THE FEDERAL INLAND REVENUE SERVICE (FIRS), TAX COMPLIANCE AND THE FIGHT AGAINST CORRUPTION IN NIGERIA

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ARTICLE INFO	ABSTRACT
	Purpose: The study seeks to investigate has the FIRS done to improve tax compliance and understand the effects of FIRS reforms had on tax compliance and the fight against corruption in Nigeria's tax system. **Theoretical Framework:** This study is situated within the context of Institutional Theory. The Federal Inland Revenue Service is a government institution saddled with the responsibility of collecting government internally generated revenue in Nigeria. **Design/Methodology/Approach:** The design of the study is descriptive and historical research design. Data for this study were collected from secondary sources like textbooks, journal articles and internet sources while content analysis was used to analyse the data collected. **Findings:** The findings of this study shows that FIRS has ratified a number of international agreements, including the Global Forum on Transparency and agreements to prevent double taxation. Additionally, it has established Base Erosion and Profit Shifting (BEPS), Exchange of Information, and started the tax amnesty. The FIRS has inter-agency relationships with governmental organisations including the EFCC and ICPC, among others. In addition, the FIRS's efforts have resulted in a surge in annual tax payments; in 2018, it collected N5,320 trillion, the most in its history since the FIRS was founded. Additionally, the FIRS noted a decline in the cost of revenue collection from 2.6% in 2016 to 2.49% in 2017 and 2.14% in 2018. **Conclusion:** Federal Inland Revenue Service (FIRS) should expand its campaign to rural areas where there is little to no tax education in order to increase its enlightenment mechanisms on tax compliance. This can be done by having the FIRS educate traditional leaders on tax compliance, who will then inform the populace.

SERVIÇO FEDERAL DAS RECEITAS INTERNAS (FIRS), CUMPRIMENTO DAS OBRIGAÇÕES FISCAIS E LUTA CONTRA A CORRUPÇÃO NA NIGÉRIA

RESUMO

Objetivo: O estudo procura investigar se a FIRS fez para melhorar o cumprimento fiscal e entender os efeitos das reformas da FIRS no cumprimento fiscal e na luta contra a corrupção no sistema fiscal da Nigéria.

Estrutura Teórica: Este estudo está situado no contexto da Teoria Institucional. O Federal Inland Revenue Service é uma instituição do governo encarregada de coletar receitas geradas internamente pelo governo na Nigéria.

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Design/Metodologia/Abordagem: O desenho do estudo é descritivo e histórico. Os dados para este estudo foram coletados de fontes secundárias, como livros didáticos, artigos de revistas e fontes da internet, enquanto a análise de conteúdo foi usada para analisar os dados coletados.

Conclusões: As conclusões deste estudo mostram que a FIRS ratificou vários acordos internacionais, incluindo o Fórum Global sobre Transparência e acordos para evitar a dupla tributação. Além disso, estabeleceu a Base de Erosão e Transferência de Lucros (BEPS), Troca de Informações, e iniciou a anistia fiscal. A FIRS tem relações interagências com organizações governamentais, incluindo a EFCC e ICPC, entre outras. Além disso, os esforços da FIRS resultaram em um aumento nos pagamentos anuais de impostos; em 2018, ela coletou N5.320 trilhões, o maior de sua história desde que a FIRS foi fundada. Além disso, a FIRS observou uma diminuição do custo da cobrança de receitas de 2,6 % em 2016 para 2,49 % em 2017 e 2,14 % em 2018.

Conclusão: A Receita Federal (FIRS) deve expandir sua campanha para áreas rurais onde há pouca ou nenhuma educação tributária, a fim de aumentar seus mecanismos de esclarecimento sobre o cumprimento fiscal. Isto pode ser feito através da educação dos líderes tradicionais pela FIRS sobre o cumprimento das obrigações fiscais, que informarão então a população.

Palavra-chave: Imposto, Evasão, Conformidade, Receita Federal, E-service.

EL SERVICIO FEDERAL DE IMPUESTOS INTERIORES (FIRS), EL CUMPLIMIENTO DE LOS IMPUESTOS Y LA LUCHA CONTRA LA CORRUPCIÓN EN NIGERIA

RESUMEN

Propósito: El estudio busca investigar si el FIRS se ha hecho para mejorar el cumplimiento tributario y entender los efectos de las reformas del FIRS en el cumplimiento tributario y la lucha contra la corrupción en el sistema tributario de Nigeria.

Marco Teórico: Este estudio se sitúa en el contexto de la Teoría Institucional. El Servicio Federal de Impuestos Internos es una institución gubernamental encargada de recaudar los ingresos generados internamente por el Gobierno en Nigeria.

Diseño/Metodología/Enfoque: El diseño del estudio es de tipo descriptivo e histórico. Los datos fueron recolectados de fuentes secundarias como libros de texto, artículos de revistas y fuentes de internet, mientras que el análisis de contenido fue utilizado para analizar los datos recolectados.

Conclusiones: Las conclusiones de este estudio muestran que la FIRS ha ratificado una serie de acuerdos internacionales, incluido el Foro Global sobre Transparencia y acuerdos para evitar la doble imposición. Además, ha establecido la Erosión de Base y el Traslado de Beneficios (BEPS), el Intercambio de Información, y comenzó la amnistía fiscal. La FIRS mantiene relaciones interinstitucionales con organizaciones gubernamentales como la EFCC y el ICPC, entre otras. Además, los esfuerzos del FIRS han dado lugar a un aumento en los pagos anuales de impuestos; en 2018, recaudó N5,320 billones, la mayor cantidad en su historia desde que se fundó el FIRS. Además, el FIRS observó una disminución en el costo de la recaudación de ingresos del 2,6% en 2016 al 2,49% en 2017 y al 2,14% en 2018.

Conclusión: El Servicio Federal de Impuestos Internos (FIRS) debería ampliar su campaña a las zonas rurales donde hay poca o ninguna educación tributaria para aumentar sus mecanismos de información sobre el cumplimiento tributario. Esto se puede hacer haciendo que el FIRS eduque a los líderes tradicionales sobre el cumplimiento de los impuestos, quienes luego informarán a la población.

Palabra clave: Impuestos, Evasión, Cumplimiento, Servicio Federal de Impuestos Internos, E-service.

INTRODUCTION

Governments all over the world rely on taxes as one of their main revenue sources in order to efficiently carry out their functions. Because of this, the government sees taxes as one of the most important tools for carrying out its functions and implementing its policies and programmes. In an effort to satisfy the rising demand of their residents, governments nowadays are always figuring new ways to ensure that the maximum amount of taxes are collected. The

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reason for this is that individuals' demands for better living conditions from their respective governments are growing.

In addition, the rising tide of tax evasion makes it one of the biggest problems for many nations around the world to maximise tax collection from their citizens. Although numerous justifications for tax evasion have been put out in the literature, such as the design of a nation's tax system, misperceptions about the reason for taxes, a lack of knowledge, particularly in the area of taxes, lax tax regulations, and inflation among others,

In addition, in Nigeria today, corruption is still a factor in tax avoidance. Evidence-based research supports this claim by demonstrating that a sizable number of nations with lower perceived levels of corruption tend to have less waste in public investment policies and programmes, whereas the opposite is true for nations with higher perceived levels of corruption. For example, major portions of the most corrupt rising economies waste twice as much money as the least corrupt nations' economies.

In Nigeria, corruption in the form of bribes, kickbacks, or bid-rigging during public procurement has led to the loss of tax payer money (Momoh 2013). However, over the years, the Federal Inland Revenue Service (FIRS), the main player in the Nigerian tax system, has put in place mechanisms like an online platform that permit Nigerians and foreigners to pay their taxes, similar to what is possible in nations like Colombia, Costa Rica, Paraguay, Norway, and Brazil, to name a few. On the whole, this study seeks to provide answers to the following research questions: What has the FIRS done to enhance tax compliance? What is the impact of FIRS reforms on tax compliance and the fight against corruption in Nigeria's tax system? This because combating corruption remain key in achieving increasing revenue by the FIRS.

THEORETICAL REVIEW

The body of knowledge regarding tax compliance, tax evasion, and tax avoidance is expanding. Some examples include Andreoni et al. (1998), Murphy (2010), Madugu et al. (2014), Obafemi (2014), Oyedele (2014), Ogunbesan (2015), Momoh (2018) and Duru (2015). Murphy (2010) contends that tax compliance is distinct from tax avoidance and tax evasion because it is defined as: "striving to pay the right amount of tax (but not more) in the right place at the right time where right means that the economic substance of the transactions undertaken coincides with the place and form in which they have reported taxation purposes." He went on to say that "the intent of the taxpayer is the significant distinction between tax evasion and tax

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compliance." As a result, "a tax avoider strives to pay less than the tax due in accordance with the letter of the law."

Madugu et al. (2014) assert that "Nigeria's scenario seems odd when compared to the scope of corrupt practises that are pervasive in the nation because tax evasion is a big issue afflicting many growing countries throughout the world. The primary issue with direct personal taxation, as it is currently applied in Nigeria, is the difficulty in collecting taxes from individuals who are self-employed, including business owners, contractors, and professionals such as attorneys, doctors, accountants, architects, and shopkeepers "(Madugu et al 2014:818).

Again, Madugu et al. (2014) assert that tax evasion is the failure to report the right income that should be assessed either by making false statements about the truth, fabricating data, filing false tax returns, or misrepresenting tax responsibilities. As a result, the taxpayer pays less tax than he should by using illegal or dishonest methods. A premeditated act of omission or commission, which are themselves considered criminal offences under the tax rules, is how tax evasion is performed. These errors or omissions may include failing to pay taxes, failing to file returns, leaving out or misreporting information on returns, claiming erroneous exemptions, understating income, documenting false transactions, overstating costs, failing to respond to questions, and more. Therefore, due to the fact that tax evasion entails wilful default, it is a crime (Madugu et al 2014:818-819).

The Federal Inland Tax Service (Establishment) Act (FIRS Act), which gives the Federal Inland Revenue Service (FIRS) considerable authority to handle corruption-related issues as they pertain to revenue collection, was the subject of an investigation (Bolodeoku, 2009). In addition, Bolodeoku (2009) highlights several key provisions of the Money Laundering (Prohibition) Act (MLA), 2004, which would help the FIRS fight the rising tide of corruption in the Nigerian tax system and potential areas for modification. On the whole, there is a gap in the literature, which this study seeks to fill. Therefore, this study seeks to provide answers to the following research questions: What has the FIRS done to enhance tax compliance? What is the impact of FIRS reforms on tax compliance and the fight against corruption in Nigeria's tax system? Hence, this study situated within the context of Institutional Theory.

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THEORETICAL FRAMEWORK

This study is employed the Institutional Theory. This is because the Federal Inland Revenue Service is a government institution saddled with the responsibility of collecting government internally generated revenue in Nigeria.

METHODOLOGY

The design of the study is descriptive and historical research design. Data for this study were collected from secondary sources like textbooks, journal articles and internet sources while content analysis was used to analyse the data collected.

Analysis of Federal Inland Revenue Service, Tax Compliance and the Fight Against Corruption in Nigeria Tax System

In the literature on taxation, academics and researchers have put forth a number of explanations for why a sizable portion of Nigerians evade taxes, including misunderstandings about the purpose of taxes, a lack of education, particularly in tax-related areas, the design of the country's tax system, and lax tax laws, among others. Over time, this has had a detrimental impact on the expansion and development of Nigeria's tax system.

Given the advantages it brings to Nigeria's tax system and the country's economy as a whole, the FIRS's significance in boosting tax compliance and reducing financial corruption cannot be overemphasised. International multilateral organisations like the International Monetary Fund (IMF) study (2019), which compiled data from more than 180 nations, have backed up this claim. The study demonstrates that "more corrupt governments collect fewer taxes, since people pay bribes to avoid them, even through tax loopholes intended in exchange for kickbacks" (Gaspar, et al, 2019). The Nigerian government currently loses a sizable portion of its revenue due to tax evasion in the country's tax system. Therefore, continuing tax reforms in the Nigerian tax system is necessary for efficient revenue collection.

Additionally, throughout the past 20 years, the Federal Inland Revenue Service has been at the forefront of strengthening revenue collection through the implementation of numerous reforms aimed at boosting tax compliance. There were about 440,000 enterprises in Nigeria, according to data from the Federal Inland Revenue Service (FIRS), but only around 120,000 of them were paying taxes (Ogunbesan, 2015). By implication, massive amounts of tax income are lost owing to tax avoidance and evasion since 320,000 enterprises purposefully choose not to pay taxes to the FIRS. Again, according to data that is currently available from the Federal

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Inland Revenue Service (FIRS), "Companies that had a Tax Identification Number (TIN) and were paying were 45261, those that had a TIN but were not paying were 40611, and those without a TIN and who were not paying were 34504." (https://www.firs.gov.ng/firs-hits-n5-3-trillion-highest-in-nigerias-history-targets-n8-trillion-2019/).

It is important to note that over the years, significant resources in Nigeria have been lost to tax evasion and fraud-related offences that could have been avoided and the funds used by the appropriate authorities to deliver public goods or spend on public investment projects. Undoubtedly, one of the causes contributing to Nigeria's poor tax administration is the government's ongoing loss of these large annual earnings. In order to achieve this, FIRS reforms have continued to be a step in the right direction and have emerged as a requirement for efficient tax compliance mechanisms and a tool for reducing financial misconduct in the Nigerian tax system.

The FIRS tax system reforms in Nigeria have assisted in reducing the waste of taxpayer funds on cost overruns brought on by excessive bribes or bid-rigging in the country's public procurement process. Thus, the FIRS has assisted through its reforms in reducing tax evasion and other financial corruption, thereby assisting the government of the day to invest such funds in crucial infrastructure such as roads, hospitals, and other essential services that are vital in improving the living standard of millions of Nigerians who are living in relative poverty.

In a similar line, the distortion of government priorities at all levels of governance in Nigeria has been caused by tax evasion and other financial crimes within the country's tax system. In Nigeria, for example, a sizable portion of the budget designated for the development of vital facilities like electricity, education, and health has been lost to corruption. Furthermore, a fact-based study revealed that countries with high levels of corruption had more school-age pupils with poorer test scores than those with low levels of corruption, particularly in those countries with high-profile corruption cases.

The Federal Inland Revenue Service's Chairman, Tunde Fowler, stated that the tax amnesty programme was introduced by the FIRS in 2016 in an effort to promote tax compliance "attracted more than 3000 requests for waivers of fines and interest. Over N68 billion of the approximately N96.2 billion liability created by the programme was paid as a result of the programme ". Similarly, the Federal Ministry of Finance started the "Voluntary Assets and Income Declaration Scheme (VAIDS)," and the FIRS received over 5122 applications under the Scheme. Companies have paid over N54 billion of the voluntary declarations made under

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the Scheme, totaling over N92 billion (https://www.firs.gov.ng/firs-hits-N5-3-trillion-Highest-In-Nigerias-History-Targets-N8-Trillion-2019/).

Furthermore, the FIRS has improved transparency, accountability, and integrity in tax collecting through its different online platforms. For instance, the governments of South American nations like Colombia, Costa Rica, and Paraguay use an online platform to let their citizens follow the development of investment projects on both a material and monetary level. Previously in Europe, a nation like Norway created a high standard of accountability, integrity, and transparency in tax collection. The results of audits in Brazil had an effect on candidates for reelection who were thought to have mishandled public funds, but this effect was more pronounced in places with local radio stations.

Moreover, the Federal Inland Revenue Service (Establishment) Act (FIRS Act), 2007, gave the agency the authority to look into the relationship between taxpayers' lifestyles and their claimed incomes. The Economic and Financial Crimes Commission also has similar authority, which is what the FIRS has been given (EFCC). Additionally, the FIRS has leverage over asset declarations submitted by public officials before the Code of Conduct Bureau, which is empowered by the Federal Republic of Nigeria's Constitution to investigate corruption in the country's tax system (Omotayo Bolodeoku 2009). The FIRS has been seeing higher revenue creation each year, therefore the authority granted to them is producing positive effects.

In addition, a 2019 study from the International Monetary Fund (IMF) revealed that "the least corrupt governments collect 4 percent more of GDP in tax collections than nations at the same level of economic growth with the highest levels of corruption" (https://blogs.imf.org/...). This demonstrates that sizable sums of money collected as taxes in a nation like Nigeria, where corruption is rampant (Momoh, 2013), have either been diverted to corrupt individuals or have not been paid to the appropriate tax authority (in this case, FIRS), causing significant financial loss to the nation.

Studies have further demonstrated that reforms in a select few countries have raised revenue. For instance, a nation in Eastern Europe called Georgia has over time greatly decreased corruption, doubled tax collections, and boosted its Gross Domestic Product (GDP) from 13 percentage points between 2003 and 2008. Another impressive success story from Africa is the situation of Rwanda, where since the mid-1990s, effective reforms in the battle against corruption have led to an increase in tax revenues that have contributed 6% to the nation's GDP (Gaspar, et al, 2019).

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The FIRS's agenda still places a high priority on the expanding Nigerian revenue base. The Avoidance of Double Taxation Agreements (ADTAs), the OECD/EU Mutual Assistance in Tax Matters Convention (MAC), the Global Forum on Transparency and Exchange of Tax Information (GF), to name a few, have all been signed by the FIRS in an effort to fulfil this mandate. These agreements are meant to improve tax compliance and reduce financial corruption in the Nigerian tax system.

The FIRS was able to establish an exchange of information (EOI) unit in Nigeria to ensure the efficient implementation of the exchange of tax information with Nigeria tax treaty partners. The Base Erosion and Profit Shifting (BEPS) initiative, which was established by the FIRS with the goal of developing standards for the Nigerian tax system, has also succeeded in fulfilling its objective. Additionally, the FIRS has made significant strides by ratifying the Multilateral Competent Authority Agreement (MCAA) for the automatic exchange of financial account information with other nations.

Similar to this, the FIRS has collaborated with various relevant tax agencies on a local and international level in an effort to improve access to and exchange of taxpayer information, including data on asset ownership. Additionally, FIRS has actively participated in inter-agency collaborations with governmental organisations like the Economic and Financial Crimes Commission, Independent Corrupt Practices and Other Related Offenses Commission, Nigeria Financial Intelligence Unit (NFIU), Nigerian Customs Service, Securities and Exchange Commission (SEC), Joint Admission and Matriculation Board (JAMB), Nigerian Immigration Service (NIS), Corporate Affairs Commission (CAC), and Central Bank of Nigeria (CBN).among others in a bid to have significant access to information on beneficial ownership assets when the need arises or when demanded tax purposes. Today, the FIRS reforms, particularly in the field of inter-agency, have saved enormous resources for the construction of vital infrastructures like power, medical facilities, and schools.

Nevertheless, tax compliance has improved. For instance, the FIRS produced N5.320 trillion in tax collection in 2018, the greatest amount ever since the FIRS was established, when the price of oil on the global market averaged $70 per barrel. When the price of oil on the international market averaged $100 to $120 per barrel between 2010 and 2013, N5.07 trillion was earned in 2012, which is quite similar to this amount (https://www.firs.gov.ng/firs-hits-n5-3-trillion-highest-in-nigerias-history-targets-n8-trillion-2019/).

Tunde Fowler, the chairman of the Federal Inland Revenue Service, stated that "although we have been gradually increasing revenue collection over the years, our cost of

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collection has been going down. We collected N3,307 trillion in 2016, N4,027 trillion in 2017, and N5,320 trillion in 2018 (https://www.firs.gov.ng/firs-hits-N5-3-trillion-Highest-In-Nigerias-History-Targets-N8-Trillion-2019/). Nigerians and other players in the Nigerian tax system have praised the FIRS for its success in increasing annual revenue collection.

Similar to this, the FIRS has been able to make notable strides in improving tax compliance by making sure that it digitalized its methods of tax collecting by making sure that taxpayers can pay taxes at any time, from anywhere in the world. Additionally, the FIRS makes sure that taxpayers' access to the e-payment network makes it simple to pay their taxes and that receipts are available for rapid download. The FIRS also developed e-Services, which enable taxpayers to quickly access e-Registration, e-Filing, Stamp Duty, and e-Tax Clearance Certificate from anywhere in the world.

It is significant to highlight that the FIRS service has been digitalized, which has assisted in lowering the cost of tax collection and lowering financial fraud linked to analogous methods employed in the past. Tunde Fowler, the chairman of the Federal Inland Revenue Service, backed up this claim by saying, "... Meanwhile, the cost of collection as a percentage of real taxes collected has been declining; in 2016, it was 2.6%, in 2017, it was 2.49%, and in 2018, it was 2.14%." (https://www.firs.gov.ng/firs-hits-n5-3-trillion-highest-in-nigerias-history-targets-n8-trillion-2019/).

With the help of Nigeria's commercial banks, the FIRS' efforts to assure tax compliance produced a different outcome. For instance, in 2018 it was possible to distinguish between businesses, partnerships, and organisations with a banking turnover of N1 billion and above and those that adhered to the tax regulations and those that did not. The government has received roughly N21.75 billion from organisations that have not complied with tax regulations. This success was made possible by efficient tax compliance systems and the coordinated efforts of key Nigerian tax system stakeholders (https://www.firs.gov.ng/firs-hits-n5-3-trillion-highest-in-nigerias-history-targets-n8-trillion-2019/).

Overall, the Federal Inland Revenue Service has achieved raising tax compliance and decreasing the financial corruption that plagued the Nigerian tax system. Despite these successes, the Federal Inland Revenue Service has to continue reforms that will make the existing tax laws stronger and look forward to increased cooperation, this time with the organised private sector, in order to handle its immediate, medium-term, and long-term issues.

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CONCLUSION

This study found that the Federal Inland Revenue Service (FIRS) has implemented significant reforms to ensure tax compliance and prevent financial corruption in Nigeria, including the digitalization of tax payment systems such as e-Services that allow for easy access by taxpayers anywhere in the world to e-Registration, e-Filing, Stamp Duty, and e-Tax Clearance Certificate. The FIRS introduced the tax amnesty in 2016. The FIRS has also ratified a number of international agreements, such as the OECD/EU Mutual Assistance in Tax Matters Convention (MAC), the Avoidance of Double Taxation Agreements (ADTAs), and the Global Forum on Transparency and Exchange of Tax Information, that are intended to improve tax compliance and combat financial corruption in the Nigerian tax system (GF). In addition, the FIRS was able to establish an Exchange of Information (EOI) section to oversee the efficient execution of the exchange of tax information with Nigeria's tax treaty partners. The Base Erosion and Profit Shifting (BEPS) initiative, which was established by the FIRS with the goal of developing standards for the Nigerian tax system, has also succeeded in fulfilling its objective. Additionally, the FIRS has made significant strides by ratifying the Multilateral Competent Authority Agreement (MCAA) for the automatic exchange of financial account information with other nations. Furthermore, FIRS has participated in substantial inter-agency collaborations with governmental organisations like the Economic and Financial Crimes Commission, Independent Corrupt Practices and Other Related Offenses Commission, Nigeria Financial Intelligence Unit (NFIU), Nigerian Customs Service, Securities and Exchange Commission (SEC), and Special Control Unit against Money Laundering (SCUML). Finally, this analysis showed that the FIRS reforms raised annual tax payments so that in 2016, the FIRS collected N3,307 trillion, in 2017, it collected N4,027 trillion, and in 2018, it collected N5,320 trillion, which was the largest revenue collection amount ever since the FIRS was established. In addition, the FIRS reported that the cost of tax collection dropped from 2.6% in 2016 to 2.49% in 2017 and 2.14% in 2018.

RECOMMENDATIONS

From the foregoing, this study suggested among other things that:
First, the Federal Inland Revenue Service (FIRS) should expand its campaign to rural areas where there is less tax education in order to boost its educational methods on tax compliance.

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This can be done by having the FIRS educate traditional leaders on tax compliance, who will then inform the populace.

Second, the Federal Inland Revenue Service (FIRS) should continue to broaden its educational programmes on tax compliance outside of the mass media and new social media, such as Facebook, Twitter, blogs, etc., to traditional forms of communication, especially for rural residents who lack access to electronic media.

Thirdly, if good governance is ingrained at every level of government in the nation, the Federal Inland Revenue Service's (FIRS) activities can be integrated. This will allow the Federal Inland Revenue Service (FIRS), among other things, to promote more justifications for Nigerians to pay their taxes.

Finally, the integrity, accountability, and transparency of the Nigerian tax system can all be improved with a free press. Among other things, this will improve Nigeria's tax structure and bring it into line with best practises around the world.

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