

Contending Issues in Tax Contracting for Revenue Generation in Nigeria

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Abstract

The global fall in the price of crude oil was disastrous for the Nigerian government and it provoked crisis of monumental proportion due to her inability to diversify her economy and the consequent overdependence on oil revenue. This necessitated the various governments at all levels in Nigeria to seek for ways of enhancing their internally generated revenue. In an attempt to realize this objective, privatization of the revenue collection rights became endemic in all tiers of government and orchestrated issues of various dimensions. This paper unveils the asymmetric symbiotic nexus between the 'patrons' and the 'brokers' in Nigeria's tax contracting system as support extended to the state chief executives during electioneering periods is being reciprocated in the form of allocation of the revenue collection rights at the detriment of the local populace. Employing clientelism as a framework for analysis and relying heavily on the secondary source of data collection, this paper explores the contending issues raised by tax contracting in Nigeria.

Keywords: Brokers, Revenue Generation/Collection, Patrons, Tax Farming, Tax Contracting, Tax Contractors.

Introduction

The current trend of contracting government revenue sources to private agents in Nigeria could be attributed to the shortage of funds on the coffers of various levels of government which could be due to the global fall in the price of crude oil. As a result, traditional revenue staffs were no longer relied upon for the enormous task of raising revenue for government developmental projects. The need for the government to provide social amenities, embark on developmental projects, meet its overhead expenses necessitated intensified revenue generation efforts both internally and externally (Rotimi, Aka Udu & Abdul-Azeez, 2013); thus, the adoption of tax contractors by all tiers of government.

Tax contracting or outsourced revenue collection is understood as a system wherein the right to collect certain taxes owed the state is allocated to a private agent. It is a global phenomenon; it was practiced in Mesopotamia around 1750 BC; In England from the late Tudor period until the civil war; by the Mughals of Northern India in the eighteenth century and by France, China, Russia, and Spain at other historical junctures (Fjeldstad, Katera and Ngalewa 2009).

In the United States, the first documented case of contracting out tax collection occurred in 1872, when the

Secretary of the Treasury hired John Stanborn to collect excise taxes from thirty-nine whiskey manufacturers and merchants. Stanborn was compensated by half of the revenue collected. He continued to work until in 1873 accumulating more than \$200,000 in personal gain (Resnick, 2005). In 2004, President Bush signed into law the American Jobs Creation Act often referred to as the corporate tax-cut bill which made provisions that allowed the Inland Revenue Services to use private debt collection companies (PCAs) and private law firms in the collection of delinquent taxes (Resnick, 2005).

In Tanzania, a large number of revenue sources have been outsourced to private agents which include a collection of property taxes in urban councils, market fees in both urban and rural councils, forestry fees etc. (Fjeldstad, Katera, and Ngalewa, 2009). Just recently, South African Revenue Services outsourced the collection of debts older than four years (for a total of R15-billion) to three private agents namely - Credit Solutions, NDS Credit Management and Lekgotla Trifecta Capital Consortium (Seforo, 2016).

In Nigeria, the Federal Government contracted the Professional Import Duties Administrators (PIDA) for the collection of import duties side by side with certain customs officials (Alade, 2015). In Lagos State, from 1996 to 1999, the former military Administrator of the State, Col. Buba Marwa contracted a tax consulting company, Olusola Adekanola & Co. for the purpose of collecting taxes; the administrations of Bola Tinubu and Babatunde

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Fashola contracted Alpha-Beta Consultancy (Emiabata, 2015). The Federal Government also contracted an international tax firm, McKinsey & Co. to assist the Federal Inland Revenue Service, FIRS in strengthening tax collection in the non-oil sector (Usman, 2013). Arising from these developments, there are general believe that the multiple taxes imposed on available tax payers in the country is a fall out of the engagements of these contractors. The effect of this on Nigeria's business environment is lamentable.

Today, the common challenge Nigeria faces is the issue of engaging the youths in meaningful economic activities. Thus, the emphasis placed on small and medium scale enterprises, especially in the last ten years. All tiers of government have been enjoined to embrace the policy, institutional and regulatory framework that fosters entrepreneurship and productive investment. The basic prerequisite for the above is good business environments. Business environment denotes the full range of public policies, institutions, regulations and administrative system within which people and firms operate (Grarelli, 2006). Implicit on the above is that getting the environment right is good for small businesses, whether in the rural or urban sector, as it creates the kind of growth in which poor people can participate - inclusive growth with employment and poverty reduction. Unfortunately the engagements of tax and revenue consultants by states and local governments have led to multiple taxations which seriously and negatively impacts the small scale businesses located both in the urban and rural areas of the country. This situation is more prevalent where local and state governments engage different consultants and service providers for different sources of revenue within the same jurisdiction.

Deriving from the above is that in Nigeria, with the advent of the use of consultants and service providers (some of which are for political patronage) in tax and other revenue collection, there is high rate of poor business environment because of the prevalence of high rate of multiple taxations on businesses especially among small and medium scale enterprises. This results to loss of profit and in most cases, closure of such businesses. More so, there have been arguments on whether these consultants add value to governments' revenue base.

Despite the claimed benefits for the engagement of tax consultants, governments at all levels in Nigeria have continued to bemoan the lack of funds available in their purse. This has resulted to their failure in the area of service delivery over the years. As a result, there have been divergent opinions among scholars and stakeholders on the suitability of the use of tax consultants for revenue generation (Rotimi, Aka Udu & Abdul-Azeez, 2013; Wusu, 2007; Fjeldstad, Katera, and Ngalewa, 2009; Eze, 2013; Emiabata, 2015, & Amaechi, 2017).

It is against this backdrop that this paper interrogates the policy of tax contracting for revenue generation in

Nigeria with the aim of exploring its benefits, determining its problems and unveiling the patron-broker relationship in Nigeria's tax contracting system.

Conceptual Clarifications

Tax Contracting

This is made up of tax farming and privatized tax collection.

Tax Farming

Tax contracting or tax farming is a system in which the state transfers the right of tax collection to private individuals called tax contractors or tax farmers in exchange for a certain fee ("Tax farming," 2010). Here the government (the lessor) resorts to the services of an entrepreneurial financier (the farmer) to whom it leases or assigns the right to collect and retain the whole of the tax revenue due to the state in return for his payment into the treasury of fixed sums ("Farm (revenue leasing)," 2017, Stella, 1993). As a result, tax farmers accumulate great wealth since the taxes and charges they collect exceed by two or three times the amount deposited into the treasury ("Tax farming," 2010).

The practice is most commonly used in the field of public finance, where the state wishes to gain some certainty about its future taxation revenue for the purposes of medium-term budgeting of expenditure. The tax collection process requires considerable expenditure on administration and the yield is uncertain both as to the amount and timing, as taxpayers delay or default on their assessed obligations. In often times, the result of unforeseen external forces such as bad weather affects harvests ("Farm (revenue leasing)," 2017). Tax farmers do not usually deal with individuals; they impose taxes on a community, and how the community raised the funds to pay the taxes was its own business. The system was considered very effective for tax revenue collection but suffered from a tendency of the tax farmers to abuse the taxpayer for collection ("Farm (revenue leasing)" (2017). (Tax farming," 2005) informs that it is only when the system includes checks and balances for the tax farmer as well as the tax payer will the system be truly successful.

There are three forms of tax farming: (1) general, which encompassed a country or the entire tax system; (2) regional, which encompassed a single city or region; and (3) special, which dealt with individual taxes, such as customs duties or revenues from the liquor monopoly (Tax farming," 2010).

Privatized tax collection

This is a system where private individuals or companies collect taxes and pass them to the state in return for a commission or fee, without bearing any risk consequent of default by the taxpayer ("Farm (revenue leasing),"

2017). This method is different from tax farming because, in the later, the tax farmer bears all the risk of defaulted debts. In addition, the tax farmer is often required as a term of the lease to make an early rent payment, which must be financed from his own resources until the revenue stream subject to the farm has started to be collected ("Farm (revenue leasing)," 2017).

Revenue Generation

Government revenues refer to all receipts the government gets, including taxes, customs duties, revenue from state-owned enterprises, capital revenues and foreign aid ("Nigeria government revenues," 2017, Edogbanya & Sule, 2013). Governments collect revenues mainly for two purposes: to finance the goods and services they deliver to citizens and businesses and to fulfil their redistributive role (Organisation for Economic Co-operation and Development, 2016). OECD (2016) submits that political decisions of government determine the total amount of revenues to be collected.

Revenue generation means income production; the creation of income by government over a given period (Ramsey, 2017). Samuel and Tyokoso (2014) note that the basic function of revenue generation is the raising of the fund required to meet government expenditure which could be either the provision of goods and services which members of the public cannot provide.

Benefits of Tax Contracting for Revenue Generation in Nigeria

Some arguments have been raised as the advantages of tax contracting. They include the following:

Enhancement of Revenue

Adekanola (1996) and Wusu (2012) assert that the use of tax consultants in revenue collection by all tiers of government has led to an increase in the internally generated revenue. Okonjo-Iweala while explaining further on the ban of tax contractors, agreed that the implication of the policy to states and the Federal Capital Territory (FCT) Administration is that it will lead to a downturn in their internally generated revenue (IGR) which at that moment is buoyed by the appointment of tax contractors ("FG outlaws tax contractors in states", 2013). There was a report by an official of the Lagos State Government saying that the State values its tax consulting firm because its' revenue output almost tripled that of Lagos State Internally Generated Revenue; and that most state governors hold this view ("Tax consultants, states lobby Presidency, National Assembly," 2007). In the same piece, Ali Modu Sherriff opines that the use of tax consultants arose from the inefficiency of the State Boards of Internal Revenue. He noted that the states don't like inviting the tax consultants, but they (states) are being forced by the State Boards of Internal Revenue (SBIR) to do so because they (SBIRs) abdicate responsibilities and come back to blame the government.

In a report published by an economic intelligence magazine, Economic Confidential, the magazine listed Lagos, Rivers, Delta, Ogun, Edo, Enugu, Oyo, Anambra, Akwa-Ibom and Kano as the top ten states with an impressive internally generated revenue in one year from June 2015 to May 2016. The report put the internally generated revenues of Lagos at N268.22bn, Rivers state N82.10bn, Delta state N40.80bn, Ogun state N34.59bn, Edo N 19.11bn, Enugu N 18.08bn, Oyo N 15.66bn, and Kano N 13.611bn. It would be interesting to note that these states engaged or are presently engaged with the following tax consulting firms:

Lagos State - Alpha Beta and TAMAC (Akoni, 2011), RightSource Consulting (Adedeji, 2011).

Rivers State - Olusola Adekanola & Co (Obara, 2004).

Delta State - Tax Audit Monitoring Agency (TAMA), an amalgamation of Tax Consultants and Delta State Board of Internal Revenue (Akoma, 2013).

Ogun State - RightSource Consulting (Adedeji, 2011)

Edo State - Akugbe Ventures (Alemma-Ozioruva, 2015)

Enugu State - Bricks Data Limited (Udekwe, 2015)

Oyo State - Mr. Bicci Alli in conjunction with Oyo State Board of Internal Revenue ("Oyo begins aggressive taxation drive", 2016)

Anambra State - Oliswarren group (Ezekwelu, 2016), Chief Asha Nnabuike (Okonkwo, 2016)

Kano State - Marock Consultants Limited, M. Yahaya & Associates, Danjaura Global Investment, Alkas Solutions Nigeria Interbank Settlement System, Salihi B & Co, SMD Consulting, Veritex International Limited, Rumed Nigeria Limited and Ray Integrated (Muhammed, 2015).

Employment Generation

Improved tax contracting system could play a major role in taking the Nigerian youths out of the streets, especially in the face of rising unemployment problems confronting the nation. It is therefore argued that tax contracting brings about employment to the citizens of a state.

For instance, Willie Obiano, the Governor of Anambra State pointed out that over 10, 000 citizens of Anambra State would be gainfully employed to deploy point - of - sales (POS) devices in partnership with Oliswarren Group, the state's tax consultant (Ezekwelu, 2016). In a similar vein, Eyo Bassey, the managing director of Romflex Nigeria Limited, the tax consulting firm engaged by Akwa Ibom State Government submits that the firm has 1000 placements available for the youths of the state (Moses, 2016).

Reduced Political Interferences on the Field

It has been discovered that one of the problems of revenue generation in developing countries is the interference of politicians in the activities of government revenue staff. This is substantiated by as a study conducted using Tanzanian Local Authorities, Fjeldstad, Katera, and Ngalewa (2009) where it is reported that

representatives from the council management teams in all the councils identified less political interferences in their day to day tax collections as a major benefit of outsourcing.

Reduced Corruption on the Field

The tendency to engage in corrupt practices among government revenue collectors cannot be overemphasized. They collect ten naira and remit one naira to government, thereby robbing government of scarce fund needed for the provision of essential infrastructure to the citizens. It is argued that the use of tax contractors is likely to reduce corruption in revenue generation.

Fjeldstad, Katera, and Ngalewa (2008) are of the view that private tax collection agent is likely to reduce corruption at the collection point by offering mechanisms for penalizing poor performance. They noted that a private collector has in general (i) a stronger personal interest in the collection result, and (ii) more effective mechanisms for penalizing poor performance on the part of collectors; “these factors combined may reduce corruption at the point of collection”, they concluded.

Better Tax payers’ Records

It is argued that the use of tax contractors gives government enhanced revenue since their use leads to an update of tax payers’ records as they declare a greater number of tax payers unlike the case where government tax collectors refuse to declare the right number of tax payers. Wusu (2012) and Rotimi, Aka Udu & Abdul- Azeez (2013) support this view very strongly. However, in a study conducted by Amaechi (2017) using three local councils in Enugu State, he found that the use of tax contractors for revenue collection did not improve the number of tax payers in the tax payers’ records. The study further revealed that most of the local governments do not have tax payers’ record. The tax contractors present the same number of tax payers every year in order to press for a lower threshold during contract negotiation.

Problems Associated with the Use of Tax Contractors in Nigeria

The problems associated with the use of tax consultants can best be explained under the following sub-headings:

Illegality of the Use of Tax Contractors/ Ban by the Federal Government

Section 12 (4) of the FIRS Establishments Act 2007 stipulates the appropriate tax authority that can assess and collect taxes. Section 102 of Personal Income Tax Act (PITA) defines a tax collector as a duly authorized staff of the SBIR or FIRS (Wusu, 2012). Also, Decree 21 of 1998

prohibits the use of consultants for assessing and collecting taxes and levies by any tier of government (Abuh, 2016). Furthermore, the Joint Tax Board (JTB) on its 117th meeting in Maiduguri, Borno State Capital, called on all state governments to discontinue the use of tax consultants for the collection of tax and other internally generated revenue for the states (Muhammad, 2007).

Multiplicity/ Over Assessment of Tax and Harsh Business Environment

Part of the reasons for the harsh business environment witnessed in Nigeria today can be attributed to the use of tax consultants in revenue collection.

In a report published by the Socio Economic Rights Initiative (SERI) on the “Ugly Side of Internal Revenue in Enugu State”, SERI holds that Enugu State residents are paying a very high price for the rising internally generated revenue profile of the state. SERI note that the activities of the Board of Internal Revenue (BIR) and the Enugu State Local Government Areas are disturbing. The Board (through agents) unlawfully levies Personal Income Tax on shops and stores which is contrary to the provisions of schedule four of the Constitution of Federal Republic of Nigeria. The report further stated that local government authorities (through agents) demand and collects exorbitant and unregulated double rates from shops and container owners (SERI, 2015). Also arguing in the same line, Abuh (2014) maintained that the use of tax consultants by some states and local governments was one of the factors that led to multiple taxations of citizens and organizations. In a similar vein, Eze (2013) believes that the use of tax contractors in Nigeria has led to not only multiple taxations but an outrageous assessment. He submits that for instance if a taxpayer has a shop, he will have to pay for the shop or kiosk, if he is doing merriment, the local government may ask him to pay entertainment fee or merriment fee. He reasoned that if a cemetery is established and the payer wants to bury somebody, they may ask him to pay cemetery fee... If then, they don’t belong to any of these (assuming they don’t have a TV or radio), then it means they should have nothing to pay, but the consultants will make sure that everybody pays something. He posits that the consultants could even invent levies which they may call corporate fee, environmental fee, food protection fee, health safety fee etc.

Eze went further to state that even the state governments in some states use the tax contractors to introduce and enforce certain badges when they want to exploit the populace. He maintained that they (consultants) may insist that all motorcyclists, even after paying for usage of their motorcycle, which they are meant to pay under the local government bye-law, may still be subjected to buying badges say at N20,000.

Supporting the above views, the Nigeria’s former minister of finance, Dr. Ngozi Okonjo-Iweala while discussing on the ban of tax consultants in Nigeria

pointed that the scourge of multiple taxations witnessed in the country could be harmful to the nation ("FG outlaws tax contractors in states," 2013). She was of the view that multiple taxations have been on the front-burner for many years. Despite several attempts by the government to tackle it, it has remained unabated - affecting both big and small businesses as well as the movement of goods and services in the country. She noted that the practice is harmful to the economy because multiple taxations increase the cost of doing businesses, discourages local trade and investment and also gives a negative perception of the Nigerian business environment to foreign investors. The development follows complaints to the Federal Government by operators of the real sector under the aegis of Manufacturing Association of Nigeria (MAN) on the multiple taxes their members are subjected to ("FG outlaws tax contractors in states", 2013).

Use of Non-professionals

"FG outlaws tax contractors in states" (2013) and Eze (2015) maintain that in most instances, the tax contractors are not tax professionals. Amaechi (2017) found that though, some of the tax contractors in some local government areas in Enugu State attended higher institutions of learning, none belonged to any professional bodies or have gained any specialized knowledge on taxation from any relevant professional bodies like Chartered Institute of Taxation of Nigeria

Huge Service fee

There have been complaints from different quarters that the service fees charged by the tax contractors are on the high side. For instance, Ms Ifueko Omoigui, the then acting Chairman of the Federal Inland Revenue Service submits that where tax consultants exist, the state governments pay from 10 percent to 40 percent of the monies collected when such state government cannot give their revenue authorities 5 percent of the revenue collected to upgrade their facilities ("Tax consultants, states lobby Presidency, national assembly", 2007). Collaborating with her view, the publication further revealed that many of the tax consultants are making huge income from their contracts. In Enugu State for instance, the consultants pocket between 14 and 17 percent of all internally generated revenue (IGR) exceeding the benchmarks. In Kaduna, the consulting firm takes almost 13 percent of the collected tax, while the two firms working in Rivers State take about 10 percent and 15 percent of the generated revenue. The firm collecting tax revenues in Kogi State collects 20 percent while the same firm collects 15 percent of generated revenue in Kano ("Tax consultants, states lobby Presidency, national assembly", 2007).

Arguing in the same vein, Muhammad (2007) maintained that the tax consultants cart away large

chunks of public money in the name of consultancy or service fee, leaving the public treasury scanty. In concurrence with the above, Abuh (2014) notes that state governments spent between 10 percent and 50 percent of their revenue on consultants. Also, Wusu (2007) pointed that during the mid-term anniversary of Governor Raji Fashola in 2009, the Director of Publicity of an opposition political party, alleged that the Lagos State Government was encouraging waste in the system by paying at least N36 billion (Thirty six billion naira) to Alpha-Beta consulting from the internally generated revenue of Lagos State which amounted to over N240 billion naira (two hundred and forty billion naira). He revealed that Alpha-Beta Consulting Ltd is paid at least 15% of Lagos State's IGR which is said to be over N240 billion (two hundred and forty billion naira).

In a study conducted with Tanzanian Local authorities, Fjeldstad, Katera, and Ngalewa (2008) report that the amount retained by tax contractors varies between revenue sources, locations and agents. For example, the agent contracted to collect entry fees at Ubongo bus terminal in Dar es Salaam in 2006 retained almost 60% of the revenues collected; Agents from Mwanza retained 32% of the official reported revenue to cover costs and profits. They maintained that such margins were so high by any country's standard. They contended that it is likely that the official margins understate the actual margins since the revenue potential reflected in the contracts in most cases are underestimated.

Possibility of Breaching the Contract

In a study conducted with Tanzanian Local Authorities, Fjeldstad, Katera, and Ngalewa (2009) note that in the initial phase of outsourcing, several councils have the experiences of some agents not complying with the provisions of their contracts, either by not submitting the revenues they had collected or by submitting less money to the council than stipulated in their contract. These problems according to them were partly due to the agents' lack of experience, which reflected in overambitious bids and partly because the agents in some cases did not pay their own collectors properly, which reduced their incentives to collect.

Illegal Methods of Enforcement

Tax contractors are known for employing all forms of illegal methods in revenue enforcement. They sometimes manhandle citizens to force compliance ("FG outlaws tax contractors in states", 2013). This was collaborated by Abuh (2014), who observed that the tax consultants had often used means other than what the law prescribed to collect taxes and levies in Nigeria, especially at the local government levels. In line with these, Eze (2013) opine that tax consultants have always threatened whoever fails to pay with the closure of their businesses. He added further that they have always employed unorthodox

means contrary to the provisions of the relevant laws like Taxes and levies Act (approved list for collection) Act no. 21 of 1998, which prohibits using unorthodox means in revenue enforcement.

The Socio Economic Right Initiative in its May 25, 2015, publications reported that the agents of Enugu State local governments violently take away people and seize their properties in a bid to enforce rates compliance. In a similar scenario, the Anambra State in an attempt to enforce the payment of an annual due of N30,800 per market woman at Nkpor main market in Idemili Local Government Area, the State Government revenue agents allegedly locked up over 80 shops belonging to members of Nkpor Women Petty Traders Association and forcefully kicked them out of the market. The locking of the shops, according to an eye witness, started when a combined team of policemen and members of task force from Anambra Markets Amalgamated Traders Association, AMATAS stormed the market with machetes and sticks and started shoving women out of their shops as well as locking up the shops, the Task Force men were stationed inside the market a day before the incident, in order to ensure that none of the women opened their shops for business until they pay the N30, 800 due (Okonkwo, 2016).

Amaechi (2017) opine that these engagements in unorthodox methods of enforcement could be attributed to a feeling that since they do not belong to any professional association, their activities are no longer regulated.

Redundancy of Government Tax Officials

Omogui- Okauru observed that the practice of the use of tax consultants in revenue collection renders the statutorily recognized tax administrators in the states redundant and leaves the tax payers at the receiving end ("FG outlaws tax contractors in states", 2013). Supporting her submission, Hart (2016) while reacting to the appointment of tax contractor in River State noted that the State Revenue Service was not a party to the negotiation that led to the Memorandum of Agreement between the State government and the new tax collection consultants; this according to him results to the inclusion of the clause that excluded the state government officials from certain collection responsibilities. Amaechi (2017) observed that in most local governments in Enugu State, the government revenue staff seldom come to work and their office spaces have been taken over by the tax contractors.

Political Interferences/Lack of Transparency in the Engagement of Tax Contractors and Corruption

Wusu (2012) maintained that there are issues associated with the engagement of tax contractors which borders on probity and accountability; he reasoned that the terms of their engagement are shrouded in secrecy. Arguing in the

same vein, Emiabata (2015) submits that the Movement for the Emancipation of the Indigenous People of Lagos State, a political pressure group based in Lagos accused the Lagos State Government of lack of probity and transparency in the process of engaging Apha-Beta Consulting. Emiabata maintained that as a Lagos State taxpayer, he would want to know more about the processes that lead to the engagement of a consultant that is paid N6 billion monthly. According to him, the Lagos State Governor should address the reasons why Alpha-Beta was selected as the preferred consultant; why the government never invited consultancy bids for the contracts; why no consultancy company submitted bids for the contract; the criteria used in selecting Alpha-Beta considering that the firm has no known track record of revenue collection. He argued that Alpha Beta is owned by an ex-governor of Lagos State, Bola Tinubu. He reasoned that if Alpha-beta charges 15% of the State IGR, another company could provide same services at a lower cost, say 5%. He informed that Lagos State Government has refused to make available the details of the contracts they signed with Bola Tinubu's tax firm Alpha Beta (Emiabata, 2015). The activist informed that a concerned indigene of Lagos State, Dr. Adegbola Dominic had requested for the contract documents from the Lagos State Government relying on Freedom of Information (FOI) Act, but the government responded by saying that the FOI act is only for federal records which should not affect states.

In a related development, Hart (2016) in his piece questions the terms of engagement of the tax consultants contracted by the Amaechi administration in Rivers State. The activist reasoned that his interest in that piece relates to the appointment of the tax consultant and the weighty issue of probity concerning payment of services deemed rendered by the consultant. He maintained that by the end of December 2014, the Rivers State Revenue Service was generating an average of N7.5 billion monthly; yet, in January 2015, the Rivers State Government under Amaechi entered into a Memorandum of Agreement with a new tax collection consultant. According to him, what worried observers and stakeholders is that the State Revenue Service was not a party to the negotiations that led to the Memorandum of Agreement between the State Government and the new tax collection consultant, this is judging by the subsequent correspondence between the executive chairman of River Revenue Service and the then Rivers Commissioner of Finance (Hart, 2016). Hart maintained that the agreement was executed by the parties on January 21, 2015, but took effect from January 01, 2015; that part of the agreement provided that the tax consultant should retain 12 percent of revenues collected if monthly revenue collected goes above N2.5 billion. Hart questioned the rationality behind lowering the threshold to N2.5 billion and increasing the commission to 12 percent when the Rivers Revenue Service was already raking in about N7.5 billion monthly while the existing law permitted it to retain only 5

percent of the revenue collected. He argued that there was no indication that the states collectible IGR, had dwindled, nor had the Revenue Service become suddenly incapable of meeting its target. Hart also informed that the executive chairman of the Rivers Revenue Service raised an objection to the rationale for the fee clause in the Memorandum of the Agreement, in addition to the clause that had the effect of excluding state government officials from certain collection duties. Hart summarized that what should trigger an alarm are the circumstances surrounding the payment of the consultants.

In a similar vein, Akoni (2011) reported the resolution of the Lagos State Government to drop two of its tax consultants for the reason that it does not promote transparency. Furthermore, in a study conducted with Tanzanian local authorities, Fjeldstad, Katera, and Ngalewa (2009) found that the contract amount remitted to the councils represented a small fraction of the revenues actually collected by the agents; they attributed it to corrupt deals between the tendering board and the private agents. More so, Amaechi (2017) revealed that neither the local government staff nor the general public is informed of any vacant positions for the tax contractors or an intention to recruit one. Those invited are out rightly given letters of appointment without any form of competitive examination.

Theoretical Framework

We shall adopt 'clientelism' in explaining the contending issues associated with the use of tax contractors for revenue generation in Nigeria.

Political clientelism refers to the particularistic exchange of favors for political support, generally understood as taking place in an unequal relationship between politicians and clients (Alvarez-Rivadula, 2009; Graham, 1990). It involves an asymmetric relationship between groups of political actors described as patrons and clients. In this exchange system, voters or brokers trade political support for various outputs of the public decision-making process (Roniger, 2004; Davidson & Schejter, 2011; Stokes, Dunning, Nazareno & Brusco, 2013; Gallego, 2015). The patron grants favours in return for goods, loyalty, political allegiance and other services from his dependent clients or brokers. Such reciprocal relationships may be expressed in terms of formal contracts with institutionalized rights and obligations for each party (Mair, 1961). Although it is earlier believed to be identified with politics in underdeveloped societies, it has appeared in different contexts, including wealthy democracies (Alvarez-Rivadula, 2009).

Clientelism centres on the threat that if the votes are not forthcoming, the benefits will be withdrawn (Elliot, 2016). The benefits provided may be called excludable goods, meaning that they can be targeted so that only supporters receive them; this is different from non-excludable goods that benefit a whole locality or group

whether individual support is forthcoming or not (Kitschelt & Wilkinson, 2007). The benefits could be jobs, admissions to hospitals and schools, welfare awards, gifts in kind and money. Non-excludable goods include amenities for a whole community, such as schools, roads, and irrigation. The key to the effectiveness of clientelism is the capacity of politicians to detect whether the recipients voted as promised, or to make voters believe they can so that voters would be reluctant to renege on their bargains (Stokes, 2005). Since exchanges between patrons and clients require private interactions, political parties need a network of voters to distribute goods and create mechanisms to ensure that voters will pay for the goods they receive with political support (Stokes, Dunning, Nazareno, & Brusco, 2013; Hicken, 2011). Because of these requirements, it would seem that parties cannot make clientelism start operating overnight (Novaes, 2015). Politicians, especially in countries that have low tendency to sustain a political party from one electoral cycle to the next rarely have the time to create clientelistic networks, and thus will not be able to credibly commit to the provision of continuing benefits over a series of exchanges (Kitschelt & Kselman, 2013).

While the secret ballot system appears to hinder the practice of clientelism, political parties were able to overcome this challenge using local political brokers, who control networks of voters and deliver their votes. Brokers identify the voters who would provide electoral support in exchange for resources and channel these resources towards these voters (Magaloni, DiazCayeros, & Estevez, 2007). Brokers leverage their relationships with the knowledge of voters in their localities to make them more electorally responsive to resources (Auyero, 2001). To mobilize the clientelistic networks, parties need to control resources to fund and incentivize brokers. On the other hand, parties need to monitor the performance of their brokers to make sure they deliver the votes of their networks, a condition they achieve by monitoring the electoral data of the jurisdiction controlled by the brokers (Larreguy, 2013). The resource-rich broker can provide politicians with money in exchange for material favours that can only be dispensed by holders of public offices, such as works' contracts, regulatory decisions, subsidies and monopolies (Wade, 1985).

Another form of clientelist politics is the use of policy proposals and government programmes to attract voters (Elliot, 2016). This is different from programmatic politics. In clientelist regimes, the benefits exchanged are particularistic, meaning that they are targeted to individuals. A patron seeking the vote of the client can make his client's life much easier by ensuring that the agents of the state either deal with the client honestly, or when required dishonestly by ignoring tax regulations, building codes, anti-squatter legislation, proper procedures for charging water and electricity bills, or by giving favorable legal judgments to the clients (Kitschelt and Wilkinson 2007). This is in contrast to regimes where politicians compete by offering policy proposals that

would affect large constituencies of both supporters and nonsupporters (Kitschelt & Wilkinson, 2007). These may be various kinds of policies, aimed at development, such as irrigation and infrastructure, as well as those aimed at the welfare of individuals, such as food subsidies and housing loans which are generally labeled as 'populism' (Elliot, 2016).

Clientelism possesses significant economic and political costs. It constitutes a diversion of government resources to favoured segments of the citizenry, distorts policy towards maximizing revenue streams that can be turned into excludable goods (Lyne, 2008).

Lemarchand (1981) informs that the concept of political clientelism started to be used in political science literature in the late 1960s due to its usefulness in analyzing the empirical evidence from developing countries; the concept came to attract immense scholarly interest, and in the first decade of its introduction in the lexicon of political scientists, countless books and articles have been devoted to the exploration of clientelistic phenomena in countries like China, Columbia, Italy, Senegal, Venezuela, and Lebanon. Faustmann & Sonan (2017) note that this interest did not last for long until between 1978 and the late 1990s, which witnessed only a little written about clientelism. Between 2001 and 2007, two seminal works were edited by Piattoni (2001) and Kitschelt & Wilkinson (2007), which added both theoretically and through the presentation of new case studies significantly to the literature (Faustmann & Sonan, 2017). Prominent among scholars who have done extensive work on the concept include Lemarchand (1981), Piattoni (2001) and Kitschelt and Wilkinson (2007); Lyne (2008); Stokes, Dunning, Nazareno, & Brusco (2013); Bardhan & Mookherjee (2013); Robinson & Verdier (2013); Elliot (2016) etc. Pranab Bardhan & Dilip Mookherjee (2012, 2013) developed a model for the concept.

The Patron-Broker Relationship in Nigeria's Tax Contracting System

The revenue collection right assigned to Alpha Beta Consult in Lagos State without due process has added weight on the application of clientelism in explaining the theoretical foundations of this work. Alpha Beta is a tax consulting firm owned by the former governor of Lagos State, Ahmed Bola Tinubu. Since he (Tinubu) left office in 2007, he has continued to play a vital role in who occupies the government house in Alausa. He controls the political structure of the ruling party, the All Progressive Congress. He also controls a large party faithfuls across the country and enjoys wide followership amongst the masses in Lagos State. He not only determines who gets what, when and how in the entire South West of Nigeria but also who occupies the seat of power in Aso Rock. He was instrumental to the emergence of the current president of Nigeria and his vice, Muhammadu Buhari and Prof Yemi Osinbajo. There is no doubt that the continued

retention of Alpha Beta in the revenue collection of Lagos State despite cries by notable Lagosians (Emiabata, 2015) on the exorbitant rates charged by the company as their commission is as a result of the role Bola Tinubu plays in the politics of Lagos State. To further buttress this point, the revelations by Amaechi (2017) that most of the tax contractors in Enugu State local governments are proxies of the political gladiators in their respective local government extractions, is a confirmation of our position on this. He reported that the allocation of the revenue collection rights is made in order to reciprocate the support offered to the state chief executive during the electioneering campaign period. According to him, a large portion of government revenue finds its way into the tax contractors' purse as a cover for their profits and operational costs while in the real sense, it's meant to be a cover for reward and expenses accrued during the electioneering campaign periods. Profits made by the tax contractors far surpass what they remit to the government coffers. He maintained that there is no mechanism for checking the actual amount collected on a daily basis. As a result, the contractors remit whatsoever amount they wish, a practice he described as 'the utilization of local cakes for the building of stomach infrastructure'. This scenario is worsened under the Transition Committee Chairmanship of local governments (Uhunmwangho & Aibieyi, 2013).

The above scenario agrees with the opinions of notable scholars and stakeholders (Uhunmwangho & Aibieyi, 2013; Eze, 2015). They opine that governments in Nigeria farm out revenue sources to persons on the basis of political patronage. They maintained that the arbitrary monthly targets assigned to these tax contractors are one of the factors affecting enhanced revenue generation in Nigeria.

Recommendations

For a functional tax contracting system in Nigeria, government should ensure the implementation of the following recommendations:

1. Vacancies for recruitment of tax contractors should be publicly advertised in radio and TV stations across the nation and states as well as published in national and local newspapers. Proposals and tenders submitted should be evaluated by a competent team set up by the government. The best candidate should be selected based on capacity, experience, integrity, knowledge of the terrain, and ability to effectively deploy appropriate technology.
2. A mobile computerized revenue collection device that is capable of handling a large volume of data in an environment of poor supply of power sources is recommended for use by the tax contractors. A good example of this is the electronic point-of-sales machine (POS).

3. The tax contractors should utilize the data provided by the handheld computer in updating the tax payers' record. A proper 'Due Diligence' and 'Know Your Customer' (KYC) should be conducted on all tax payers. A corresponding tax payer number should be allocated to a new tax payer automatically, depending on the purpose of payment.
4. The field agents should be encouraged to wear a branded T-shirts for easy identification
5. There should be a periodic review of the activities of the tax contractors. Government at all levels should set up an independent verification and audit team who are knowledgeable in forensic accounting to inspect the activities of the tax contractors 'on and off' the field.
6. Each tax contracting firm should maintain a single account for each client (government). Government should have access to the bank statement of this account. Government at all levels should conduct a periodic audit of the tax payers' records as well as bank statement used in the collection.
7. Payment of the tax contractors should be based on commission upon the total amount collected. This will save money for the government as well as increase the motivation of the tax contractors
8. The government should make and implement a law which provides that companies to be engaged as tax contractors should have its' key staff as members of Chartered Institute of Taxation of Nigeria. This is to ensure a professional conduct in collection and enforcement as the activities of members of this body are regulated.

Conclusion

Privatization has been identified as the panacea to most problems of inefficiency obtainable in the Nigerian public service. Its benefits include increased performance due to intense competition, cost saving and freedom from political interferences. A well planned and structured revenue collection mechanism that is driven by the private sector would provide a solution to our revenue collection problems as well as provide employment for our teeming number of unemployed youths. However, at this stage of Nigeria's development where engagement in corrupt practices appears to be rational, it would be difficult to implement a robust privatized government revenue collection system devoid of political interests from the patrons. All in all, discipline and strong political will is all that is required by the government for a workable tax contracting system in Nigeria.

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