the use of consultants for tax collection and boost revenue accruable to the state and local governments.
2. Make tax payable known to every citizen. Tax rates should be published and made public.
3. Ease tax payment process to encourage citizens to pay taxes with their payment cards or online payment platforms
4. Tax policy should be shaped in such a way that it encourages and supports growth of the informal sector of the economy.
5. Multiple taxation affects micro and small enterprise growth and survival negatively. Every effort should be employed to eradicate it.
6. The principle of fair tax should be employed in taxing the bottom of the pyramid and vulnerable poor. Every business cannot be taxed the same.
7. Only trained State/Local Government employed tax collectors should be used to collect taxes.
8. Government should develop and put in place requisite infrastructures that would encourage and motivate citizens to pay their taxes promptly.
9. The different groups parading the markets and harassing innocent traders should be banned from the markets and their activities criminalized.
10. Point of Sales payment system should be introduced at the markets where traders would easily pay requisite taxes, tolls and levies without molestation.
11. A single treasury account (TSA) should be set up for tax collection at the local government level to forestall leakages.
12. A redress mechanism should be established to handle issues of abuse and wrongful acts of state agents involved with tax collection at the markets.
13. The equity approach must be adopted in taxation. High networth individuals should pay commensurate taxes.

