AN ASSESSMENT OF TAX ADMINISTRATION IN NIGERIAN LOCAL GOVERNMENT COUNCILS

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Abstract

The paper assesses tax administration in Nigerian Local Governments. It also evaluates the relationship between tax administration process and tax administration efficiency. It further examines the challenges facing tax administration at local Government Councils in Nigeria. One thousand three hundred employees of the selected local government councils in the six geopolitical zones of the country were used as sample. Data from the study were analysed using descriptive and inferential statistics particularly chi-square distribution test. Findings revealed that tax administration process at the local government councils in the country is characterised by inefficiency and ineffectiveness, hence tax administration affects internally generated revenue of the local governments. The results also showed that there is poor valuation and machinery for tax collection in the local government councils. The findings further revealed that poor monitoring and supervision of staff involved in tax administration process encourage corruptible practices. The results finally revealed unwillingness by tax payers to pay tax, interference in tax jurisdiction of local government councils by state governments, corruption, and failure of tax collectors in remitting total tax collected as challenges hindering tax administration in Nigeria. The study concluded that ineffective tax administration system among the local government councils in Nigeria is adversely affecting their revenue base.

Keywords: Taxation, Administration, Revenue, Local government councils, Tax jurisdiction

Introduction

Financial management is believed to be the most important part of the internal management of government. Revenue generation in local governments in Nigeria is principally derived from tax (Olaoye, 2008). According to Agba, Ocheni and Nnamani (2014), local governments are constitutionally empowered to control and regulate certain activities in their jurisdiction, and in so doing; they impose some taxes and rates on these economic activities as a way of generating funds for their operations. Taxes therefore constitute a very powerful instrument of fiscal policy utilized by government to administer the economic development of the nation, state or local government. Ahunwan (2009) is of the view that Nigerian tax system has been flawed by multiplicity of tax and collecting entities at the three tiers of government levels – Federal, State and Local government.

The administration of taxes in Nigeria has mainly focused on revenue generation to the detriment of stimulating economic development, providing infrastructure and basic social amenities. This is evident in the inadequate electricity supply, portable drinking water, basic health care delivery, bad roads etc. (Ogbonna, 2010). The 1999 Nigerian Constitution places

the collection of taxes in the 2nd schedule item 7-10 under the concurrent list. This means the three tiers of government i.e. Federal, State and Local Governments have the power to make provisions for the collection of tax (Ayorinde, 2011).
There have been incidences of high rate of forgery of official documents such as tax receipts and other fraudulent practices in the issuance of tax clearance certificate, collection and accounting for taxes. The prevalence of tax evasion and tax avoidance is on the increase. Most of the tax laws in Nigeria are outdated and do not reflect the realities on ground. Manufacturers are groaning under the burden of multiple or double taxation. Some states like Lagos and others have resorted to the use of tax consultants and armed personnel to enforce tax payment (Ogbonna, 2010), thereby rendering tax officials redundant and violating the fundamental principles or "CANONS" of taxation as propounded by Adam Smith (1776).

However, tax administration at the local governments in Nigeria has been described as inefficient. The study thus, attempts to fill this gap by assessing tax administration process in Nigerian Local Governments. In the process, the study evaluates the relationship between tax administration process and tax administration efficiency. The paper examines the challenges facing tax administration at local Government Councils in Nigeria.

Sources of Local Government Revenue

Public revenue mobilisation has been one of the most highly volatile issues in Nigeria. This has led to series of a comprehensive review of the reports of the various commissions and government policies from the 1946 Philipsons commission to the activities of the National Revenue Mobilisation, allocation and fiscal commission established in 1989 (Kayode, 1993; Emenuga, 1993; and Ekpo, 1994). At present, local government derives its revenue from two sources:

i. External sources, and
ii. Internal sources

The external sources of revenue are made up of federal and state governments' allocations. In sharing the federal grants, state governments receive the grants directly from the centre and disburse the share of the local government councils to them. In essence, allocations to the local government are paid into the state joint local government account. The state government often divert funds meant for local governments rather than releasing the funds as appropriate. This led to the enactment of a new act to regulate revenue allocation to the local government by the federal government. The act provides for the establishment of the Joint Local Government Allocation Committee to monitor and ensure that all allocations made to the local government are promptly paid in the state joint local government account. The prevailing allocation formula from the federation account of the country is:

i. Federal government 48.5%.
ii. State government 24.0%.
iii. Local government 20.0%.
iv. Special fund 7.5%.

The internal sources of revenue comprises several miscellaneous items aggregated together to provide the required fund to finance the enormous functions ascribed to local government. These include rates, taxes, fines and fees, etc. The internal revenue is meant to be the most viable for any local body to discharge its constitutional functions. However, this is not the case in Nigeria; rather most local governments depend on the allocation grants from the federation account for survival (Ugoh and Ukpere, 2012). The 1976 local government reforms highlighted the internal revenue sources of local governments to include:

(a) Rates. Residents within a local government area are required to pay a local tax referred to as rate, and there are three types – special rate, property rate and capitation rate also referred to as poll tax. Special rate is a fixed amount of money levied on all rateable adults residing in the local government area and it is for specific and priority projects like rural electrification, waste disposal, water supply and education which cannot be provided by the local government due to inadequate fund. Property rate is a fixed percentage amount of the current value of a private property paid annually and levied on the owner of such a property. Capitation rate is also a fixed amount of money levied on all rateable adults living in the local government. Every payer is expected to pay a fixed and equal amount annually.

(b) Fines. In order to regulate and control services allocated to local governments, fines are collected. Fines are penalties imposed by the customary courts on individuals for the contravention of the bye-laws of the local government. Fines include court fines etc.

(c) Fees. These are revenues realized from payments for services rendered by the local government. The imposition of fees on these services by the local government always requires enabling laws for them to be lawful.

(d) Charges. These are revenues realized through imposition of charges for the issuance of licenses. Issuance of various types of licenses like bicycle, wheelbarrow, canoe and cart license, others are charges on bakeries, sale of liquor in restaurant and public places, erection of sign-boards registration of births and marriages, motor parks and markets, personal identification, public urinary and toilets etc.

(e) Miscellaneous sources such as rents on council estates, royalties, interest on investment and proceeds from commercial activities.

The incorporation of the 1976 local government reform into the Nigerian 1979 constitution was meant to address the weak financial base which is responsible for the deteriorating state of affairs in grassroots governance. The reforms approved 10 per cent of internally generated revenue from the state government as well as statutory allocations from the Federation Account to the local councils. Olaoye, Asaolu and Adewoye (2009) noted that local government is faced with varieties of difficulties to source adequate revenue from federal government, state government and the internally generated revenue. They argued further that the machinery put in place for collection of revenue at the local government level is inadequate hence, most of the government money is not collected and this is the case of internally generated funds. Local Government Revenue Committee is a committee charged with the responsibility for the assessment and collection of all taxes, fines, fees and rates under its jurisdiction. The committee is headed by a Chairman/CEO.

The Concept of Taxation

In most modern economies, taxes are the main source of governmental revenue. They are compulsory levies that are regularly imposed and, as a rule, not designated for a special purpose; they are regarded as contribution to the general revenue pool from which most government expenditure are financed (Ogbonna, 2010). Taxes differ from other sources of revenue in that they are unrequited, i.e. they are not paid in exchange for some specific thing, such as the sale of a property or issue of public debt (Benton, 1974). Nightingale (2002) and Lyme and Oats (2010) summed up the objective of taxation as:

1. Raising revenue to finance government expenditure;
2. Redistribution of wealth and income to promote the welfare and equality of the citizens; and
3. Regulation of the economy thereby creating enabling environment for business to thrive.

Taxation is therefore, one among other means of revenue generation of any government to meet the need of the citizens. According to Public Finance General Directorate (2009) the purpose of taxation as enshrined in the French laws is “for the maintenance of public force and administrative expenses". Miller and Oats (2009) were of the view that taxation is needed to finance public expenditure. In the words of Nightingale (2002), tax is imposed by government while taxpayers may receive nothing identifiable in return for their contribution. In contrast, Osunkoya (2009) averred that payment of tax does not mean that government must do something within the locality of the taxpayer. This may account for the high evasion rate recorded since it is assumed that is exploitative instead of development. Popoola (2009) observed that people do not pay tax because of the "culture of give and take".

It is therefore important to clarify the difference between a tax and taxation. Albright (2008) describes tax as being any payment by economic agents and individuals to the government; and taxation as the methodologies for determining the means of raising taxes, the types and rates of taxes. The debate as advanced by McKee (2008) focuses on the system and methods of raising the needed resources. Therefore, taxation includes a mechanism of legislation, policies and plans, which determine the different types and rates of taxes (Parsons, 2006, 2007; Abichandani, 2008). Moore and Schneider (2004) opine that the implementation of the enacted system is what constitutes tax administration.

Tax System in Nigeria

The tax system in Nigeria is made up of the tax policy, the tax laws and the tax administration. All of these are expected to work together in order to achieve the economic goal of the nation (Abiola and Asiweh, 2012). According to the Presidential Committee on National tax policy (2008), the central objective of the Nigerian tax system is to contribute to the well being of all Nigerians directly through improved policy formulation and indirectly though appropriate utilization of tax revenue generated for the benefit of the people. In generating revenue to achieve this goal, the tax system is expected to minimise distortion in the economy. Other expectations of the Nigerian tax system according to the Presidential Committee on National tax policy (2008) include:

1. Encourage economic growth and development.
2. Generate stable revenue or resources needed by government to accomplish loadable projects and or investment for the benefit of the people.
3. Provide economic stabilization.
4. To pursue fairness and distributive equity
5. Correction of market failure and imperfection.

Tax Administration in Nigeria

Tax administration involves all the principles and strategies adopted by any government in order to plan, impose, collect, account, control and co-ordinate personnel charged with the responsibility of taxation. It also includes the effective use of tax revenue for efficient provision of necessary social amenities and other faculties for the tax payers. There are currently five tax administrative machineries currently in existence in Nigeria, and they include:

a. The Joint Tax Board (JTB)
b. The Federal Inland Revenue Service (FIRS)
c. The State Board of Internal Revenue (SBIR)
d. Local Government Revenue Committee
e. Joint State Revenue Committee

The following are the relevant tax authorities in the three levels of government in Nigeria:

i. The Federal Board of Inland Revenue,
ii. The State Board of Internal Revenue,
iii. The Local Government Revenue Committee.

Tax administration therefore consists of the tax authorities and the organs of tax administration. The Nigerian Tax Law (Act 21 of 1998) defines tax authority to mean the Federal Board of Inland Revenue (FBIR), the State Board of Internal Revenue, or the Local Government Revenue Committee.

Theoretical Framework: Optimal Tax Theory

The breakthrough of the modern theory of optimal taxation in the early 1970s opened up a new fertile area of research, but it also created a larger communication gap between theorists and practitioners of public finance (Sørensen, 2006). Development of the theory of optimal taxation began in the nineteen seventies, though its origins go back forty years to a 1927 paper by the short lived genius, Frank Ramsey. The basic premises of the theory are that a government wishes to raise a given sum through taxation that taxes distort economic choices, and the question at issue is how the taxes should be set in order to minimize the distortion which does occur.

The standard theory of optimal taxation posits that a tax system should be chosen to maximize a social welfare function subject to a set of constraints. Sandmo (1976) suggests that one could identify at least three criteria for 'optimality' of a tax system. First, one could think of a good tax system as one which minimises the resource cost in assessing, collecting and paying the taxes. Second, alternative tax systems can be ranked in terms of some criterion of justice or fairness. And third, it is possible to evaluate tax systems in terms of economic efficiency that is in terms of the distortion they cause in agents' behaviour. Optimality in this last sense has been the original point of departure of optimal commodity taxation theory (Kaplanoglou, 2016).

The first contribution to the optimal taxation literature was given by Ramsey (1927). The problem considered by Ramsey is to raise a given amount of revenue from a consumer through the taxation of the commodities consumed so as to minimise the loss in utility arising from taxation, or equivalently, so as to maximise social welfare subject to the revenue constraint. The Ramsey tax rule then can be interpreted as saying that at the optimum the proportional reduction in compensated demand that results when the set of taxes is imposed should be the same for all goods. While the general intuition behind the Ramsey rule is clear, it does not offer an explicit formula for the calculation of optimal taxes.

Finally, the standard models of optimal commodity taxation assume that individuals act in a way which maximises their welfare. Although the administrative costs and evasion possibilities of indirect tax rates have not yet been formally incorporated in the optimal commodity taxation theory, perhaps the most notable exception is the work by Cremer and Gahvari (1993) who derive optimal commodity tax formulae for a single-consumer competitive economy, where evasion of commodity taxes by firms is possible. Building on the basic theory of optimal taxation, Ahmad and Stern (1984 and 1987) also developed an operational framework for calculating desirable welfare-improving directions of marginal tax reforms from a given status-quo, which need not be optimal.

The basic theory of optimal commodity taxation establishes several important results and offers some principles which can be useful for policy makers. The question, however, remains as to the extent to which the theoretical suggestion of optimal commodity taxation can be transformed into an operational framework for designing an indirect tax system and setting tax rates (Barnett, 1979; Browning & Meghir, 1991). Furthermore, it is not easy to determine how an obvious divergence of the world from these conditions would influence the results on the optimal structure of indirect taxes and the balance between different tax instruments (Madden, 1996).

Research Method

The research was a descriptive study that adopted a cross-sectional survey design. The population of the study was the employees and residents of local government councils (LGCs). Data for the study was collected by the use of survey questionnaire and in depth interviews. Multi-stage sampling technique was employed in selecting the sample for this study. At the first stage of the sampling, simple random technique was used to select two states in each of the six geopolitical zone of Nigeria, totalling 12 states in all. The selected states include Lagos and Oyo in south-west; Anambra and Imo in south-east; Delta and Rivers in south-south; Kogi and Nassarawa in north-central; Adamawa and Gombe in north-east; and Kaduna and Sokoto in north-west.

At the second stage of the sampling, stratified random technique was used in selecting one LGC from each senatorial district of a state totalling three LGCs in each state and 36 LGCs in all. The selected local government councils are Onitsha South, Awka North, and Ihiala in Anambra State; Owerri North, Oguta and Okigwe in Imo State; Udu, Ika Northeast, and Warri South in Delta State; Okrika, Eleme, and Degema in Rivers State; Surulere, Ikorodu, and Amuwo-Odifin in Lagos State; Egbeda, Iseyin, and Ibadan Southeast in Oyo State; Okene, Olamaboro, and Lokoja in Kogi State; Nassarawa Eggon, Karu and Doma in Nassarawa State; Michika, Ganye, and Hong in Adamawa State; Akko, Shongom, and Gombe in Gombe State; Makarfi, Kaduna South, and Zangon in Kaduna State; Wurno, Sokoto North, and Shagari in Sokoto State. At the third stage, proportionate random technique was adopted in which local government council was selected according to a proportion corresponding to its size within the study population using a simple fraction of 5%. A total sample size of 1300 respondents was administered copies of questionnaire Interviews were conducted with a Director in a selected local government council in each geopolitical zone of the country. Secondary data were sourced from official publications of LGCs, Federal and State Governments' gazettes as well as books, journal articles, and the Internet. Data collected were analysed using simple percentages, relative impact index, relative extent index, chi-square and content analysis.

Results and Discussion

In order to provide answers to the stated objectives, respondents views were analysed and their response are presented in tables 1 and 2.

Table 1: Assessment of Extent of Taxes Utilised and Collected by LGCs in Nigeria

Item	Very Large Extent		Large Extent		No Extent		Small Extent		Very Small Extent		Relative Extent Index (RII)
	f	(%)	f	(%)	f	(%)	f	(%)	f	(%)	
Collection of rates	227	17.5	206	15.9	73	5.6	306	23.5	488	37.5	2.52
Collection of fines	219	16.9	211	16.2	15	1.2	332	25.5	523	40.2	2.44
Collection of license fees	147	11.3	228	17.5	23	1.8	343	26.4	559	43.0	1.89
Collection of levies	138	10.6	248	19.1	56	4.3	397	30.5	461	35.5	2.39
Earnings from markets stalls and motor parks	343	26.4	482	37.1	46	3.5	302	23.2	127	9.8	3.47
Rent in Local Government properties	151	11.6	253	19.5	31	2.4	671	51.6	194	14.9	2.61
Collection of outdoor advertising fees	185	14.2	221	17.0	41	3.2	578	44.5	275	21.1	2.59

Source: Author's computation, 2016.

The results in Table 1 shows that the local government councils have not been utilising the collection of rates in their tax administration, as such, collection of rates is at a small extent as revealed by 61.0% of the respondents, and affirmed by a low relative extent index value of 2.52. This is very pronounced among local government councils in Northeast and Northwest geopolitical zones, though there are pockets of local government councils in Southeast, Southwest, South-south and North-central that is not utilising collection of rates in their tax administration. The results also indicated from a very low relative extent index (REI) value that local government councils in Northeast and Northwest geopolitical zones and some in North-central, Southwest, Southeast and South-south geopolitical zones are not utilising collection of fines (REI=2.44), collection of license fees (REI=1.89), and collection of levies (REI=2.39). A high relative extent index (REI) value implies that all the studied local government councils utilises earnings from markets stalls and motor parks (REI= 3.47), rent in local government properties (REI= 2.61) and collection of outdoor advertising fees (REI= 2.59) as source of revenue generation for tax administration.

Challenges of Tax Administration in Nigeria Local Government Councils

Tax administration at the local government councils is being hindered by a lot of challenges. These challenges are presented in Table 2.

Table 2: Challenges of Tax Administration in Nigeria LGCs

Item	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree		Relative Impact Index (RII)	Chi-Square (χ_c^2)	Chi-Square (χ_t^2)
	f	%	f	%	f	%	f	%	f	%			
Interference in tax jurisdiction of the LGCs by state governments has adversely affected revenue generation of the LGCs.	432	33.2	473	36.4	92	7.1	189	14.5	114	8.8	3.71	173.128	36.415
The tax administration System in LGCs is not efficient and effective	401	30.8	511	39.3	24	1.9	195	15.0	169	3.0	3.60	149.299	31.410
Lack of monitoring and supervision	493	37.9	496	38.2	52	4.0	228	17.5	31	2.4	3.92	67.701	29.296
Failure of tax collectors in remitting total tax collected	519	39.9	597	45.9	8	0.6	146	11.2	30	2.3	4.10	51.067	21.026
Poor valuation and machinery for tax collection	487	37.5	583	44.8	11	0.9	164	12.6	55	4.2	3.99	19.097	15.507
Corruption is a challenge facing tax administration in LGCs.	534	41.1	554	42.6	14	1.1	132	10.1	66	5.1	4.08	20.796	9.488
Unwillingness of tax payers to pay tax	547	42.1	587	45.1	6	0.5	114	8.8	46	3.5	4.14	55.588	3.841

Source: Author's computation, 2016.

From table 2, a high relative impact index value of 3.71, and the views of 69.6% of the respondents acknowledged that interference in tax jurisdiction of the local governments by the state government has adversely affected tax administration at the local government councils. From the chi-square analysis at 5% significant level, the computed chi-square (χ_c^2) value of 173.128 is greater than the critical value (χ_t^2) of 36.415 ($\chi_c^2 > \chi_t^2$). This implies that there is interference in tax jurisdiction of the local governments by the state government. The chi-square result affirms the views of the respondents, whose outcomes have adversely affected revenue generation potentials of the local government councils. The Director of Finance Department in a local government council in Oyo State acknowledged that state governments have taken over some taxes that is under the jurisdiction of the local government, thereby streamlining opportunities of the local government to generate revenue. A male Deputy Director aged 48 years, in Administration and General Services Department in a local council in Lagos State in an interview on interference in tax jurisdiction of the LGCs by the State government observed that due to inadequate revenue from the federation account, the state government now collect some taxes and levies meant for the local governments thereby depriving the local government of its revenues. He noted that the local government tax structure gives too much room for the state government to interfere; a form of interference by the state government is the appointment of politicians as senior tax officers as a compensation for their role during political elections and not on merit of the required knowledge, has caused a lot of damage to tax administration at the local level. Most of the political appointees were culprits of tax evasion.

Also, a high relative impact index value of 3.60 and 70.1% of the respondents' opinion revealed that tax administration system in local government councils is not efficient and effective. This view was earlier pointed out by Ekpo and Ndebbio (1998) that other problem of tax administration centres on inadequate personnel in terms of quantity and quality. They argued further that shortage of qualified tax personnel is partly responsible for the poor enforcement. The results of chi-square analysis at 5% significant level shows that the computed chi-square (χ_c^2) value (149.299) is greater than the critical chi-square (χ_t^2) value (31.410). This implies that tax administration system in local government councils is inefficient and ineffective. A male Director aged 53 years, in Administration Department of a local government council in Kaduna state in an interview acknowledged that management and the local government approach in the implementation of tax policy is very weak. The weakness is due to inadequate and untrained staff of the tax-collecting department, bad road network that makes accessibility to remote rural areas impossible, corrupt political leaders whose affluent lifestyles discourages citizens from paying taxes.

On the issue of monitoring and supervision of tax officials, a high relative impact index value of 3.92 and 76.1% of the respondents revealed that lack of monitoring and supervision encourages staff to indulge in corruption practices in the local governments. The tax officials collect bribes from tax defaulters and tax evaders to avoid being prosecuted. The results of chi-square analysis at 5% significant level shows that the computed chi-square (χ_c^2) value (67.701) is greater than the critical chi-square (χ_t^2) value (29.296). This implies that there is poor monitoring and supervision of tax officials which tend to encourages staff to indulge in corruption practices in the local governments. A male Director aged 47years, in Planning, Budget, Research and Statistics Department in a local government council in Kogi State in an interview on monitoring and supervision of tax officials highlighted lack of vehicles, adequately skilled personnel and poor logistics and motivation for supervisors as some factors responsible for the monitoring and supervision of tax officials by local government councils.

Furthermore a very high relative impact index value of 4.10, and 85.8% of the respondents views' showed that failure of tax collectors in remitting total tax collected adversely affected tax administration in local governments. The results of chi-square analysis at 5% significant level shows that the computed chi-square (χ_c^2) value (51.067) is greater than the critical chi-square (χ_t^2) value (21.026). This is an indication of the non-compliance of tax collectors in remitting total tax collected from tax payers to the treasury of the local governments. A female Director aged 51 years, in Personnel Department in a local government council in Imo State in an interview on failure of tax collectors in remitting total tax collected argued that since tax collectors are not monitored, it is only the amount declared that is accepted, since the expected amount cannot be verified due to paucity of data. She concluded that automation of tax administration is the only way forward, through payment of tax to banks and the use of computers allows tax data entry, automated processing, computation and analysis as well as automatic production of tax reports and feedback required for control and risk management purposes is the way to deal with non-remittance of tax collected. She reiterated that automation makes extensive use of computer systems consisting of comprehensive and integrated software packages which capture and process data for duty and revenue collection. The views of the respondents reiterated the outcome of the work of Enahoro and Jayeola (2012), that the sharp and dishonest practices by some tax officials, especially at the local government level, pose a serious threat to tax administration in Nigeria.

Likewise, a high relative impact index value of 3.99 and the views of 82.3% of the respondents asserted that poor valuation and machinery for tax collection is affecting tax administration in local government councils. The results of chi-square analysis at 5% significant level shows that the computed chi-square (χ_c^2) value (19.097) is greater than the critical chi-square (χ_t^2) value (15.507). This implies that there is poor valuation and machinery for tax collection. A female head of department aged 48 years, in finance department of a local government council in Gombe State in an interview on poor valuation and machinery for tax collection system pointed out that local government councils in the State does not have a comprehensive data base of all the tax payers and businesses in the LGA. As a result, the residents and businesses in the local government take advantage of absence of data base by not fulfilling their obligation thereby evading payment of tax. The results of this study corroborated the findings of Enahoro and Jayeola (2012), which stated that tax collectors at the local government level including messengers and some daily-rated employees who are supervised by the tax clerks and are not knowledgeable in tax practices. These categories of staff are not adequately equipped to carry out tax operations. They observed that due to their low level of education, tax officials are not conversant with the tax laws and regulations.

Also, a high relative impact index value of 4.08, and the assertion of 87.7% of the respondents showed that corruption is a challenge facing tax administration among the local government councils in Nigeria. The results of chi-square analysis at 5% significant level shows that the computed chi-square (χ_c^2) value (20.796) is greater than the critical chi-square (χ_t^2) value (9.488). This implies that there is high level corruption among tax collectors and management of the local government council. A male auditor aged 44 years, in Audit Department of a local government council in Delta State in an interview on corruption as a challenge facing tax administration revealed that local government tax officials engage in sharp and dishonest practices which have continually pose serious threat to tax administration and internally generated revenue in the local government. He also explained that tax defaulters who does not want to be prosecuted in the law court offer bribe to tax officials on agreed settlement fee which goes into the pocket of corrupt tax officials. This according to him is responsible for the frequent invasion by tax officials on tax defaulters not because they want to generate revenue for the government, rather, for their pocket. The views of the respondents corroborated that of Fashola (2009) who opined that corruption risk erodes the tax yield and confidence in the tax system.

Finally, with the highest relative impact index value of 4.14, and the assertion of 87.2% of the respondents, the unwillingness of tax payers to pay their tax was affirmed. The results of chi-square analysis at 5% significant level shows that the computed chi-square (χ_c^2) value (55.588) is greater than the critical chi-square (χ_t^2) value (3.841). This revealed the unwillingness of tax payers to pay tax shown in the large numbers of the citizen that evade tax payment.

Testing of Hypotheses

The results of hypotheses analysis are presented in tables 3-5.

Hypothesis 1

H_{01} Monitoring and Supervision of tax collectors has no significant effect on tax administration in Nigeria.

H_1 Monitoring and Supervision of tax collectors has significant effect on tax administration in Nigeria.

The chi-square test was used to examine possible relationship between monitoring and supervision of tax collectors and tax administration at the local government councils in Nigeria at 5% significance level. Table 3 shows the relationship between monitoring and supervision of tax collectors and tax administration at the local government councils in the country.

Table 3: Chi-square distribution of relationship between monitoring and supervision of tax collectors and tax administration

Item	χ_c^2	χ_t^2
There is poor monitoring and supervision of tax officials.	67.701	29.296

Source: Author's computation, 2016.

The result revealed that monitoring and supervision of tax collectors was statistically not different in all the LGCs studied ($\chi_c^2 > \chi_t^2$). This implies that there is poor monitoring and supervision of tax collectors meaning that monitoring and supervision of tax collectors did not result in efficient tax administration in Nigeria. Thus, since $\chi_c^2 > \chi_t^2$, the alternative hypothesis (H_1) is accepted and the null hypothesis (H_{01}) is rejected.

Decision: There is poor monitoring and supervision of tax collectors.

Hypothesis 2

H_{02} Corruption has no significant impact on local government tax administration in Nigeria.

H_2 Corruption has significant impact on local government tax administration in Nigeria.

The chi-square test was used to examine possible relationship between corruption and tax administration at the local government councils in Nigeria at 5% significance level. Table 4 shows the relationship between corruption and tax administration at the local government councils in the country.

Table 4: Chi-square distribution showing relationship between corruption and tax administration at local government councils in Nigeria

Item	χ_c^2	χ_t^2
Corruption is a challenge of tax administration in LGCs.	20.796	9.488

Source: Author's computation, 2016.

The result revealed that corruption was statistically not different in all the LGCs studied ($\chi_c^2 > \chi_t^2$). This implies that corruption is significant; meaning that corruption among tax officials and management of local government councils is affecting tax administration in Nigeria. Thus, since $\chi_c^2 > \chi_t^2$ the alternative hypothesis (H_2) is accepted and the null hypothesis (H_{02}) is rejected.
Decision: Corruption has significant impact on local government tax administration in Nigeria.

Hypothesis 3

H_{03} Unwillingness of tax payers to pay tax has no significant effect on tax administration in Nigeria.

H_3 Unwillingness of tax payers to pay tax has significant effect on tax administration in Nigeria.

The chi-square test was used to examine possible relationship between unwillingness of tax payers to pay tax and tax administration at the local government councils in Nigeria at 5% significance level. Table 5 shows the relationship unwillingness of tax payers to pay tax and tax administration at the local government councils in the country.

Table 5: Chi-square distribution of relationship between unwillingness of tax payers to pay tax and tax administration

Item	χ_c^2	χ_t^2
Unwillingness of tax payers to pay tax.	11.336	9.488

Source: Author's computation, 2016.

The result revealed that unwillingness of tax payers to pay tax was statistically not different in all the LGCs studied $\chi_c^2 > \chi_t^2$. This implies that unwillingness of tax payers to pay tax is significant; meaning that unwillingness of tax payers to pay tax was affecting tax administration in Nigeria. Thus, since $\chi_c^2 > \chi_t^2$. the alternative hypothesis (H_3) is accepted and the null hypothesis (H_{03}) is rejected.

Decision: Unwillingness of tax payers to pay tax has significant effect on tax administration in Nigeria.

Conclusion

Several major findings were presented in this paper. The results and evidence from the local government councils in Nigeria showed that lack of monitoring and supervision encourages tax collectors to indulge in corruption practices in the local governments, resulting in their receiving bribes from tax defaulters and tax evaders and releasing them from the hook of prosecution. The result also indicated that tax collectors who are supervised by the tax clerks are not knowledgeable in tax practices. The findings revealed that tax payers are unwilling to pay their tax. The results further showed that tax collectors do not remit total tax collected from tax payers. Finally, the ineffective tax administration system in the local government councils is adversely affecting their revenue base.

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