The Realities Of Taxation Of Taxation in the Informal Sector in Enugu State
The Realities Of Taxation Of
TAXATION IN THE
INFORMAL SECTOR
IN ENUGU STATE

A Research presented by Enugu Platform on Tax Justice hosted by JDPC
Enugu Diocese in collaboration with CISLAC sponsored by OXFAM Nigeria

Abstract

This paper exposes the injustices in the taxation of the informal sector with a
view to create a safe space for the redress of these injustices either at the
policy level or at the execution level.

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INTRODUCTION

Report Of Research On Taxation In The Informal Sector In Enugu State
Research has revealed that a major factor to low Tax GDP ratio was the fact that the informal sector is not effectively captured in the tax net. This is because the informal sector is by its nature in Nigeria very complex and presents challenges of revenue mobilization for tax authorities. The informal sector can be defined as market based production of goods and services, whether legal or illegal, that escape detection in the official estimate of tax administration and gross domestic product (GDP).

The activities in this sector cover almost every field of the economic activity, ranging from petty trading and personal services to informal construction, manufacturing and repairs (Smith 1996; CBN | FOS | NISER 2001; Odu et al. 2008).

In Nigeria, the activities in this sector include several small and unregistered sole proprietor businesses and in some instances joint partnership businesses which can be found both in rural and urban settlements across the country. As expected, in urban centres like Enugu, informal economic activities include trading, small scale manufacturing and repair industries, such as carpentry, upholstery, furniture making, Wood works, Metal works, bakery, goldsmithing, tailoring, bricklaying and printing. The private services providers include those in the repairing occupations like, the automobile mechanics, electricians, clock and watch repairs and cobblers (Okowu and Okotoria 1996).

The sector is reported to constitute about 58% of the GDP in Nigeria after the rebasing in 2014. This is up from 35% as at 2012 and it is also reported to employ over 80% of the workforce in the country.

In the bid to increase revenue, several initiatives aimed at bringing informal sector into the tax net, are being introduced. While governments at sub-national and local government are introducing new and multiple levies, they establish task forces and special groups to collect them. In an effort to improve on the taxation on this sector many measures have been undertaken many of which were not only unsuccessful but also proved counterproductive.

There are claims and counter claims about the existence of multiple taxations between the different tiers of government and the application of unethical tax collection methods sometimes involving violence and extortion and collection of illegal monies from persons in this sector by unauthorized persons thereby creating a
harsh environment for small scale business owners. This trend has the potentials of negatively affecting livelihoods and household income thereby contributing to poverty and inequality. In Enugu State like in many other states in Nigeria, the situation is precarious and is escalating every day to becoming an almost unbearable inhuman situation. In consideration of the possible approaches to closing up the existing gap, there is always that need to apply caution to ensure that the measures used will create the desired effect of generating due revenue without becoming counter-productive.

So the question now is, how could the collection of revenue in this informal sector be improved without marginalising any group and still rope in at least the majority of the players in this informal sector.

To effect these properly one needs to examine the situation on ground in the state in order to establish exactly how the situation is and what the factors are, that influence the people or the place. This exposé is what we have set out to do in this research. This research targets to engage all the players in the informal taxation structure including the policy makers, executors at all levels and the informal tax payers in an interaction to decipher the status of the informal tax sector. The research findings of this exercise will further be of use in engaging the government at a higher level in a healthy dialogue which will proffer best practice approach to including the informal sector in the taxable citizens. This is aimed at achieving tax justice in Nigeria.

Goal:

The purpose of the study is specifically to determine the perception of citizens about tax especially the various forms of taxes paid and the tax policies in Enugu State. Furthermore, to avail of the information necessary to bring people in the informal sector to know their duties/ roles as citizens in order to contribute to the infrastructural development of the state. Very importantly also is to ascertain the impact of taxation and the revenue collection on the people.

This study seeks to provide true information on the different taxes paid, or to be paid, to identify Specific knowledge areas to which government in possible partnership with JDPC and other concerned civil society organisations to harmonize the various taxes paid, to stop the diversion of tax monies from the informal sector.
increasing the state revenue generation through taxation. It aims to provide information on specific areas of advocacy, sensitization and resource mobilization for the government. To provide with a well-researched report on the status tax policies and practices in the informal sector in ENUGU state clearly addressing impacts on subsistence businesses and small players in the informal sector.

Objectives:

The objectives of this research are:

- To expose through targeted prodding of the operators in the informal sector, their perception of taxation in general, and in particular the various forms of taxes and levies as well as the correspondent tax policies.
- To further increase awareness about the tax issues in the informal sectors in Enugu State by simple fact of discussing the matter both with the collectors and the payers, the government and her subjects/the citizens.
- To improve the revenue base of Enugu State through modern approach to the administration of the informal sector taxation, by providing useful issue based suggestion to the government.
- To ease the complications in the administration of taxation in the informal sector in ENUGU State for 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 ENUGU state in order to inform advocacy and policy review.
- To empower through interactive questioning, the workers in the informal sector to rise to their tax responsibilities and mobilize active citizenship for right based approach to tax administration
- And thereby to encourage voluntary tax compliance and eventually demand for accountability in revenue management, through concerted interaction with the parties involved.
The scope of this work is, for the generation of facts and the examination of the informal sector of taxation, geographical limited to ENUGU State, for the analyses of the facts, nevertheless, extended to a universal application of useful principles. So in the state we hope to examine the following:
- The legally approved taxes in the state, including the enabling law establishing them either by the State Government or Bye-laws in the LGA
- The Tax types, rates and the approving collecting authority in the selected state
- Any other levies, rates charges paid by informal sector in the state
- The types of taxes, levies and rates collected illegally from informal sector players.

This research goes beyond just the fact finding. It extends to the detailed expert evaluation of the facts on ground with a view to proffer ways of alleviating the stressed situation in this sector of taxation and that of avoiding the further occurrence of such. The result of such evaluation defines for example, the impacts of the tax policies and practices on the workers in the informal sector, as regards their income, livelihoods and the sustainability of their businesses.

1.2. Specification of the Sample Size of the Study:
The target population of the study is the totality of store owners, sellers in major markets, all transport service providers like KEKE drivers, and other people involved in businesses of production, or sales or service delivery in the streets and small market places. However, due to the limitation of time and resources, a sample population of five hundred and fifty (550) respondents was chosen for quantitative and narrative analysis. These were selected from the identified study population, covering the three senatorial zones in the research project area in the following proportion: two hundred (200) from Enugu East, two hundred (200) from Enugu North and one hundred and fifty (150) from Enugu West.

The research was conducted using three (3) markets located in the 3 senatorial zones as sample size namely Oba international market in Enugu North senatorial zone, Ogbete main market for Enugu) and Enugu West (9th mile market).
LITERATURE REVIEW:
Many countries have continued to introduce reforms in order to promote voluntary compliance and improve the conditions necessary for effective and efficient tax collection. The reforms which are geared towards enhancing the tax administration system also point to the pressing need in many developing countries to widen the tax base to include much of the informal sectors, whiles according to Dr. John (2008), the informal sector makes up about 60-70% of the GDP in the poorest countries. Going through the existing registration and observing tax burdens for individuals and firms is one means through which developing countries have introduced reforms to their tax registration to encourage compliance.

Available literature indicates that there is a strong relationship between the informal sector and the inability of the government to collect the requisite taxes from the informal sector. Tax evasion is driven generally by the perception that the tax burden is too high, this poses several problems to tax system, raising difficult questions over how tax policies and tax administration may influence tax compliance.

In Enugu State, various strategies are employed to encourage taxpayers to register and come to the tax net. For instance, the ESBIR is partnering with leaders of market Association and transport Unions in Enugu with a view to bringing more potential taxpayers in the informal sector in the tax net, but the challenge remains that the current approach is not yielding the desired result. Therefore, there is the need to try other persuasive techniques, such as, inclusive governance by involving the people in the budget process and the in the implementation of capital projects through qualified indigenes of the State.
Primary and secondary data were collected from the field. Information gathering was carried out using both qualitative and quantitative methods of gathering data. Open-ended questionnaires were distributed. For the purposes of triangulation, interpersonal interviews were used to get qualitative information from the respondents. Data were collected from the people rendering informal goods and services to people.

The primary data collection instrument was mainly personal interview supported with questionnaires. The interview was conducted with self-employed individuals such as traders, transporters and other people carrying out menial jobs in and around the market. On the other hand, secondary data were collected through content analysis of journals, text books, joint tax Board Guidelines booklet, internet, conference and seminar proceedings. And through a synthetic appraisal of the facts expose arrive at some valuable conclusions and results proffering at the same time some suggestions and solutions to both parties of the governed and the government.

In a word, the study depends on the interviews and questionnaires for quantitative and narrative analysis.
DEMOGRAPHIC DATA
A sample population of about 550 respondents was selected among the identified study population in the research project locations. That is, 200 from Enugu North, 150 from Enugu West and 200 from Enugu East senatorial Zones. The respondents would be in the age range of 18-64 years. The table shows the respondent's location.

<table>
<thead>
<tr>
<th>Senatorial Zone</th>
<th>Total Number of Respondents</th>
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<tr>
<td>Enugu North</td>
<td>200</td>
</tr>
<tr>
<td>Enugu West</td>
<td>150</td>
</tr>
<tr>
<td>Enugu East</td>
<td>200</td>
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**Sex disaggregation**

Analysis of respondents' bio data is as follows. A total of 550 questionnaires were administered to various individuals within the age range of 18-65 yrs in the market comprising of 200 (36.36%) females and 350 (63.64%) males. The table below shows the number of persons that responded, male and female, frequency and percentage of respondents.

- **Total number of respondents**: 550
- **Females**: 36.36%
- **Males**: 36.36%
- **Analysis of respondents in the Senatorial zones**
  - **Enugu North**: 36.35%
  - **Enugu West**: 27.3%
  - **Enugu East**: 36.35%

A total of 550 responses were received from respondents in the targeted Market comprising of 200 (36.36%) females and 350 (63.64%) males and when this is seen according to the senatorial zones.
It is important to mention here that the above is recorded plus or minus small variations. It indicates the partly estimated average age of the respondents. This is because of the difficulty in the age specifications in Nigeria as a whole.

<table>
<thead>
<tr>
<th>Age Bracket</th>
<th>Percentage</th>
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<tr>
<td>18-24</td>
<td>9.09%</td>
</tr>
<tr>
<td>25-34</td>
<td>18.18%</td>
</tr>
<tr>
<td>35-44</td>
<td>36.36%</td>
</tr>
<tr>
<td>45-54</td>
<td>27.27%</td>
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<tr>
<td>55 and above</td>
<td>9.09%</td>
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Sectors of the Informal tax payers covered

The following units were covered in our interviews: Service providers like keke and bus drivers, barrow pushers, Food and equipment production units, Hawkers and petty roadside sellers, Wholesalers and Distributors as well as their organizational administrators. During the interview and sharing of questionnaires we have often spoken both to the heads of the unions and to their normal members.

The guiding questions of the study:

The research seeks to answer the following questions as a way of guidance to the essential issues to avoid unnecessary deviations and or the missing of vital areas.

i. What is the structure of the taxable informal sector in Enugu state?

ii. What is the level of awareness of Enugu state tax policies and laws among the players in the informal sector in Enugu state?

iii. What is the effect of Enugu state’s tax policy on the informal sector?

iv. What are the taxation issues and challenges that affect the various categories of players in the informal sector?

v. How willing are players in the informal sector to comply with (current) tax policies?

vi. How willing are the tax collecting authorities to encourage and/or enforce legally the compliance to the tax policies?

vii. Are the tax authorities ready to prosecute offending tax collectors?

viii. Do the authorities use other possibly illegal means of meting out punishment for offenders?
The status Quo at the informal sector (see annex I)

The document on tax policy is very vague and lumped so many things together leaving many issues and areas of taxation unaddressed. Nevertheless, a big information gap was discovered in the document. It lacks specifications to cover the versed areas of the informal sector.

The document on tax policy is very vague and lumped so many things together leaving many issues and areas of taxation unaddressed. And even the areas covered were still very unspecific. This leads therefore to interpretations by the authorities on ground, who are often inadequately train for that level of interpretation. There was nothing said about how to estimate the amount to be paid by the individuals. No criteria were given and nothing was said about the competent authority about determining the amount individuals should pay.

The revenue collectors themselves are left with this onerous and delicate issue of determining who pays what. More so, the authenticity of authorities and the method of revenue collection seem to be left in the hands of the lower officers at the sites. (For details of the rules and regulations on taxation in Enugu state see the annex.) Due to the inadequacy of the tax policy, which has also been acknowledged by the government in some of her appraisal documents, proven by the efforts made in different quaters to proffer a lasting solution to the stability of revenue in the informal sector, it must be emphasized that there is no alternative to a comprehensive and effective tax policy.

Tax Policies Awareness

This area covers citizens’ knowledge about the specific tax people pay, tax policies, as well as official tax collectors/ personnel, impact of the tax they pay on citizens/comunities. Under this area we asked question about the specific taxes, policies as well as the official tax collection personnel.

To such questions as “do you know about Tax?” Many responded that people in the informal sector of Enugu State have the full knowledge that they should pay tax, because the collectors come around every time. On the other hand, to such questions as “have you seen or known about any tax policy in Enugu State?”, none of the
respondents interviewed knew anything about or have seen any tax policy.

Of the 550 people interviewed 460 (84%) persons have no knowledge of the state tax policies, 50 (9%) persons have little knowledge while the rest 40 (7%) gave no clear response on the knowledge of tax policies.

The qualitative findings the impact of taxes they pay as building roads and other infrastructures in the urban areas, maintain schools, hospitals as well as payment of workers’ salaries. Majority of the people were unsure of the uses of the revenue collected. They opined that the taxes they pay have nothing to show, no impact in the their rural communities. Many think that the money paid rather goes into individual/private pockets, and even sometimes shared among politicians.

1.2. Tax Evasion/General Unwillingness to pay

Here we asked questions as to whether the people pay tax at all and whether they would pay willingly without force and persuasion.

Many Keke Drivers responded that the levy they pay daily is more than the tax, they are supposed to pay and therefore, it is not necessary for them to pay tax again. They say that Government should convert the levy to statutory tax.

506 (92%) persons of the people interrogated responded to the affirmative to the question of whether they pay tax, while the rest 44 (8%) persons confirmed that they do not pay. Out of the number that pays 407 (74%) persons would not pay willingly because of varying reasons such as being skeptical about the judicious use of the tax money by the government and that they are not government workers that receive income from them. On the issuance of receipts as evidence of payment, all the respondents who paid willingly or unwillingly were issued receipts; some of them who paid through the markets heads/ Unions have no evidence of payment because they issue collective receipts to them. Others who do not pay do not make comments.

Illegal Collections and Collectors

On illegal collections questions such as knowledge about illegal collectors of tax and how they can recognize the legally authorized revenue collector. For this point such questions were asked like, are there illegal collectors of tax and do you know them or
how do you know a legally authorized revenue collector or do you think that all the
people who parade themselves as revenue collectors are all from the government,
have you recognized an illegal collector and what do you do when you recognize them
To the question what taxes do they pay, many explained that they pay taxes on
electricity N400, Environmental N200, security N200 per person or per store
monthly. Other taxes paid by those selling on the roads in the market range from N20
to N100 daily. The population of this people is uncountable.

356 (65%) believe there are many illegal collections and could even name some of
them which however they have no proof for of it, 186 (34%) Do not know while 8 (1%)
have No response

493 (90%) believe that there are many illegal collectors. They were able to mention:
Fire service tax collectors, ESWAMA agents and other unidentified groups that
parade the market to collect one form of levies while 57 (10%) do not know whether
there are impersonators or not.

Most respondents believe that the government is not doing a good job in the
collection of revenues. Neither are the methods effective nor are the collectors
themselves well-coordinated.

1Methods of Revenue collection

The results of respondents are that few people pay tax and it is FLAT RATE of one
thousand Naira (N1000) only per store person in the markets covered. Keke and motor
Drivers do not pay statutory tax but they levy of one hundred Naira (N100) only per
driver, on daily bases. They pay N50.00 to ministry of Transport and N 50 to Local
Government Council Authority. The population of Keke drivers alone in Enugu State is
10,000. They work from Monday to Saturday, leaving only four(4) Sundays in a month.
If we subtract 4 Sundays from 30 days in a month we have 26 working days for them.
Therefore 4 you multiple N100 x 10,000 daily we have N1,000,000 and if you multiple 1,
000, 00 x 26 days, you have N26,000,000 paid by keke Drivers to Local Government
Council Authority and Ministry of Transport monthly. If we multiple 26,000,000 by 12
months in a year we have 312,000,000 yearly. Paid by Keke Drivers without and
statutory tax receipt. Then name given for the100 keke Drivers pay daily is Toll
400 (73%) persons of the interviewed pay by Flat rate type of collection. Then 31
(5.64%) persons pay through contracted method of collection. One of the respondents in a bid to qualify this statement said that “Contracting of revenue collection to people other than legal revenue collectors as agents has drastically reduced the revenue generation of the LGA/State. Another said that “Politicians also uses tax collection as a reward strategy to compensate people who assist them during political elections” 19 (3.45%) persons have their tax subsidized i.e. through Subsidy from Organizations like World Bank in Oba International market.

**Diversion of the tax monies/Improper investment of the revenue money**

Almost all the respondents interviewed agreed to the fact that there are serious diversion of money. Not all the monies collected into the government coffer. Some of the revenue massive revenue drive. Even some revenue officers confirmed this fact. Majority of the people interviewed also believe that tax collected go into private pockets because “the huge amount of tax we pay does not translate into positive actions”. We maintained this market with our own resources, and then what is the need for collecting all this taxes. Govt should stop collecting these taxes if payees cannot gain anything in return.

One of the questions asked here was, “what would you like people who collect tax from citizens’ use the money collected to do?”

Respondents were of the opinion that Government should build/ maintain infrastructure, such as Roads, Pipe born water, electricity supply building/maintaining of schools and Hospitals create job for the youths, provide adequate security, pay workers salary especially in the local government Councils of Enugu State.

What benefits have you enjoyed from the government result from respondents bitterly complained that Government is not doing enough tangibly for the masses talk less of specific benefits. Some of the respondents posited that government functionaries are just sharing the revenues for personal use. This might contribute to why people avoid taxes and breaking laws and regulations governing the practices of tax.
Improper Assessment of Taxpayers

543 (98.7%) of respondents agree that there is no proper assessment, neither do they know the proper amount they should pay nor do they know how the amount they now pay was determined. In fact, there was no assessment and if there is, it will be a flat rate assessment of all people in a given sector. About 7 (1%) persons do not understand what assessment is all about. The tax payers do not know and have never been told the basis or criteria for rating them. The principle of PAYE, used in many formal circumstances can hardly be applied here. This is because the basic earning of each person must first be determined. And this is a very difficult task in the informal sector.

Irregular Behavior of Revenue collectors

All the people agree that there are several forms of harassment through the revenue collectors. Then about 93 (16.90%) persons out of 550 interviewed testify to having witnessed or personally experienced one type of harassment or the other. Among these behaviors are: use of different methods of intimidation physically or verbally, indiscriminate seizing of goods and arresting of individuals and other forms of extra-judicial actions.

Based on the revelations from the fact findings as stated above we dare say that the Tax policy of Enugu state is inadequate and leaves a lot to be done still to that regard. The policy needs to be reviewed so as to be more relevant and be able to address most of the deficiencies and inconsistencies that make it difficult for the tax authorities to do their job well. If the policy is detailed and comprehensive it help solve a lot of problems of misunderstanding both for the citizens and the government tax officers.

Furthermore, it is glaringly clear through the findings that many people do not have enough knowledge of what taxation is all about. They lack information on the general principles of taxation, it benefits and responsibilities.

Generally, it can be said that a flat rate tax of 1000 is what is collected in markets and packs. Many traders in the market especially the rich ones evade paying tax or pay inadequately not corresponding to their assets. On the other hand, many small business men and women are over taxed. And even the idea of a flat rate payment
defeats already the principle of pay as you earn. Most Keke and motor drivers do not pay personal income tax in Enugu State. Those in the informal sectors in Enugu State pay multiple taxes and levies. They are either collected by impersonators or illegally by the regular tax authorities. All these are made possible because of the abject ignorance of the people about their civil rights and responsibilities in the payment of tax.

It was also discovered that the tax authorities (the Government) do not prosecute tax defaulters. It is either the defaulters are not even noticed or caught, or they are caught but not prosecuted.

Among other issues the following were found out from the people, that there is generally suspicion that the tax monies are diverted into private pockets either in small scale by the lower officers or by the bigger ones at the state level; there is no proper assessment of the peoples’ earnings before determining how much they should pay as tax, the revenue authorities use inadequate methods to collect revenues, like the use of contractors, the flat rate method or employment of hooligans and thugs for the job.

All these collectively make for the improper coverage of this informal sector in revenue generation. The popular situation is that the tax payers are unhappy and indignant about paying tax, they avoid paying tax and will escape at the slightest possibilities, while the collectors are abusing their offices and violate the fundamental human rights of the people willingly or unwillingly in order to collect revenue at all. The situation as it is now cannot yield fruit enough. There is great need for intervention in this sector to salvage the situation.
Poor Knowledge of the tax policies by the people

Of all the challenges that may confront any tax authority in this sector, the most pernicious and crippling is the abject ignorance that pervades among our citizenry as regards taxation generally and the informal sector in particular. The tax payers at the informal sector are generally ignorant of what the government says about tax and its method of payment vis a vis collection.

Adamant refusal to pay tax duly.

One of the direct consequences of ignorance is the outright refusal to pay tax. Many people who are very rich but are ignorant of how the society works and is dependent on the effective collection of tax to build up her structures, would do everything to evade paying tax, thinking that he is actually doing something good. Tax avoidance especially because people see it already as the correct thing is a big challenge to revenue collection in this sector. This is very dangerous because it blocks off every cooperation on the part of the people.

Inadequate assessment of the tax payers

When one is convinced that his assessment is just and adequate, corresponding to his earnings, it becomes lighter for him or her to pay the tax. Conversely when the assessment is wrongly done, not done at all or wrongly communicated, it makes the collection of the revenue very difficult. Above all this is about justice and injustice in the extraction of money from the citizens. Without this proper assessment, the feeling of injustice spreads and even when the tax paid should have been more, the feeling of being extorted remains in the mind of citizens.

Lack of proper investment of collected Revenues/Tax money

If tax money is invested in the provision of and maintenance of public amenities, especially if this is verifiable and evident, the majority of people would more willingly, pay their tax. There is need to stem the tide of this belief, that tax money does not reach the final destination of the government coffers and when they reach the government fails to utilize them well. This is a great argument that is heard from every mouth including the employees of the state.
There is no proper documentation

A wide spread inexplicable lack in the whole Nigerian society is the absence of proper recording and documentation. Documentation involves not only gathering information about events and transactions but also preserving them very well. The revenue offices and authorities are lagging behind in this area.

This makes the collation of taxation in the informal sector, which is already paranoidly complex by nature, simpler. Without proper documentation, an elaborate getting of the informal sector in the state taxation net would be impossible. The need for the introduction of expert documentation, with authentic, properly recorded materials cannot be emphasized enough. It would not be a surprise that there are no records of past taxes collected by the market heads and transport Unions Board of internal Revenue, Enugu. If this is not available how can one know who paid what and when he paid and in which office was the payment made.

Proliferation of taxes
Quite a lot of monies are being paid by citizens in the informal sectors. These include ESWAMA charges which changes at yearly intervals, electricity, business premises, business permit, liquor licenses, food vendor permit, LGA permit, ESWAMA bags / buckets, slaughter permit, space/ala adaa on daily basis etc. all the respondents believe that small scale businesses do not thrive under this conditions and therefore instead of alleviating poverty, poverty is enlarged. One can see bellow some of the diverse receipts given for the same purpose.
RECOMMENDATIONS:
Proper Administration

To realize maximum yield from the informal sector, tax collection management must be properly administered. Proper administration here involves ensuring adequate assessment of the payee, and geographical coverage in the discovery of informal sector businesses, identification of each business, comprehensive collection of revenue, proper management and constant updating of the database. This will help in solving the problem of improper assessment of the tax payers and bring into play the all-time worldwide accepted fundamental principle of taxation “pay as you earn”.

Taxes Harmonisation

Taxes should be harmonized so as to reduce illegal charges on the people as well as boast revenue generation for the government because quite a lot of these collections goes into private pockets for settlements after elections, this will also encourage small business to grow.

Need for a new and persuasive Technique

The partnering of ESBIR with leaders of markets Association and transport Unions in Enugu State in collecting taxes is not yielding the desired result. Therefore, there is the need to try other persuasive techniques, such as, inclusive governance by involving the people in the budget process and in the implementation of capital projects through qualified indigenes of the state.

Aggressive Publicity

Another, persuasive approach will involve an aggressive publicity of government tax policies and what the government has been doing with public funds, such as new school and hospitals, improved road network, water supply, electricity etc.

Abolition of the Use of Contractors

The practice of using contractors in the revenue collection should stop because it has led to so many difficulties and abuses. Such strategies have contributed to the exacerbation of poverty and widening of inequality as informal sector players—artisans, subsistence workers and market women bear heavy burdens of arbitrarily
imposed multiple levies, rates and charges, sometimes collected using methods that are dehumanizing and causing bodily harm and in some cases death to tax payers.

**Stricter Use of TIN**
Government should use TIN to bring more potentials taxpayers in the informal sector into the tax net by making it compulsory.

**Massive sensitization**

Sensitisation of the citizenry especially at the informal sector should undertake in order to make the whole process of revenue collection inclusive and participatory and therefore easier and more productive.

**Monitoring system should be strengthened by involving CSO’s**

It is an accepted fact that in the recent past the role of CSOs in the monitoring of the execution of policies in Nigeria has continue to grow in importance and recognition due to the level of successes these organisations have achieved in this issue at different sectors and levels of governance. It is therefore pertinent to involved the CSOs in the monitoring of this very complex sector of revenue for the state.

**Government Funding**

Government should fund awareness creation on tax and its system of operation yearly. This will go a long way to reduce the difficulties of the revenue officers as well as make the payment of tax lighter for the citizens. With time ignorance of the people in this sector would be wiped away and with it many of the abuses and malpractices in this sector.

**Employment and training of more Officers**

Govt should employ more revenue collectors instead of contracting the job to agents or use it as compensation to politicians. Govt should train revenue collectors to streamline law/policy and practice.
Conclusion

The studies on informal sector taxation in Enugu State points to a rich, varied picture of the status quo at the informal sector; tax policies awareness and execution, tax evasion, illegal collections and collectors, huge diversion of tax monies into private pockets, attitudes, behaviors and reflections of the 550 respondents demonstrate a multitude ways in which taxation burden help the create more unemployment and poverty among the citizens of Enugu state and this call for changing and harmonization.

Based on the findings, there is therefore the need to generate adequate revenue from this sector as well as the need for advocacy to promote fair tax policies and practices as it relates to this section of the population to address unfair tax practices and protecting their rights within the tax system by ensuring that they pay only legally approved rates of taxes and levies to the approved collecting authority. At the broadest level, widely held views about informal sector tax, the root cause of refusal to pay tax is proliferation of multiple taxes on citizens and the various forms of extra-judicial actions meted to tax payers and lastly but by no means the least, the lack of awareness on tax.

Positive sensitization, education and judicious use of tax money can boast the economy of Enugu State, reduce recession and create employment for the jobless citizens.
ANNEX 1: Taxes And Levies To Be Collected By The State Government

1. Personal income tax in respect of (a) pay-as-you-earn (PAYE): and (b) direct taxation (self-assessment).
2. Withholding tax (individuals only)
3. Capital gain tax (individuals only)
4. Stamp duties on instruments executed by individuals
5. Pools betting and lotteries, gaming and casion taxes
6. Road taxes
7. Business premises registration in respect of: (a) urban areas of defined by each state, maximum (i) N10,000 for registration and (ii) N5,000 per annum for renewal of registration (b) rural areas (i) N2,000 for registration, and (ii) 1,000 per annum for renewal
8. Development levy (individuals only) not more than 100 per annum on all table individuals.
9. Naming of street registration fees in the State capital.
10. Right of Occupancy fees on lands owned by the State Government in urban areas of the State.
11. Market taxes and levies where state finance is involved.
ANNEX II: Taxes And Levies To Be Collected By The Local Government

1. Shops and kiosks rates
2. Tenements rates
3. On and off liquor license fees
4. Slaughter slab fees
5. Marriage, broth and death registration fees
6. Naming of street registration fees, excluding any street in the State capital
7. Right of Occupancy fees on lands in rural areas, excluding those collectable by the Federal and State Governments.
8. Market taxes and levies, excluding any market where State finances is involved
9. Motor park levies
10. Domestic animal license fees
11. Bicycle, truck, canoe, wheelbarrow and cart fees, other than a mechanically propelled truck
12. Cattle tax payable by cattle farmers only
13. Merriment and road closure levies
14. Radio and television license fees (other than radio and television transmitter)
15. Vehicle radio license fees (to be imposed by the Local Government) of the State in which the car is registered
16. Wrong parking charges.
17. Public convenience, sewage and reuse disposal fees
18. Customary burial Ground permit fees
19. Religious places establishments permit fees
ANNEX III  PICTURES

Virginia interviewing the Chairman, building materials  Virgy Obianyo at chairman, Okirika

Ifeanyi interviewing the yam seller  Virginia interviewing the chairman meat sellers

Fake/ illegal receipts
**Sample receipts**
REFERENCES:

1. Enugu State Government of internal Revenue supported by State partnership for Accountability Responsiveness and capability Enugu State IGR improvement strategy and implementation plan (Reviewed and updated version) December 2014.
5. Enugu State Board of internal Revenue Guidelines for the operation of pay as you Earn scheme, in line with Joint tax Board Guidelines as derived from the personal income Tax Act 104 cap p8 laws of federation of Nigeria 2014