



A RESEARCH ON TAXATION IN THE INFORMAL SECTOR IN RIVERS STATE

(In furtherance of Funding for
Development being implemented by CISLAC)

ACKNOWLEDGEMENTS

Global Peace Development and the Rivers State Tax Justice Platform would like to extend warm appreciations to Marshall Ekpete, Okorite Queeneth Bob-Manuel, George Ajumogobia, Rhoda Omoile Omorodion, Ndubuisi Orisa, Chidinma Mgbaegbu, Gracious Chimzi Ransom and Oghetega Edeki, for their skills and creativity in carrying out this research.

Particular thanks to CISLAC and Oxfam Novib for giving the opportunity to contribute meaningfully to the development of Rivers State, especially as it pertains to building an effective tax administration system.

PREPARED BY:
GLOBAL PEACE DEVELOPMENT
RIVERS STATE, NIGERIA
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Contents	
Acknowledgements	ii
Acronyms	v
Executive Summary	6
1.1 Background	6
1.2 Methodology	6
1.3 Key Finding Profile	7
1.4 Key Recommendation	8
Introduction	9
2.1 Overview of the Informal Sector in Rivers State	9
2.2 Taxation System in Rivers State	10
2.3 Objectives.....	11
Methodology	12
3.1 Research Questions	12
3.2 Research Design	12
3.4 Research Instruments	13
3.5 Sample Size	13
3.6 Data Analysis	13
3.7 Challenges	
Results	
4.1 Research findings for Ahoada East Local Government	15-23
4.2 Research findings for Port Harcourt City Local Government	24-31
4.3 Research findings for Eleme Local Government	32-31
Recommendations	
References	
Appendices	
1.11 Research Instrument	

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EXECUTIVE SUMMARY

Oxfam Novib, through her partner Civil Society Legislative and Advocacy Centre, CISLAC, commissioned the Rivers Tax Justice and Governance Platform which was represented by Global Peace Development, GPD, to carry out a Research on "Taxation in the Informal Sector in Rivers State". The research is in pursuant to the "Financing for Development" (FFD) project.

The FFD project provides an opportunity for non-state actors and civil society organizations to ensuring healthy engagements that will promote fairness in the collection of taxes and levies from the informal sector in a manner that poverty and inequality will not be aggravated.

This research on the informal sector is critical given the vital relevance it holds on the Nigerian economy. The drop on oil revenues has compelled the Federal, States and Local governments to place priority on internally generated revenues. Regrettably, no clear course of action has been mapped by the governments as it relates to collection of taxes from the informal sector in Nigeria.

Truth is, the current practice of taxes collection from the informal sector is haphazard, it does not promote the growth of the sector. Hence this research will help promote the smooth administration of taxation of the informal sector in Rivers State; provide both the government and Civil Society Organizations evidence that will propel a coherent tax policy advocacy; and equally encourage the informal sector participants on the need to pursue good citizenship through voluntary tax compliance.

The research was carried out in collaboration with Rivers Tax Justice and Governance Platform, which is an organised non-profit body/network made up of diverse groups including civil society organizations, faith based groups, trade unions, Chartered Institute of Taxation, the media and market women. Chiefly is meant to assess the status of tax system, policies and practices and the associated implications on informal sector in Rivers State



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Ultimately, this research report will help identify avenues toward effective tax policies and practices that will provide a win-win situation for governments' drive for revenue, and on the other hand create sustainable livelihoods for the tax payers. This will no doubt stimulate overall growth and development.

INTRODUCTION

Overview of the Informal Sector in Rivers State

The informal sector in Rivers State harbours the small-scale and self-employed activities which are mainly for generating employment and incomes. The sector entails all economic activities undertaken by entrepreneurs who do legitimate businesses within spaces most often deemed to be public property. Globally, the informal sector trading activities are attractive because relatively need low capital which in most instances come from personal savings.

According to the National Planning Commission 2016 news article, in Nigeria, the informal sector contributes at least 58% to the country's Gross Domestic Product and it is seen as a powerful tool to reducing poverty and equality if properly harnessed. Rivers State shares the same faith with Nigeria, in the sense that the informal sector equally contributes over 50% of its GDP.

In Rivers State, the informal sector is huge and well spread. It has a verse untapped sources of government revenue if adequately regulated. its activities encompass sale of roasted foods, cook foods, cobblers, stores (kiosks), fruit sellers, barbers, tailors, carpenters, electricians, welders, mechanics, information technology vendors, phone repairs, recharge cards sellers, taxi drivers, lorry drivers, keke drivers, foot wear sellers, spare parts dealers, money lenders, shoe sellers, boutiques, etc.

The typical characteristics of this sector are: operators have low education qualification, in most cases the owner harbours the skills or knowledge of the trade and activities are mostly cash driven.

From various empirical studies, it has been established that the growth of the informal sector is being attributed to entry high costs of doing business with the formal sector. These escalations of activities in the informal sector have made most operators to evade taxes/levies. However, in Rivers State the sector is very promising, with proper tax laws, effective tax administration and increased public awareness a lot of revenue will be generated.



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TAX SYSTEM IN RIVERS

Rivers state tax system consists of the tax policy, the tax laws and the tax administration. These setups are expected to be harmonised in its operation to collect revenue and to achieve economic purposes for the state.

To this effect, the Rivers State Internal Revenue service (RIRS) was formed in 1993 under the Board of Internal Revenue Law 1993 (No. 3). To evaluate, collect and account for all taxes, fees and levies in Rivers State.

RIRS is also involved in the formulation of tax policy as well as the supervision of revenue collection.

Revenue Service (RIRS) is poised for increased revenue henceforth following the release of Official Gazette of the Federal Republic of Nigeria NO.77 Vol 102 is dated May 23, 2015 but was released on June 9, 2015. The Federal Government Official Gazette covers approved taxes and levies at all levels of government. The adjustment added some new taxable subheads such as the National Information Technology Development levy, land Use Charge, Hotel, Restaurant or Event Centre Consumption Tax, Entertainment Tax, Wharf Landing Charge, and some others. The Law has also removed the ceiling on Business Premises Registration and Renewal fees in urban and rural areas and left it in the hands of each State. The tax law made available to The Tide indicate that an entirely new section (Part IV) has been added to deal with "Harmonised Taxes and Levies" which emphasises that the collection of the taxes and levies listed in the law are harmonised between the State and Local Governments. Such harmonised taxes and levies include Inter-State Road Taxes Sticker designed by the Joint Tax Board, Single Haulage Fee, Wharf Landing Charge, etc.

In a statement in Port Harcourt, the RIRS noted that by this development, the Service and other revenue agencies of States have been given clear mandate by law to collect taxes and levies on more subheads and thereby increase the locally generated income



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The Tide gathered that 14 new tax subheads have been added for the States to collect, including land use charge; hotel, restaurant or event centre consumption tax; entertainment tax; environmental (ecological) fee; mining, milling and quarry fees; animal trade tax; produce sales tax; slaughter or abattoir fee (where State Finance is involved); infrastructure maintenance charge; fire service charge; property tax; economic development levy; social services contribution levy; and signage and mobile advertisement jointly collected by states and local governments.

Sequel to the release of the Official Gazette of the Federal Republic of Nigeria. The Rivers State governor, Ezenwo Nyesom Wike has assented to two new bills into law. The two bills stated below suggested being in agreement to the official gazette of the federal republic of Nigeria NO.77 Vol 102:

1. Rivers State Taxes and Levies Miscellaneous Provisions Law Number 2, 2016, Rivers
2. State Hotel Occupancy and Restaurants Consumption Law Number

However, there seem to be other expectation from RIRS that is yet to be revealed concerning the new outlook for rivers Tax system mostly with the informal sector.

Objectives

The objectives of this research are to:

To understand the administration of taxation of the informal sector in RIVERS State as it affect 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 RIVERS state to inform advocacy and policy review



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- To empower workers in the informal sector of their tax liabilities and mobilize active citizenship for right based approach to tax Administration.
- To increase awareness about tax issues in the informal sector in RIVERS state to encourage voluntary tax compliance and demand for accountability in revenue management

2.1 Methodology

The research utilized qualitative and quantitative methods in collecting the data in the target local government areas. This process includes desk review, development of data collection tools, administration and literature review. Three LGAs were sampled, each representing a senatorial district. 100 questionnaires were distributed in each senatorial district, totalling 300 questionnaires. 60.3% of the respondents were men, while 39.7% were women. The sampling techniques for the selection of population size were both random and purposive (judgemental). The research relied on primary and secondary data. The primary data were gathered through the questionnaires distributed to respondents and short one-on-one discussions/interviews. While on secondary data, the researchers relied on by-laws, tax acts and publications from relevant government agencies and the Chartered Institute of Taxation Nigeria etc. With regards to the data analysis, we used the descriptive method of data analysis, which entails the use of tables and percentages to aid the presentation and discussion of data gathered.



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RESEARCH DESIGN

The research uses both qualitative and quantitative methods to answer each research question. The questionnaires were administered through the use of interviews. On the whole, a total of three hundred 300 copies of questionnaires were administered. The following table summarises the methods used to answer each question according to their respective LGAs:

3.1 Instruments

The research instrument was prepared and validated by the co-ordinating committee of Rivers State Tax Justice Platform, under the guidance of Marshal Ekpete, a doctoral research fellow in Finance and George Ajumogobia, member of Chartered Institute of Taxation in Nigeria, CITN. Equally, oral interviews were adopted to engage tax authorities at the state and local government levels. A total of 300 participants responded to the questionnaires administered to them: 100 in Ahoada East, 100 in Port Harcourt City and 100 In Eleme LGAs. The respondents were randomly picked from the sub-population which is targeted as the informal sector (See Appendix I for the questionnaire distributed)

3.2 Sample

We used the random and judgmental Sampling techniques to acquire a section of the population to perform the study. A sizable number of questionnaires amounting to 100 questionnaires were distributed to each LGAs namely, Ahoada East, Port Harcourt and Eleme to be precise, to capture the opinion of representatives of small business operators, unions, traders etc. Having the knowledge that the density of the targeted population are found in the LGA headquarters, we then chose to administer the questionnaires to the business community in the local government capitals. Hence it is important to note that the groups selected are representatives of the population that makes up the informal Tax Sector.

We constituted a three man teams [3 groups, 3 persons] drawn from

The research instrument was prepared and validated by the co-ordinating committee of Rivers State Tax Justice Platform,

the Rivers Tax Justice and Governance Platform to carry out the research in the identified project impact LGAs of Rivers state. Team members are proven to have reasonable knowledge of the research theme. They are familiar with the languages spoken in these localities. The source data collected are through one-on-one administration of structural questionnaire. On the whole, a total of three hundred (300) copies of questionnaire were administered by the teams.

3.3 Data Analysis

We adopted a descriptive method of data analysis to give an explanation of the information gathered from respondents. For lucidity, simple statistical uses of percentages were presented in tabular form to discuss the data assembled from respondents. Also, we utilized historical/secondary data such as tax laws and publications of tax institution and agency. These historical publications were meant to give more credence to the primary data.

3.4 Challenges

The research came across several challenges ranging from limited resources [money and manpower] to cover the remaining 20 local government out of 23, and other external factors wherefore, making it challenging to examine the broader view of its purpose. It was also problematic acquiring information on the subject matter, based on the positioning of the political division in the state even unto public office holders.

Due to the increasing power tussle between the two prominent political parties in the state, the contest to assume the centre stage in the political scene is tightened and has affected the operation of public office holders. Especially senior level cadre in the civil service. This scenario is common in Port Harcourt City local government [state capital] where the presence of the ruling party is high, and Eleme local government which is believed to be dominated by the presence of the opposition party.

It is said that most civil servants have aligned themselves between party lines as against the law prohibiting them (Public Civil Service Rule O30422, January 2013), hence the need to gain access to information within their jurisdiction is seen to be a threat and may as well be used against them. They hide behind rigid protocols to frustrate efforts that may lead to access to relevant information.

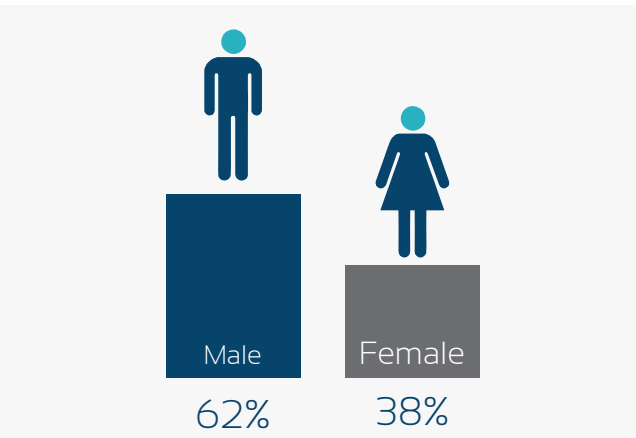
Small business operators, union workers (i.e. NURTW in some locations who declined to participate) feared the intention of the survey, having the assumption that the rationale behind it could be to identify and/or map defaulters in the business community who are not complying with tax levy payment. Future research can build on the findings of the current study.

RESULTS

Research findings for Ahoada East Local Government

Sex Disaggregated

The data disaggregated by sex in Ahoada East indicates more male involvement in business in the informal sector. 62% of the respondents interviewed are male, while 38% of the respondents are female. Responses gotten, clearly showcases the dominance of men doing business in the informal tax sector. This fact may be subjected to further causes



Age Bracket of Respondents

Majority of the people involved in commercial activities as a means of survival falls within the age gap of 18-45: This is to say that the changes in the age structure of the workforce are found to be significantly connected with changes in aggregate productivity.. Giving the rundown, 49% of the respondents fall between the age gaps of 31-45. 41.0% of the respondents fall under the age of 18-30 and 10.0% of the respondent belongs to the category of 46-60 in Ahoada East local government



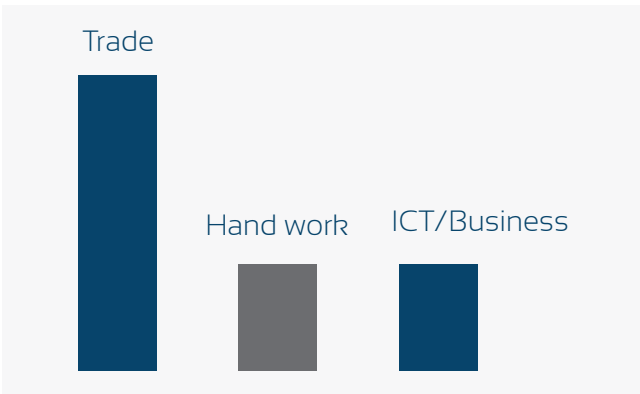
Education Level of Respondents

The propensity of poorly educated people in the business community of Ahoada East is widen compared to those who have attempted to acquire university education. The number of people with first school living certificate (FSLC) is 14.0% therefore; those are the people with only primary school certificates. 28.0% of the correspondent is said to have gained Senior Secondary School (SSCE) level education, whiles 12.0% of the respondents claimed to have attained NCE/ND level education in the local government. Only 12.0% of the sum respondents have HND/BSC education. 5.0% of the respondents claimed to have higher [post degree] level education in the informal sector. 6.0% of the respondents subscribed to technical trainings which are to say that they lack formal education in a class room setting. Trade test 7.0% of the respondents suggest they have trade test education while 16.0% of the respondents did has no form of formal education.

Economic Activities of Respondent

Majority of the business unit who participated in the overall interview are traders engaged in buying and selling of goods which makes up 58%. 21.0% of the respondents generate income through unique skills, some could be described as artisan or at the advanced level seen as an entrepreneur.

Whiles the 21% of the respondent are into information communication technology chain of business in the local government.



Tax Compliance

One of the important questions asked was if the respondents pay taxes and levies. 74% of the respondents' ascent to the claim that taxes and levies are paid. 26% of the respondents attest to the question that they don't comply with tax payment. Like some of the interviewee, Gande

Moses, a business man in the LGA said, "The condition of treatment given by the tax enforcement officers to indigenes is different from

what non-indigenes enjoys". 26.0% of the respondents reveal that some persons who could be indigenous people do not respond to payment of taxes and levies.

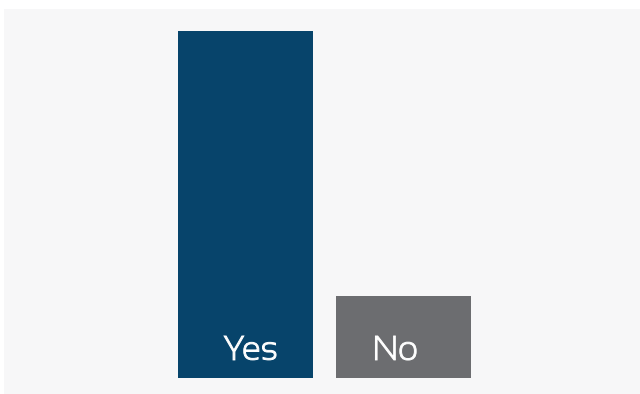


Understanding the Purpose for Tax and Levies Payment

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Do you understand the Taxes and Levies imposed by government?

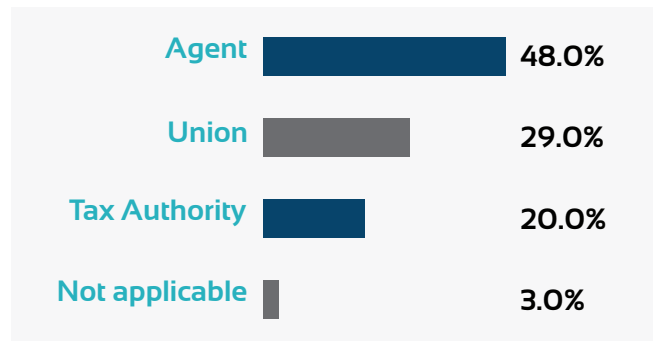


Revenue Collection

To whom taxes and levies should be paid to seem to be understood clearly by business operatives in the local government. The union, local and state government are all present at their various points collecting revenue. This arrangement is common

in the motor parks of Ahoada East local government. 48% of the respondents pay their taxes and levies to the revenue agents. 29 % commit payment to the Unions whiles 20.0% pays directly to Tax Authority and 3% do not pay tax (not applicable) to any of the authorities.

Who do you Pay to



Paid through the Use of Force

Forceful demand of revenue from the business community of Ahoada East is still far from ending anytime soon. "The pattern at which revenue is currently collected is poorly coordinated especially that of the local government council", said Prof. Chineme, a local welder at the scene when the survey was conducted. 61% noted the forceful collection of revenue from their business locations. This is nearly the figure of persons who claimed to have pay taxes and levies in table 5. 39.0% of the correspondent refute the claim that taxes and levies are not forcefully collected.

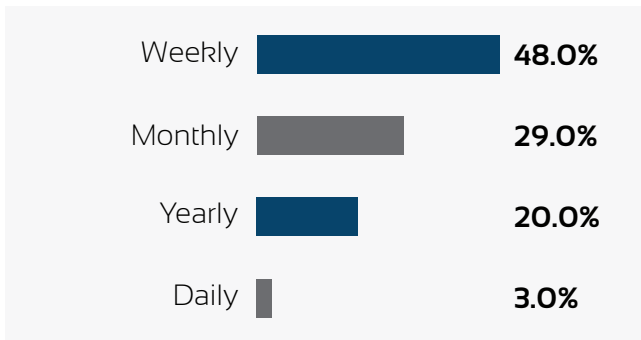
Paid through the Use of Force?



Payment Period

Classification of taxes and levies payments is bent on the nature of business the tax payer is entwined with. Some businesses are levied on a daily and weekly basis e.g. transport and some of the market merchants, 15% of the respondents accounts for daily remittance. 14.0% of the respondents pay their respective taxes and levies weekly. 28.0% pays monthly, while business that are seen as fairly organized with some level of system in place to support their administration remits taxes and levies yearly, 43.0% of the respondents makes up the population.

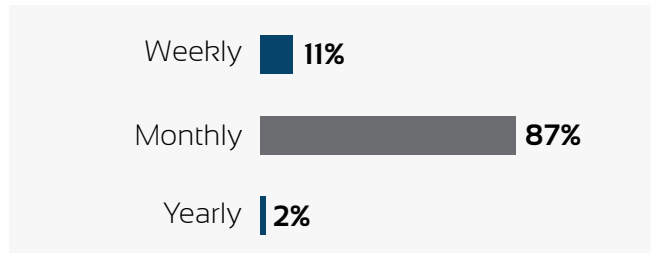
Who do you Pay to



Persons who uses Tax Identification Number

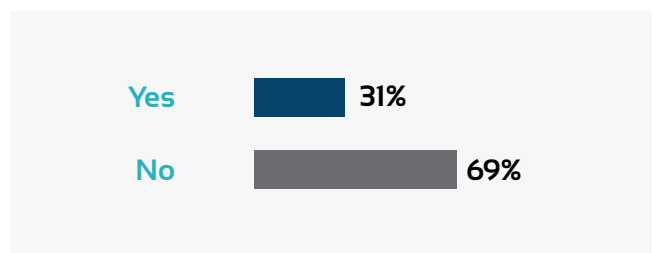
Tax identification Number mostly referred to as TIN is a unique identifier issued by the Nigerian Revenue Authorities to taxpayers for tax purposes as provided by the law. 87% of the respondents have TIN number. Possible reason could be that the business community of Ahoada East have surface knowledge or have not realized its existence. 11.0% of the correspondents have TIN number, this result could be spill effect from the state capital, particularly persons who's because connects regularly with the state capital. 2.0% feel it is not applicable to them in their locality.

Who do you Pay to



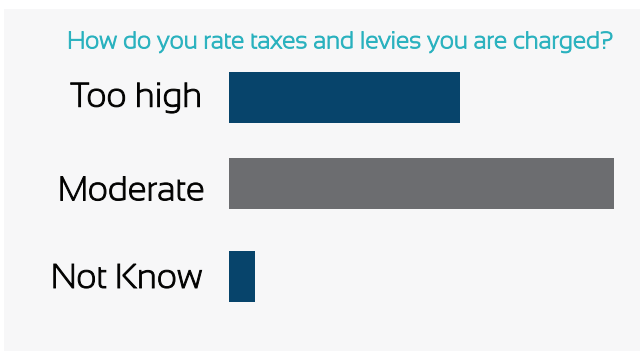
Relevant Taxes and Levies for business categories

Tax payers can be exploited through crowd taxing, having a mix calculation of applicable and non-applicable charges imposed on the business community for compliance. 69% of the respondents do not know the relevant taxes and levies they ought to pay. 31.0% of the correspondent claimed to know the relevant taxes and levies they should pay in line with their business. The outcome of table 11 expresses the need for the government to carry out some form of enlightenments for the business environment in Ahoada East LGA.



Taxes and Levies Rate

Rates, Taxes, Levies and fees are expected to be given a fixed amount which should be calculated based on the percentage of income earned by the business entity in question. At that point, the tax authorities are to properly educate the people on how to calculate their levies and taxes in order to help them make tax projections and plans for each given fiscal year. 36% of the correspondent feels the rates are rising higher. According to testimonies, tax agents conduct on spot assessment not withstanding business turnover. This contributes to tax tension and open up avenues for revenue officers to be compromised in the process, resulting to tax avoidance. 60.0% of the respondent considers the taxes and levies charged moderate, on the condition that it shouldn't be increased or better if reduced. 4.0% of the respondents do not know if it is too high, moderate or low



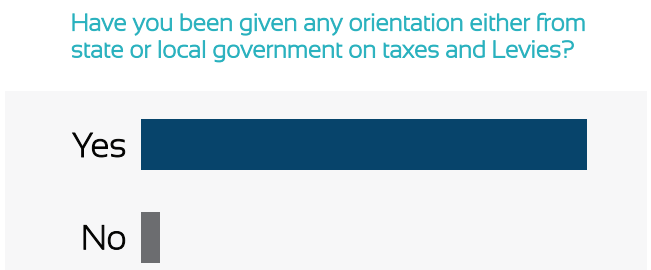
Knowledge of Penalty for Tax Defaulters

69.0% of the respondents claimed to have an understanding of how tax defaulters are penalized. This aspect of the question varies from the kind of penalty local government would issue to that state government. This will be done in accordance with the relevant law empowering the authorities to penalize defaulters. 31.0% not aware of the penalty of not paying timely.



Effort by Tax authorities in the State & Local government to sensitize the public

In Ahoada East local government 6.0% of the correspondents have had orientation from either the state or local government. However the claims could not be verified as they could not provide name of the organization that carried out the sensitization. While 94.0% has not had any orientation from any authority or private sector.



Willingly Visited a Revenue Office to Pay Taxes & Levies

The respondents see the determination of visiting the revenue collection office to declare their income to the tax authorities is an act of indictment hence 93.0% lacks confidence in system to declare their income for fear of victimization. This pose the need for reorientation and awareness creation for adequate enlightenment in the business community. 7.0% of the correspondent claimed to have visited the revenue office to make levies and taxes to the government.

Have you voluntarily gone to declare to declare your income and pay your taxes and levies to government?



Legality of Revenue Collection

55.0% of the persons that responded to the questionnaire see the taxes and levies paid to government as illegal, due to the behaviour of the agents sent by the local government to collect these fees on their behalf. Victoria Chiejine said, "Fees collected as taxes and levies are not remitted to the treasury of the local governments, the money most times is share at the point of collection". Equally, Prof. Chineme also commented on the purpose to which taxes and levies that are paid, "monies collected cannot be seen in the society, the environment is dirty, no maintenance of public infrastructure including the LGA office". He noted that people are willing to pay taxes but the government on their part need to be accountable by providing an enabling heaven that contributes to economic development in the society for business to thrive. 45.0% of the respondent sees taxes and levies as a legal instrument of social responsibility everyone should be concerned with and contribute regularly through tax.

Do you think the taxes and levies charged you are illegal



Attitude of Revenue Collectors toward business owners

56.0% of the respondents are of the opinion that behavioral communication change in this context is concerned with individual character, how one relates his/her tune of discussion with revenue officers –agents, union, and tax authorities- could determine the positivity or negativity of the discussion. 44.0% feels that the approach taken by revenue officers to collect taxes and levies is on the aggressive side.

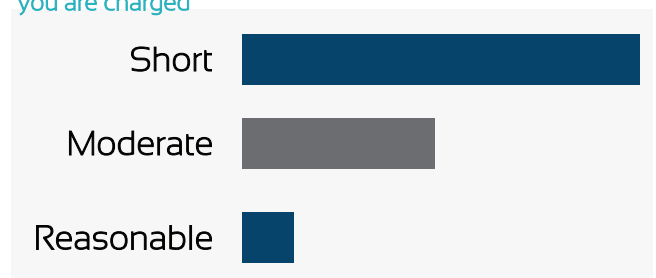
How do the taxes and levies collectors behave to you



Duration of Demand Notice

Levies and taxes demand notice creates a window period for late payment and outstanding returns to be processed. 62% of the respondents claimed that the window period is short to meet up outstanding payments. 30% of the respondents suggest that the window period given is moderate and 8% of the respondent deemed it reasonable

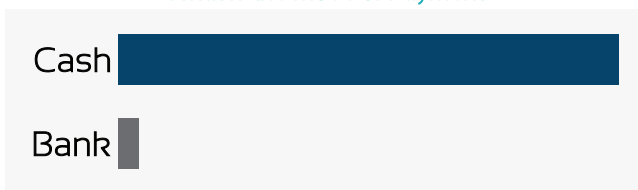
Are you given notice of the taxes and levies you are charged



Legality of Revenue Collection

The chart below indicate low usage of banking facilities as a tool for revenue collection in Ahoada East local government. 96% of the respondents prefers to pay in cash taxes and levies. Various range of issues can arise from this mode of payment which include: loss in revenue, bribery of revenue officers to ignore backlog of unremitted fees, and uncomprehensive number of businesses in the tax net etc. 4% of the respondent claimed that they carryout tax payment through the bank.

What is the mode of Payment



Receipt to Acknowledge Payment

The receipt is a valid document that contain list of item(s) paid for. This is often issued by the receiving entity on behalf of the authority after confirmation of payment whether cash, electronic or in the banking hall. 58% of the respondent said they are given valid receipts after payment. 42% of the respondent claimed that revenue officers do not issue them receipt, this indicate that there is a leakage in the system. Therefor the tax authorities need to set up an inquiry team to investigate and close up the loop holes from which revenues are lose.

Are you given a Valid Receipt after Payment

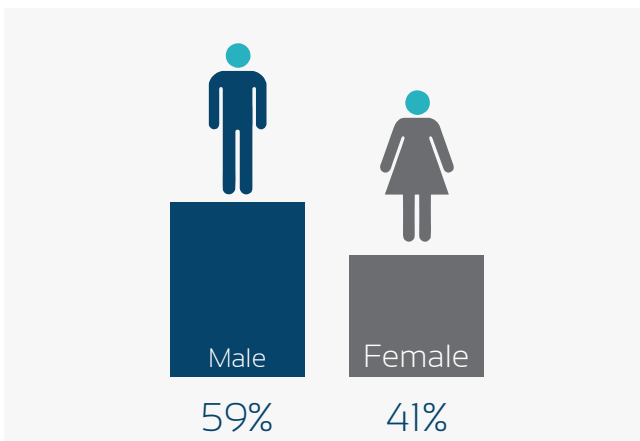


RESULTS

Research findings for Port Harcourt City Local Government

Sex Disaggregation

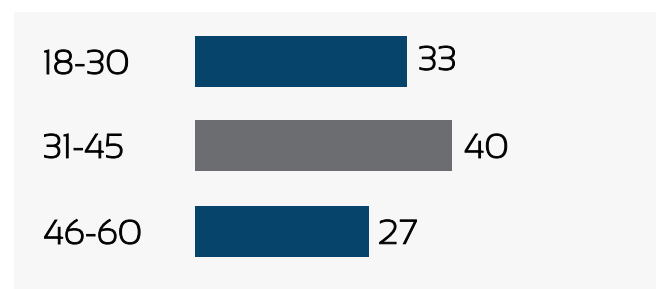
The labour force population disaggregated by sex in the informal tax sectors of Port Harcourt city Local government shows that men are more engaged in micro, small and medium business which is not limited to other kind of service providers like transport workers. 59 respondents [59%] out of 100 are male dominating the informal business environment with the margin of 18%. The outcome of table 1 could be different if taken to business context specifics (i.e. hospitality, fashion, welding, woodwork, boutique etc.).



Sex Disaggregation

Respondents interviewed have been living in Port Harcourt city local government not fewer than 4 years and has been in operating their businesses for minimally two years. This validates the opinions of the respondents on the kind of practices that goes on in the business community as it involves

taxes, levies, fee and all forms of revenue collection.



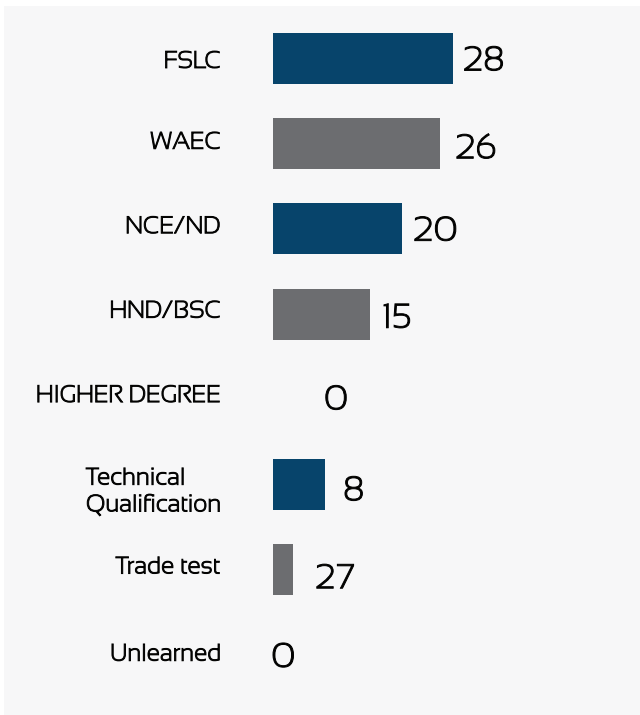
Education level of Respondents

One of the questions asked in the research instrument has to do with level of education of the respondents.

The responses we got [see table 2 above] upholds that majority of the business owners in the informal sector are poorly educated. Respondent who are sufficiently educated to know and appreciate the purpose of taxes and levies matters are ranked at 15% with HND/B.Sc. certification. 20% of the respondents have NCE/National Diploma education. 26% have post-primary education. 28% said to have the basic primary education.

This component of the survey asserts “the progressive decrease of pupils that were enrolled into basic 1 at the commencement of the six-year full course of primary education for the schools of LGA (20) by 97 or 38% alarming decrease”. – addressing the alarming state of poor level of education among business people in the local government.

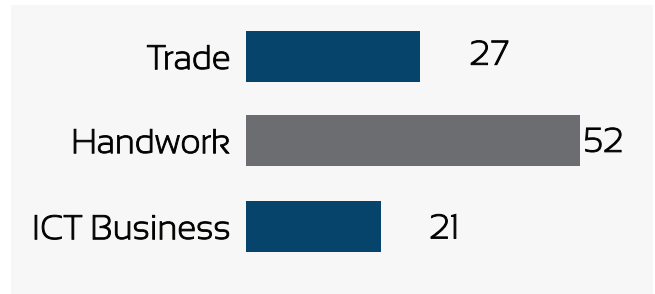
There should be an urgent intervention that will establish a mechanism that will support the flexibility of adult literacy programme to assist poorly educated people in improving or acquire academic knowledge that will enhance various aspect of their business performance.



Economic Activities of Correspondents

The answer to this question points to the economic activities respondents are involved in, which includes: artisan, traders, unions and ICT businesses. The line of trade were categorised into three main entities. Through these setups, efforts toward improving the chances of economic activities can be supported using corporative clusters to boost income for more revenue for development in the local government. 52% of

respondents are skills based while 27% are into exchange of goods and services. The remaining 21% are involved in either sales or rendering small scale ICT oriented businesses.



Tax Compliance

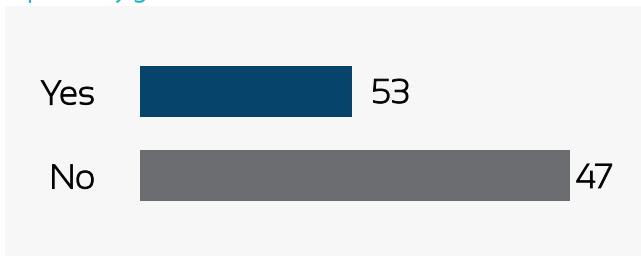
53% of the [53] respondents demonstrated willingness of paying levies and taxes to the local and state authorities. They claim to be consistent in paying the relevant fees to the revenue authorities. This shows that people doing business in the urban areas are about 53% covered into the tax net. Therefore it is essential for the government to increase moral ethics that encourages willingness of tax payers to pay their quota as at when due.



Understanding the purpose for taxes and levies payment

The claimed level of understanding the taxes and levies imposed by government may not be understood according to policy direction in pursuit of development demand to serve the public. 67% of the respondents to this end claimed they have understanding of the levies, taxes and rate they are required to pay as mandated by the law. 33% do not understand and may endeavour to avoid payment of tax. The taxes and levies are to be streamline to serve each respective purpose.

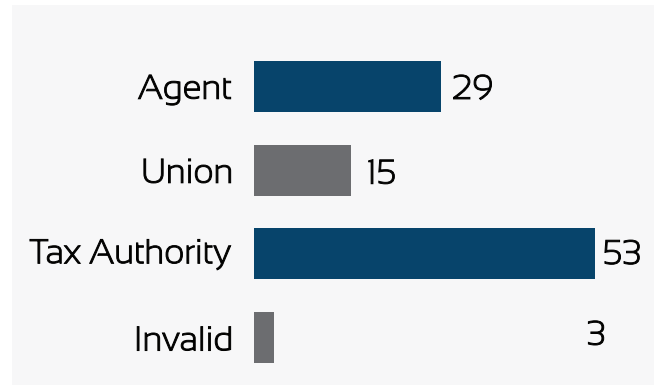
Do you understand the taxes and levies imposed by government?



Revenue collection

The question as to who receives tax, levies and fees on behalf of the government is not clear citing interviewees responses "different faces comes to collect revenue for the government, sometimes it is difficult to recognise them". 29% of the respondents as shown [in table 7] perceived that they pay to agents (considering little or no means for small business operators to identify the revenue collectors). The traders and transport workers in the markets and parks constitute 15% who pays to the unions apart from the semi-organised shops who employs the services of Pillar Association, a tax collection institution with members across the state. 53% of the respondent agreed they pay revenue to tax authorities.

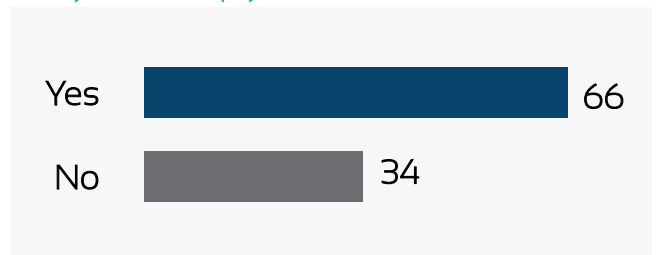
Whom do you pay to



Paid Through the Use of Force

66% of the respondents suggest that taxes and levies compliance is achieved through the use of force. 34% do not consider paying tax through the use of force.

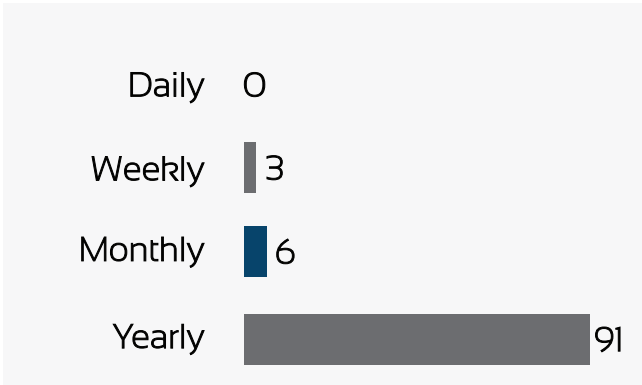
Were you forced to pay tax?



Payment Period

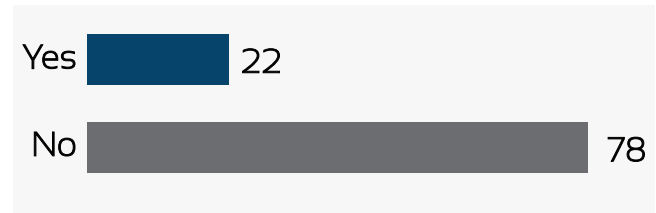
91% of the respondents pay their due to the relevant authorities yearly. 6% pays monthly and the nominal 3% can be attributed to traders and transport workers who remit daily to the appropriate quarters, according to the research instrument.

Do you pay daily?



the relevant fees they are required to pay. 22% claimed to know what is expected of them to pay.

Do you know the relevant taxes and levies to pay in your line of trade / business?



Persons who uses Tax Identification Number

The chart below indicates that the importance and use of Tax Identification Number (TIN) is yet to be appreciated by 97% of persons doing business in the informal sector. Only 3% who claimed to have TIN number. The effectiveness of the use of TIN in Port Harcourt City local government and in Rivers state will be determined by further studies.

Do you have TIN number?



Taxes and Levies Rate

There seems to be a close disparity on the subject if the "taxes and levies charged are too high or moderate". 52% percent of the respondents are of the opinion that the fees charged is high, probably speaking based on the effect it has on their business. 48% maintains that the taxes and levies charged are moderate.

How do you rate taxes and levies you are charged?



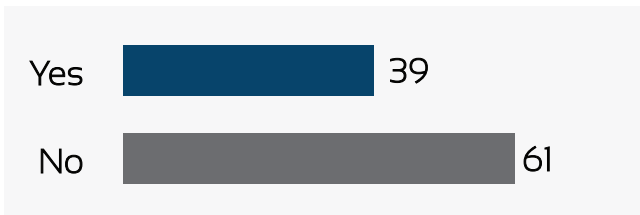
Relevant Taxes and Levies for business categories

78% of the respondents negate the claim to have knowledge of the relevant taxes and levies to pay in their line of trade. This opens up an opportunity for tax authorities to sensitise tax payers in the informal sector according to their line of trade on

Knowledge of Penalty for Tax Defaulters

61% of the respondents as revealed in the table 13 said that they do not know the consequences for refusing or avoid tax payment. 39% assume they know the penalty for not paying taxes and levies timely. To test their knowledge of the consequences for tax defaulters and procedure to redeem the penalty sanction on them remains subject for further discussion.

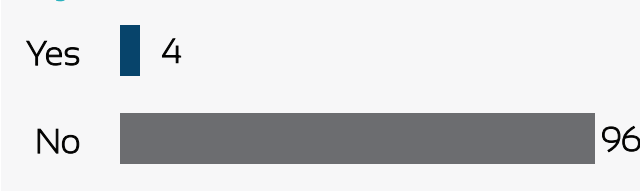
Are you aware of the penalty for not paying taxes and levies timely?



Effort by Tax authorities in the State & Local government to sensitise the public

96% of the respondents submits that attempt have not been made to give them orientation whether it be change in tariff, levies and taxes. Not either from the local nor state government officials. 4% affirms that orientation has been conducted from the local council

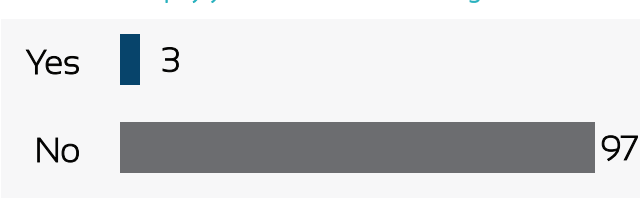
Have you been given any orientation either from state or local government on taxes and Levies?



Willingly Visited a Revenue Office to Pay Taxes & Levies

97% of the responses received stated that they have not gone to the tax authorities in the local & state government to declare their income for tax payment. 3% of the respondents claimed to have been in the relevant office to pay taxes.

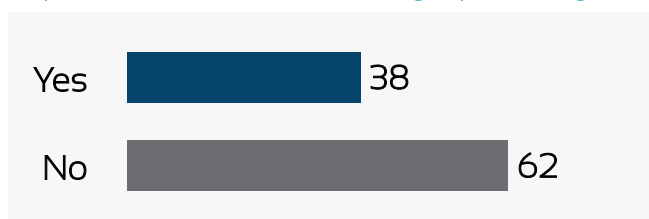
Have you voluntarily gone to declare to declare your income and pay your taxes and levies to government?



Legality of Revenue Collection

The level of services delivery has attracted the insight of tax payers to the question, which is if Taxes and levies are legal or illegal. 62% is of the opinion that tax is a legitimate action made by the government to mobilise resources from the people for development needs or to respond to emerging challenges as the case may be. 38% of the respondents decline to the reasoning that taxes and levies is legal.

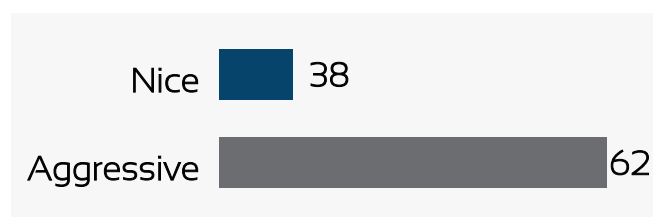
Do you think the taxes and levies charged you are illegal?



Attitude of Revenue collectors toward business owners

84% of the respondents show aggressiveness of tax agents during reminder and enforcement. This also coincided with table 8 [66% of the respondents suggest that taxes and levies compliance is achieved through the use of force]. 16% stated that they receive nice response from tax enforcement agents.

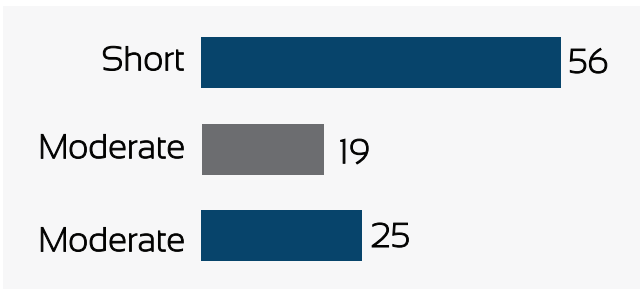
How do the taxes and levies collectors behave to you



Duration of Demand Notice

56% of the respondents is of the opinion that the duration given to fulfil their tax responsibility is short. 25% of the respondents suggest that the notice is reasonable and 19% Okays the time frame on the notice given.

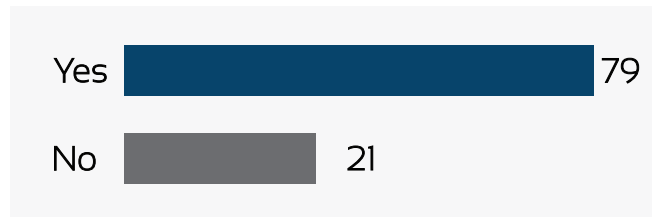
Are you given notice of the taxes and levies you are charged?



Receipt to Acknowledge Payment

79% of the respondents attest to the fact that receipts are given after payment, 21% disprove the claim that receipts are issued after payment by tax representatives. The results of this could imply that taxes and levies are not paid through the proper channel or those who are affected has not made demand for acknowledgement of funds received from them.

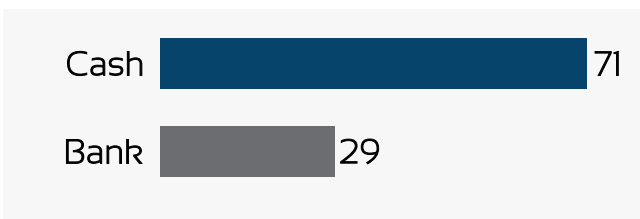
Are you given a Valid Receipt after Payment



Mode of Payment

The chart below shows low patronage of subscribers using the facilities of financial institution to pay their taxes and levies. 71% of the respondents prefer to carryout cash transaction in regards to payment and 29% uses the bank facilities to pay their bills. It could me that either the greater percent of the respondents less educated about the use of the available facilities or the facilities are difficult to access.

What is the mode of Payment

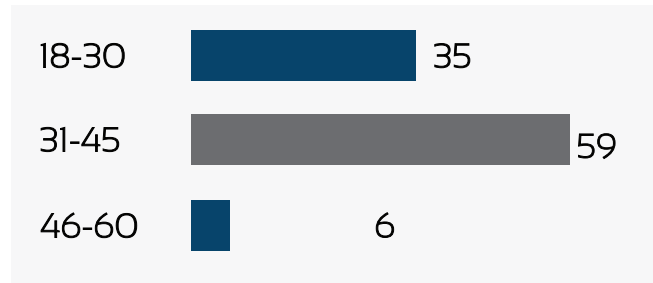
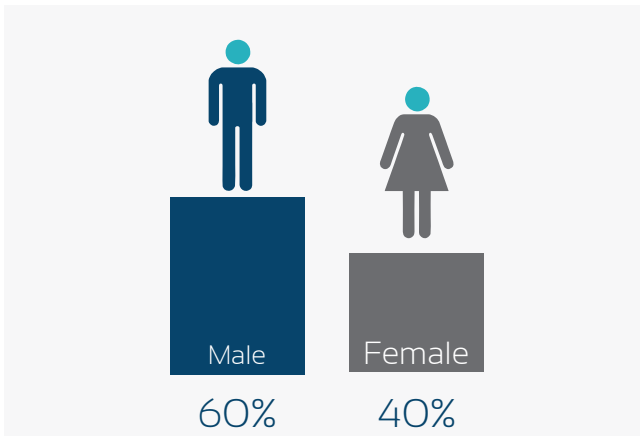


RESULTS

Research findings for Eleme Local Government

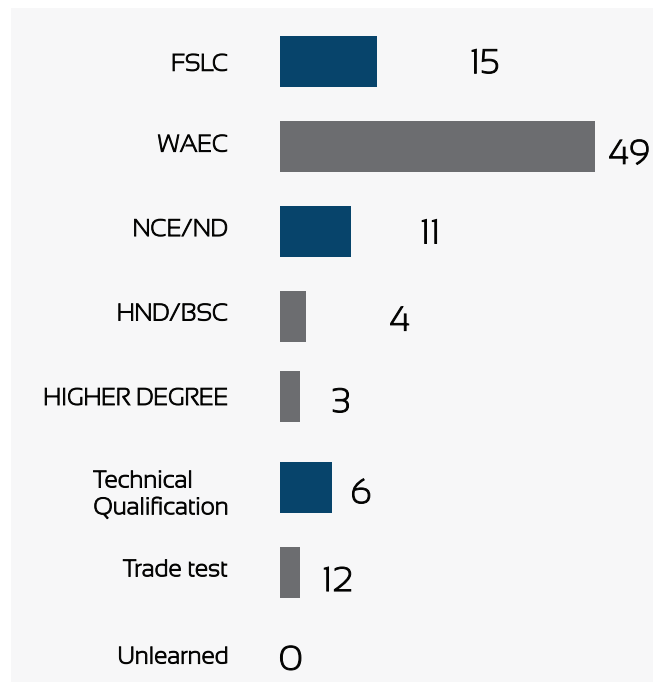
Sex Disaggregated

In Eleme local government 40 (40%) female responded to the questionnaire while 60 (60%) were male, making a total of 100 participants from the local.



Education level of Respondents

15 (15%) of the correspondents from Eleme local government are First School Leaving Certificate (FSLC), while 49 (49%) WAEC, 11 (11%) NCE/ND, 4 (4%) HND/BSC, 3 (3%) Higher degree, 6 (6%) Technical qualification, 12 (12%) Trade test and 0 (0%) uneducated.

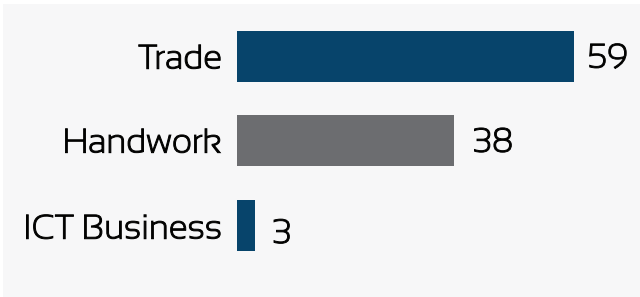


Age Bracket of Respondents

35 (35%) of the correspondent fall under the age 18-30, while 59 (59%) are under the age of 31-45 it carry's the highest percentage because at that age they were done with learning of trade and education for those that have skills and at that age most are married. And 6 (6%) of our correspondents are within 46-60 age group.

Economic Activities of Respondent

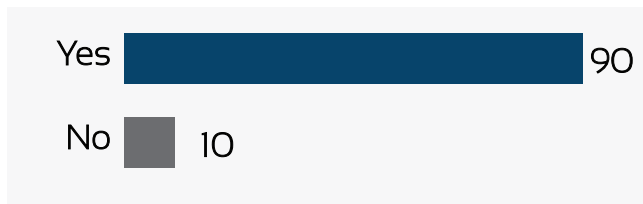
In Elem local government 59 (59%) of the correspondents are traders who are into buying and selling of goods in the market, streets and motor pack. 38 (38%) earn their daily income with the skills (hand work) they learnt and 3 (3%) are ICT personals.



Tax Compliance

In Elem 90 (90%) of the correspondents pay's taxes while 10 (10%) do not pay taxes'

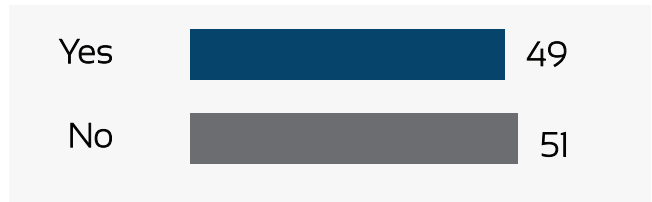
Do you Pay Tax?



Understanding the Purpose for Tax and Levies Payment

49 (49%) of the correspondent understands (yes) the types of taxes and levies imposed my the government while 51 do not understand (no)

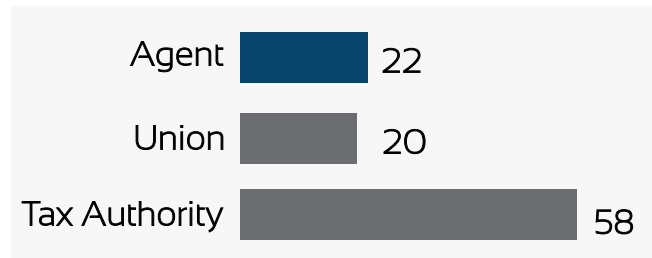
Do you understand the Taxes and Levies imposed by government?



Revenue Collection

In Elem local government area 22 (22%) pay to agents, 20 (20%) to union and 58 (58%) to tax authority.

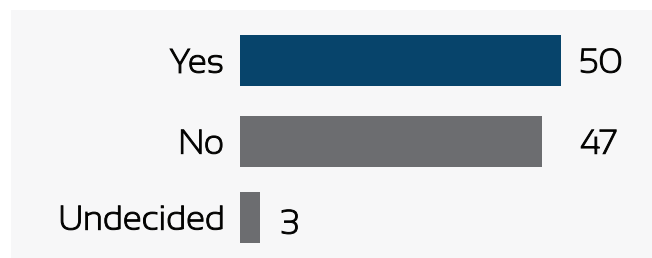
Who do you pay tax to?



Paid through the Use of Force

50 (50%) of the correspondent where forced, 47 (47%) were not forced while 3 (3%) are undecided.

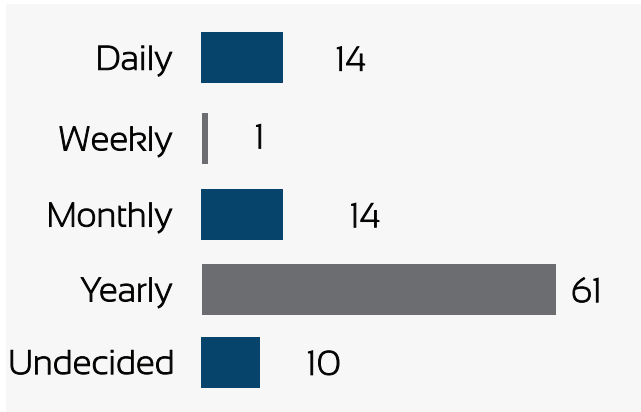
Were you forced to pay tax?



Payment Period

From the responds we got from Elem 14 (14%) pay daily, 3 (3%) pays weekly, 14 (14%) pays monthly, 61 (61%) pays yearly while 10 (10%) are undecided.

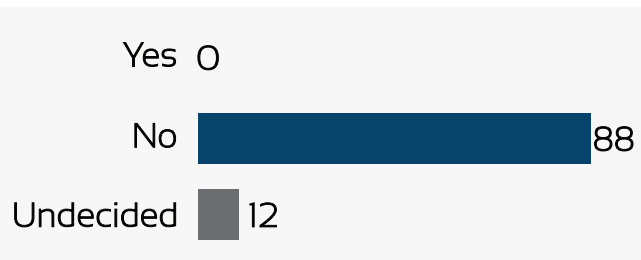
Were you forced to pay tax?



Persons who uses Tax Identification Number

0 (0%) of the correspondent have, 88 (88%) do not have TIN number while 12 do not even know what TIN number is undecided.

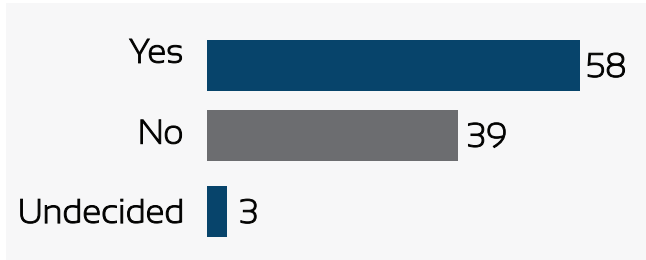
Do you have TIN number?



Persons who uses Tax Identification Number

The correspondents in Elem 58 (58%) said they know the relevant taxies and levies they should pay, 39 (39%) not know which could be as a result of the in-illegal bodies that comes to collect money from them and 3 (3%) do not have anything to say about it undecided.

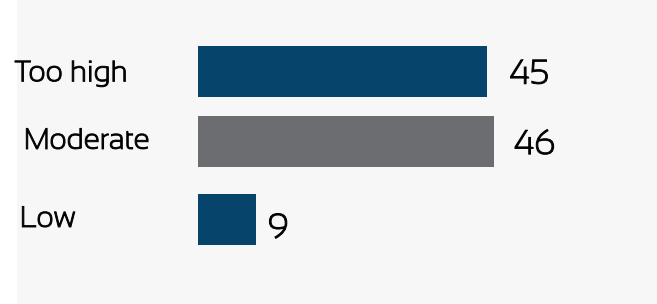
Do you know the relevant taxes and levies to pay in your line of business



Taxes and Levies Rate

In Elem local government area 45 (45%) says the charges are too high and should be reduced, 46 (46%) feels it is moderate while 9 (9%) says it low and should be increased.

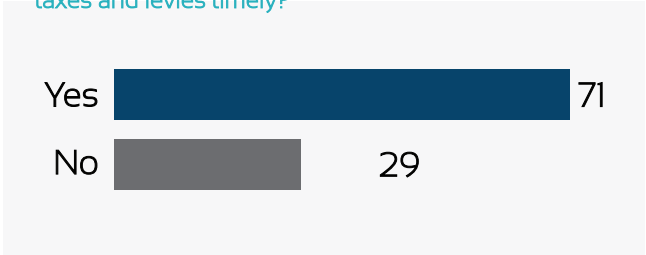
how do you rate taxes and levies charged



Knowledge of Penalty for Tax Defaulters

71 (71%) of the correspondent in Elem are aware of the penalty of not paying taxes and levies in time while 27 (27%) are not aware of the penalties.

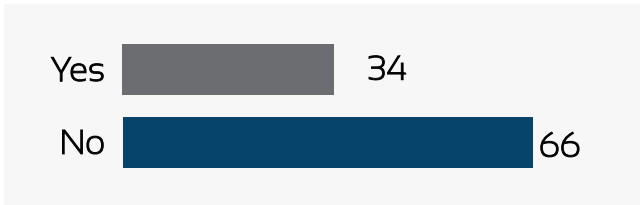
Are you aware of the penalty for not paying taxes and levies timely?



Effort by Tax authorities in the State & Local government to sensitize the public

In Elem local government area 34 (34%) of the correspondent has had orientation either from the state or local government on taxes and levies while 66 (66%) have do not had any orientation.

Have you been given any orientation either from state or local government on taxes and Levies



Willingly Visited a Revenue Office to Pay Taxes & Levies

16 (16%) out of the total correspondent in Elem has gone on they own to pay their taxes (yes) while 84 (84%) have not gone to pay taxes and levies on they own.

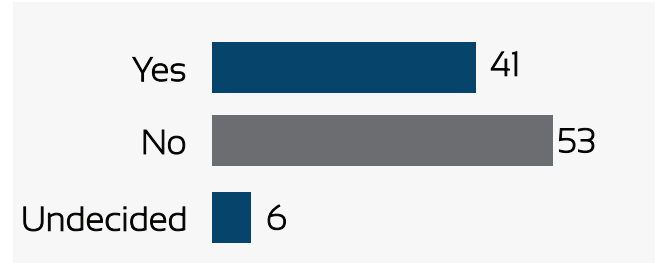
Have you voluntarily gone to declare to declare your income and pay your taxes and levies to government



Legality of Revenue Collection

Some of our correspondent like 41 (41%) thinks the taxes and levies charged are illegal (yes), 53 (53%) said they are in illegal (no) while 6 (6%) do not have anything to say undecided.

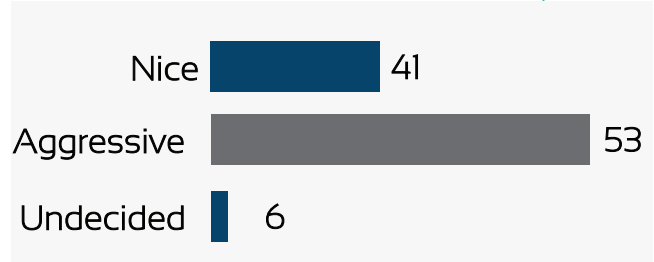
Do you think the taxes and levies charged you are illegal ?



Attitude of Revenue Collectors toward business owners

30 (30%) of the correspondent in Eleme local government said the taxes and levies collectors are nice, 67 (67%) says they are aggressive while 3 (3%) are undecided.

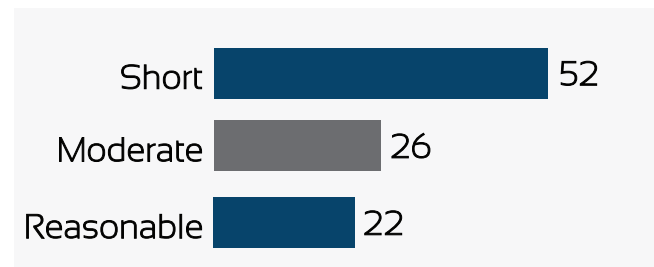
How do the taxes and levies collectors behave to you



Duration of Demand Notice

From the total correspondent 52 (52%) said they are giving short notice, 26 (26%) are giving moderate notice while 22 (22%) are giving reasonable notice before the taxes and levies are collected.

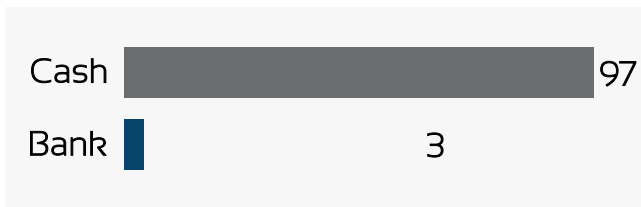
Are you given notice of the taxes and levies you are charged



Mode of Payment

96 (96%) of the correspondent are issued receipt after payments are made while 4 (4%) are not issued receipt as a result of paying into wrong hands or maybe they only tip the personals.

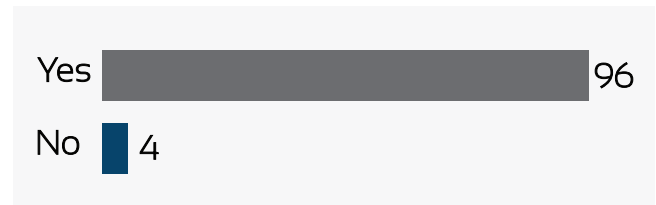
What is the mode of Payment



Receipt to Acknowledge Payment

Most of the correspondent about 97 (97%) pays cash in that way the money that will be remitted to the illegal authority might be very small while 3 (3%) pays in the bank

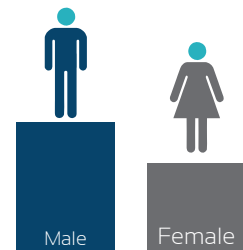
Are you given a Valid Receipt after Payment



KEY FINDINGS PROFILE

The analysis of data reveals these key findings:

- The aggregate percent indicated more involvement of men [60.3%] in small scale business as against women [39.7%] in the informal sector in Rivers state.
- Out of the three age category. It is observed that the age gap 31-45 (men and women) occupies nearly 50 percent [49.3%] of the labour force in the informal sector. This infers that government at all level should invest in micro business schemes for young skilled and unskilled workers. This initiative will create a means for employment and negate the prospects of arm violence and illegal activities among youths in Rivers State and in the Niger Delta.
- That 72.7% of the respondents in the informal sector in Rivers State have below the level of senior secondary school education.
- 48% of the respondents pay taxes and levies to revenue agents, while 29% pay to trade unions and 33% pay directly to tax authorities.
- 61% of respondents noted the use of force in the collection of revenues, while 39% said application of force in minimal in their areas.
- 42% said they are not given valid receipt after payment while 52% acknowledged given receipts
- 96% of respondents said they pay taxes and levies due them by cash, while 4% acknowledged paying through bank
- Having a low turnout [15.0%] of ICT business related activities in rivers state, it poses the questions, either business operatives have not yet optimise the use of ICT services as a tool to increase their market share, financial figures and overall competitiveness or they have not understood the long term benefit of the use of ICT in business. The use of ICT if integrated into the informal sector will create satisfaction for tax payers and reduces barriers in revenue collection for tax authorities.



There is more involvement of men [60.3%] in small scale business as against women [39.7%] in the informal sector in Rivers state.



Government at all level should invest in micro business schemes for young skilled and unskilled workers.

RECOMMENDATIONS

Based on the results from the research the following recommendations are made:

- We recommended that the local government councils update the existing revenue bylaws and also supports the need for periodic enlightenment of the public on tax issues.
- We recommend that revenue officers and or agents responsible for revenue collection should be well-kit [ID card, dressed in uniform, and carrying relevant documents] for identification purposes.
- The local government should maintain a specific warehousing facility for depositing impounded goods of tax defaulters until due process is taking in accordance with the law.
- We recommend that Tax-payers should demand for receipts after payments from taxes and levies collection officers.
- It is recommended for Tax authorities to notify the general public through the most effective means of (print and electronic media) communication if there be change of task officers or new policy is been introduced.
- We recommend that land and property used for commercial purpose be included in to the tax net of the local and state government.
- Local government and State should work to restore the confidence of tax payers in terms of carrying out noticeable projects like environmental clean-up, building of rural infrastructure and other social services.
- A compendium of tax laws should be produced to aid tax citizens engagement in tax justice matters
- The relevant tax authorities should give attention to tax education and awareness, as this will help reduce tax non-compliance.
- some obnoxious tax laws should be amended to reflect the current realities of the informal sector
- tax payers in the informal sector should be considered as an important stakeholder in the process of making or amending tax laws
- Tax authorities should ensure only accredited agents are

Local government and State should work to restore the confidence of tax payers in terms of carrying out noticeable projects

The relevant tax authorities should give attention to tax education and awareness, as this will help reduce tax non-compliance.

allowed to collect taxes and levies

- The relevant authorities should regularly educate/train their agents on how to handle tax payers, at least to put on a human face.
- House of assembly should enact a law mandating corporate organisations situated in the state to announce their presence in their respective location through sign post.
- Tax authorities both in the local and state government should introduce an electronic means of tax payment.
- Property owners and landlords should be drafted in to the tax net project.
- All approved taxes, levies and fees rate are to be tagged with amount payable and same published in a simplified way for compliance.
- The state government needs to initiate a 6 months amnesty period for tax defaulters, whereby all penalties on tax matters shall be burn by the government, the aim is to attract more persons and corporate entities in to the tax net.
- The informal sector should be informed when laws and policies are updated through their respective unions and media outlets.
- The state government should setup a database for the Ministry of Land and Survey to capture all land/property during renewal/registration of Certificate of Occupancy,(C of O).

CONCLUSION

A friendly tax laws and practices targeted at the Informal Sector should be encourage by government at all levels to prevent forceful closure of businesses, loss of jobs and stunted growth in the economy.

Recognizing the role of the informal sector towards internally generated revenue (IGR), the contributions and opportunities for job creation should not be undermine by unfair policies and practices that will in turn compromise the survival of the sector. It is important for governments, including tax authorities to note the degree of demand, participation, and support needed in the informal sector. Therefore, the approach taken toward revenue mobilization should be considered as an investment, wherefore social amenities and basic infrastructures that will help small scale business flourish should be embarked on. Policies aimed at the informal sector should likewise deploy participatory approach, gender sensitivity and social inclusion to represent all interest groups to share an understanding of economic importance on certain matters.

The contribution of non-state actors cannot be overemphasis in carrying out civic education for the development and implementation of policies according to the areas of importance.

