

IMPACT OF TAXATION ON THE DEVELOPMENT OF NIGERIAN LOCAL GOVERNMENTS: A STUDY OF OSISIOMA NGWA LOCAL GOVERNMENT AREA OF ABIA STATE

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Abstract

The study was on the impact of taxation on the development of Nigerian local governments: A study of Osisioma Ngwa Local Government Area of Abia state. The broad objective of the study was to investigate the impact of taxation on the development of Nigerian local governments. The study was guided by three specific objectives which included the evaluation of the contribution of taxation to the internal revenue generation of local governments in Nigeria; examination of the extent over dependence on statutory allocation affects tax collection by the local governments in Nigeria; and determination of the impact of official corruption on tax collection by the local governments in Nigeria. The study was theoretical, hence the ex-post-facto research design was employed. Secondary sources of data were used through the review of theoretical and empirical literature relevant to the study. The study adopted Ibn Khaldun's theory of taxation as theoretical framework of analysis. The findings clearly indicate that revenue derived from taxes in the local governments was very low, owing to state government encroachment on or complete takeover of the little viable areas meant for local governments in their domain, fraudulent activities of tax collectors, among others. A major implication of the findings is that these local governments experience low internal revenue generation through taxation resulting to low execution of development projects. The study therefore recommended, among others, that the Federal and State governments should give adequate tax powers to local governments and stop encroaching on the little viable areas meant for local governments.

Keywords: Taxation, development, local, government and impact

INTRODUCTION

Taxation refers to compulsory payments by individuals and organizations to the relevant inland or internal authorities at the federal, state or local government levels. Taxation is the most common method of financing local government councils and it is known as rates (Uche, 2006). Taxation can simply be seen as compulsory transfer or payment of money from private individuals, institutions or groups to government. It may be levied upon wealth or income or in the form of surcharge on prices. (Nwaimo, 2009). It is a compulsory financial contribution to government by individual and corporate bodies. It is a form of withdrawal by government for a particular economic purpose. Taxation is levying by public authorities on citizen within their tax jurisdictions, for the purpose of obtaining compulsory payment, to meet financial, social and economic goals of the authorities (<http://www.articlesng.com/impact-taxation-aid-economics-development>.) Broadly speaking, there are three principal objectives of taxation, namely:

1. To raise revenue for the government.
2. To regulate the economy (economic activities).
3. To control income and employment.

While specifically speaking, the objectives of taxation are as follows:

1. To raise revenue
2. To regulate the production of certain commodities
3. To regulate and control the

consumption of certain commodities

4. To protect infant industries
5. To control business and commerce
6. To control monopoly
7. To curb inflation
8. To prevent dumping
9. To control income and employment
10. To allocate resources
11. To reduce income inequalities or to redistribute income
12. To maintain balance in the Nation's foreign accounts (Nwaimo, 2009)

On the other hand, local government is a political authority which is purposely created by law or constitution for local communities by which they manage their local public affairs within the limits of the law/constitution (Ogunna, 1996). According to Ogunna, there are five main implications of the definition. First, local government is a political authority which implies that it is a level of government vested with legislative and executive powers to make and execute laws and policies. Secondly, it is created by law or constitution which defines its structure, functions and powers, sources of revenue, composition of the local government. Thirdly, it is created at the local level; it is the government which is nearest to the people. Fourthly, it is a government by which the local people manage their affairs. Fifthly, a local government operates within the law or constitution

which creates it. The law should define the specific areas and powers within which the local government should operate. Local government is government that is restricted to specific area within a larger government. Its very essence is located in the concept of autonomy as indicated by (a) the devolution of wide powers, (b) adequate and elastic sources of revenue and (c) reasonable level of discretion. For local government to be so-called, the people under it must be in a position to elect or select their functionaries freely and fairly, participate fully in the decisions affecting their lives, initiate and execute projects and programmes they deem desirable for the improvement of their living conditions (Okoli, 2009). The 1999 constitution recognized local government as the third tier of government with defined powers and mandate to develop the rural areas and establish a relationship around the tiers of governments by reflecting the nature of control and exercise of powers by the federal and state governments over local governments (Ovaga, 2009).

The 1976 local government reform and 1999 constitution state the internal revenue sources of local governments to include:

1. Rates, which include property rates, education rates and street lighting.
2. Taxes such as community, flat rates and pole tax.
3. Fines and fees, which include court fines and fees, motor park

fees, forest fees, public advertisement fees, market fees, regulated premises fees, registration of births and deaths and licensing fees, and

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

The need for taxation at the local government level cannot be over emphasized, as the management of revenue generated in the local government constitutes the crucial and central component in the administrative process of the local government. Consequently, the following gave rise to the need for taxation in the local government:

1. To solve diverse functions allocated to the local government.
2. To be able to pay their personnel.
3. To tackle large territorial landmass and population of the local government area (<http://www.nairaproject.com/projects/186.htm/>)

The success or the failure of the local government depends on the financial resources available to the individual local government and the way those resources are utilized. This fact is further recognized and emphasized in the guideline for local government reforms of 1976 which stated that it must be recognized that if meaningful local government is to be expected in Nigeria, much larger financial resources are

needed in the development of such local government area.

Statement of the problem

Local governments are the nearest government to the people at the grass roots in Nigeria. They are strategically located to play a pivotal role in national development. Since they are responsible for the governance of about 70 percent of the population of Nigeria, they are in vantage position to articulate the needs of the majority of Nigerians and formulate strategies for their realization (<http://www.gistarea.com/problems-tax-collection-nigeria>).

The local government council takes direct care of the grass roots people, that is, the people in the rural areas. These groups of people sometimes lack essential facilities and condition of modern civilization. They lack pipe borne water to drink, do not have electricity, accessible roads, poor educational infrastructure and facilities as a result of poor revenue generation or tax collection.

Consequently, revenue derived from taxes over the years has been very low and no physical development actually took place, hence the impact on the poor is not being felt (Afubero & Okoye, 2014). Some of the problems that cause poor revenue generation or tax collection at the local government level include inadequate tax personnel, fraudulent activities of tax collectors, lack of understanding of the importance

to pay tax by tax payers, over-dependency of local government on statutory allocation of federal and state governments, damages, mismanagement and misappropriation of local government funds, ineffective strategies for enhancing internally generated revenue, lack of skills and technical personnel, and large scale tax evasion. These hinder tax collection in rural areas by local authorities (Agba, Ocheni & Nnamani, 2014).

Another problem that has been identified is citizen's cynicism and reduction/refusal to pay rates, charges etc due to poor record of performance of local government in Nigeria (Ojojeitimi, 1998). This view point was corroborated by Ola and Tonwe (2005) when they said that there have been incidents by violent attacks by angry villagers on tax collectors of local government's officials are only seen when they want to collect taxes and not return to render any services. Embezzlement of revenue by local government revenue collectors has also resulted in wide spread unwillingness by communities to pay taxes. There have been reported cases of revenue collectors helping themselves with funds collected for the councils, thus discouraging would-be tax payers' from taking this civic responsibility seriously. Thus, tax evasion becomes common place. Some revenue collectors print their own receipt booklets for use, thus depriving the council authorities of the much needed funds. Consequently,

local government authorities pay more in terms of salary to collect less revenue (Edoyugbo, 2012). Also, some state governments encroach or completely take over the little viable areas of taxes meant for the local government which affect their internal revenue generation and, of course, their development programmes.

In view of the strategic position of local government as the closest government to the people and given the fact that about 70% of Nigerian population reside in the rural areas, it becomes imperative to evaluate the impact of taxation on the development of Nigerian local governments.

Objectives of the study

The broad objective of this study is to investigate the impact of taxation on the development of Nigerian local governments. The specific objectives include

1. To evaluate the contributions of taxation to internal revenue generation of local governments in Nigeria.
2. To examine the extent over dependence on statutory allocation affects tax collection by the local governments in Nigeria.
3. To determine the impact of official corruption on tax collection by the local governments in Nigeria.

Significance of the study

This research has both theoretical and empirical significance. Theoretically, the research will contribute to academics and the advancement of knowledge. As is the case with every research, this study, is expected to contribute to knowledge by adding to the existing literature on taxation and local government in Nigeria thereby stimulating further research from students and scholars.

Empirically, the relevance of this study to public officials and the society as a whole is obvious. It will have great value to the government and other stakeholders to the development of the local areas. The findings of the study will serve as a credible policy input for the government, especially as it relates to enhancing the revenue generation capability of local governments through taxation. The conclusion of the study will equally be invaluable to the government and other stakeholders of the local government to adopt effective strategies to enhance the internal revenue generation of local governments through taxation.

Scope of the study

In general term, this study is on the impact of taxation on the development of local governments in Nigeria. However, to make the study manageable, the focus was on taxation, local government and development. The location of the study is Osisioma Ngwa local government in Aba, Abia state.

Brief history of Osisioma Ngwa Local Government Area

Osisioma Ngwa is a local government area of Abia state of Nigeria. Its headquarters are located in Osisioma Ngwa LGA. Osisioma Ngwa is a flat land without hills or mountains and has a headwater located at Okpu Umuobo that runs through the thick forest cutting across into the city of Aba River waterside in Ogbor Hill. Osisioma Ngwa shares boundaries with Ukwa West and Ugwunagbo in the South, Aba South L.G.A and Aba North L.G.A in the East, Isiala Ngwa South L.G.A in the North and Omuma L.G.A, Rivers in the West.

Theoretical review of literature

Taxation is seen as a burden which every citizen must bear to sustain his or her government because the government has certain functions to perform for the benefits of those it governs. Nwaimo (2009) defines taxation as a compulsory transfer or payment of money from private individuals, institutions or groups to government. It may be levied upon wealth or income or in the form of surcharge on prices. According to him, there are three principal objectives of taxation, namely:

1. To raise revenue for the government.
2. To regulate the economy (economic activities).
3. To control income and employment.

While specific objectives include:

1. To regulate the production of certain commodities.
2. To regulate and control the consumption of certain commodities.
3. To protect infant industries.
4. To control business and commerce.
5. To control monopoly.
6. To curb inflation.
7. To prevent dumping.
8. To allocate resources.
9. To reduce income inequalities or to redistribute income.
10. To maintain balance in the Nation's foreign accounts.

Corroborating, Ekwerike (2012) defined taxation as any non penal yet compulsory transfer of resources from the private to public sector levied on the basis of pre-determined criteria and without reference to specific benefits received, in order to accomplish some of a nation's economic and social objectives. Taxes, according to him, can be classified into two, namely, indirect taxes and direct taxes. Indirect taxes is levied on a particular person who pays it but later recoups this from members of the community, probably, in most cases, from his customers while direct tax is government compulsory levy on the person intended to pay it. It is assessed and collected from the person.

Farayola (1987) defined taxation as one of the sources of income for government, such income as used to finance or run public utilities and

perform other social responsibilities. Ochiogu (1994) defined tax as a levy imposed by the government against the income, profit or wealth of the individuals and corporate organizations. According to Adams (2001) taxation is the most important source of revenue for modern governments, typically accounting for ninety percent or more of their income. Taxation is seen by Aguolu (2004) as a compulsory levy by the government through its agencies on the income, consumption and capital subjects. These levies are made on personal income, such as salaries, business profits, interests, dividends, discounts and royalties. It is also levied against company's profits, petroleum profits, capital gains and capital transfer. Okon (1997) states that income tax can be regarded as a tool of fiscal policy used by government all over the world to influence positively or negatively particular type of economic activities in order to achieve desired objectives.

The primary economic goals of developing countries are to increase the rate of economic growth and hence per capital income, which leads to a higher standard of living. Progressive tax rate can be employed to achieve equitable distribution of resources. Government can also increase or decrease the rates of tax, increase or decrease the rate of capital allowances (given in lieu of depreciation) to encourage or discourage certain industries (e.g in the area of agriculture, manufacturing or construction) or may give tax holidays to

pioneer companies. Income tax therefore can be used as an agent of social change if employed as a creative force in economic planning and development. Eckeston (1983) said that a good tax should not impose taxes that are impossible to enforce even when people comply to tax laws voluntarily, the government should verify the tax payments, if not the tax becomes an invitation to break the law.

Writing on taxation as a tool for wealth creation and employment, Somorin (2011) stated that taxation is recognized as a very important tool for National Development and growth in most societies. One of the major indices by which development and growth can be measured in any society is the amount of wealth, which is created by economic activities undertaken in that society. Furthermore, she stressed that one of the means of creation of wealth for citizens is through meaningful employment, so that citizens are able to earn income to cater for their needs and also contribute taxes to the government as part of their contribution to National Development. Somorin (2011) stated that taxation can play a vital and pivotal role in the creation of wealth and employment in the Nigerian economy in the following ways:

1. Stimulating growth in the economy, by increased trade and economic activities.
2. Stimulating domestic and foreign investment
3. Revenue generated from taxes

can also be applied directly to identify sectors of the Nigerian economy to stimulate such sectors.

4. Revenue earned from taxes can be used to develop effective regulatory systems, strengthen financial and economic structures and address market imperfections and other distortions in the economic sector.
5. Redistribution of income, whereby tax revenue realized from high income earners is used to provide public infrastructure and utilities to the lowest income earners.

Writing on the problems of tax administration in Nigeria, Soyode and Kajola (2006) stated that the problems of tax administration in Nigeria are as follows:

1. Tax evasion - Tax evasion is a deliberate and wilful practice of not disclosing full taxable income so as to pay less tax
2. Tax avoidance - This is the arrangement of tax payer's affairs using the tax shelters in the tax law, and avoiding tax traps in the tax laws, so as to pay less tax than he or she would otherwise pay

Other problems militating against effective tax administration in Nigeria, according to Soyode and Kajola, include:

1. Problem of identification of the person to be assessed

2. Problem of identifying income for tax purpose
3. Personnel problem and low image of tax officials
4. Inadequate penalties for tax defaulters
5. Attitudinal problem. Most people do not know that it is part of their civic duties or responsibilities to pay tax and except a few enlightened individuals, corporate organizations and salaried employees whose income are subjected to tax, some adult Nigerians do not eagerly and regularly pay tax
6. Cumbersome process of payment

The procedure for paying certain taxes are too cumbersome and do not encourage prompt payment of tax by payers. In some instances they go scot free by bribing tax officials.

Term 'Development' is defined by Meier (1989) as the maximization of the growth of the GNP through capital accumulation and industrialization. For most liberal scholars, development means the capacity of a national economy, whose initial economic condition have been more or less static to generate and sustain an annual increase in its Gross National Products (GNP) at rates of perhaps 5 to 7 percent or more (Todaro, 1979). Okoli (2004) defined development as the promotion of the welfare of the individual as well as a universal good. According to him, it is

the construction of roads, culverts, bridges, installation of pipe borne water, electricity and other infrastructures. Okereke and Ekpe (2010) viewed development at the individual level to imply mental and academic sophistication, moral rectitude as well as material well-being. At the social group level, development involves the ability to safeguard the independence of a given social group. It implies the ability of members of the society to concertedly deal with their environment.

On the other hand, local government has been defined in several ways by different scholars, researchers, practitioners and even policy makers. Chukwuemeka (2008) defined local government as a public organization authorised to achieve and administer a limited range of public policy in a relatively smaller territory, which is a sub-division of the national government. Okonkwo (2009) defined local government as the government of the grass root which is designed to serve as instrument for rural or local transformation. Bellow (1996) portrayed local government as that unit of administration with defined territory and power as well as administrative authority with relative autonomy, such administrative authority could be elected". The United Nations Division of public administration sees local government as a political division of a nation which is constituted by law and has substantial control of local affairs, including the powers to impose taxes or exact labour for prescribed purpose.

Contributing, Benjamin (1998) defined local government as the administration of a particular country or district, with representatives elected by those who live there. Yet, it is a form of public administration which in a majority of contexts, exists as the lowest tier of administration within a given state. He said that local governments generally act within powers delegated to them by legislation or directives of the higher level of government. In a federal state, local government generally comprises the third tier of government. Alluding to the concept of local government, Tonwe (2007) stated that with the amount and variety of work to be done country-wide by government it is impossible for a single authority to undertake directly their performance and the government too does not have the requisite knowledge of all the diverse problems which are local in nature. One of the recurrent problems of the tiers of government in Nigeria, therefore, is the ever dwindling revenue generation, discernible from budget deficits and paucity of funds for robust economic growth and development. According to him, local governments are the nearest governments to the people at the grass roots in Nigeria. In fact, 70% of the Nigerian population reside in the local government areas (Tonwe, 2007). Consequently, it has the responsibility to articulate the needs of these people and formulate plans and strategies to realizing them.

The guideline for local government

reform 1976 defines a local government as:

Government at the local level exercise through representative councils established by law to exercise specific powers within defined areas. These powers should give the council substantial control over local affairs as well as the staff and institutional and financial powers to initiate and direct the provision of services and to determine and implement projects so as to complement the activities of the state and federal governments in their traditional institutions, that local initiatives and response to local needs and conditions are maximised.

Based on the above conceptualisations, there is a consensus that local government is a government that exists within a small area, charged with the responsibility of executing public policies within given powers. It must involve local inhabitants of the area in decision making through their elected representatives who are an indispensable feature of any genuine democratic system (Benjamin, 1998). Okoli in Okpata (2004) stated that local government exist to:

1. Fill a gap in remote areas, which the national government is unable to fill;
2. Complete and extend the

national government closer to the people;

3. Implement the ideals, objectives, programmes, and aspirations of the national government at the local level;
4. Bring the ideology, needs, objectives and aspirations, constitution, crucial determinant of the structure and functions of the national government to the local government. Corroborating, Chukwuemeka (2008) opined that local government is intended:
5. To relieve the central/state government of excessive amount of business from the center and thus, decongest the national and state governments;
6. It is an instrument of political education providing a forum or socializing political participants;
7. It helps to pool resources together at the local level for the provision of wide range of essential social services;
8. It provides the basic and preparatory training ground for people who would in future take over political responsibility for the government of their state or nation.

Writing on the functions of Local governments, Ogunna (1996) stated that the traditional functions of the local government are the making of bye-laws, maintenance of law and order at the local area, collection of rates, establishment,

maintenance and regulation of markets and motor parks, control and regulation of restaurants and other public eating houses, slaughter houses and slabs and outdoor advertising. The local governments have other traditional functions as registration of births, deaths and marriages, licensing of bicycles, trucks, carts, wheelbarrows and canoes, establishment and maintenance of local roads, bridges and streets, and the provision of sporting and recreational services, maintenance of public conveniences and refuse disposal. Big local governments also provide educational, health, industrial, agricultural and commercial services, water supply, fire services, rural electrification and housing accommodation. According to him, local government functions can be classified into mandatory and permissive or optional functions. Mandatory functions are those ones which by law are compulsory for the local government to provide within its area of jurisdiction. Permissive functions are those ones which are quite optional to the local government. This means that the local government is free to provide or not to provide such functions depending on its priorities, available financial resources and staff availability for such services. All the functions allocated to the local government are assumed to be both mandatory and permissive. This assumption is justified in the sense that the local government is expected to discharge all the functions allocated to it

but where it fails to provide any of them on the grounds of inadequate funds or lack of the needed executive capacity, it could not be taken to court through writ of mandamus to perform the functions.

Local government functions are provided by the law of the legislature of a state. However, in Nigeria with effect from the 1979 constitution, local government functions are no longer allocated by an ordinary law of a state government. Rather, the local government functions are provided by the constitution; hence the present functions of the local government are provided in the fourth schedule of the constitution of the Federal Republic of Nigeria. The constitution provides for two sets of functions, namely, exclusive functions which are the functions that are exclusive to the local government, and concurrent functions which the local government performs in participation with the state government. An example of exclusive function of the local government is establishment, maintenance and regulation of markets and motor parks while the development of agriculture and natural resources and the maintenance of health services are examples of concurrent services.

Review of related empirical studies

Impact of taxation on the development of local government in Nigeria has been reported by Afubero and Okoye (2014) in their study on "The impact of taxation on revenue generation in Nigeria: A study of federal capital territory and

selected states”. The broad objective of the study was to find out the impact of taxation on revenue generation in Nigeria. The study which adopted both primary and secondary sources of data found that taxation has a significant contribution to revenue generation as well as on Gross Domestic Product (GNP). It recommended among others that Well Equipped Data Base (WEDB) on all tax payers should be established by the federal, state and local governments with the aim of identifying all possible sources of income of tax payers for tax purpose.

In another study entitled Local government tax mobilization and utilization in Nigeria: Problems and prospects, Adedokun (2013) sought to investigate the extent local governments in Nigeria exercise and utilize their tax jurisdiction or powers for their development. The study, which adopted historical technique, found that some state governments encroach on some viable taxable areas meant for local governments in their domain as well as control and subordinate the local governments through sundry mechanisms, including manipulation of the disbursement of financial transfers to them. It recommended among others that state government should stop encroaching on the viable taxable areas of the local government, and also the local government should be allowed to share major tax bases with other levels of government to enable enough independent funds for development.

Also, Uhunmwuango and Aibeiyi (2013) carried out a study on “Problems of revenue generation in local government administration in Nigeria”. The broad objective of the study was to investigate the factors militating against effective revenue generation in local government administration in Nigeria. The study employed descriptive approach. It found that the practice of farming out of revenue sources to persons on the basis of political patronage contrary to financial memoranda regulation negated the revenue generation efforts of local governments. The implication of not complying with this regulation, they noted, is that the revenue agents cashed on the loophole to exploit helpless public by fixing rates other than those approved by the council, who could not pay the exorbitant rates thereby resulting to loss of dire needed funds to local government councils. Its recommendations included that revenue collectors should be checked on regular basis by the Internal Auditor of the council in consonance with the provisions of financial regulation and anyone found guilty of corrupt practices should be punished accordingly and also the use of council staff should be encouraged.

In another study entitled Local government finance in Nigeria: challenges and prognosis for action in a democratic era (1999-2013), Agba, Ocheni and Nnamani (2014) sought to examine the sources of local

government finance in Nigeria and the factors affecting their financial viability. They employed descriptive survey as design for the study. Their findings indicated that most local governments solely depend on federal allocations and state governors through the release of funds from state joint local government accounts and grants to satisfy their felt needs. The resultant effect of this, they noted, is the inadequate financial base of most local governments in Nigeria, which makes it practically difficult to carry out their constitutional functions effectively. The study therefore recommended among others that the idea of local governments being to tide to monthly statutory allocation should be dropped; rather they should explore the innovative approach of generating revenue internally by exploring their tax jurisdiction.

In their study on “Jurisdiction Impact of Revenue Allocation on States and Local Government Councils in Nigeria”, Emengini and Anere (2010) examined the formulas used by federal government of Nigeria to allocate revenue from federation account and their socio-economic impact on the states and local government councils. The study which adopted descriptive survey as design for the study, found that the effectiveness of revenue mobilization process is not dependent on whether the fiscal policies is centralized or decentralized but on the effectiveness of implementation process. It recommended among others

that states and local governments should diversity their economy to reduce over-dependency on statutory allocation and intensify efforts towards effective internal revenue generation especially through tax collection.

Theoretical framework

The theoretical base of this study is Ibn Khaldun's theory of taxation. The key variables in the discussion of this theory are taxation, government expenditure and development, (Afubero and Okoye, 2014). The central theme of the theory is that every state needs resources which have to be raised by the government through different means, the most important being the taxes, in order to perform its responsibilities towards the citizens and the economy. This theory stresses that finance is vitally important to run a government. In this context, Khaldun cited in Afubero and Okoye (2014) opined that income and expenditure balance each other in every city. If the income is large, the expenditure is large and vice versa. And if both income and expenditure are large, the inhabitants become more favourably situated and the city grows. According to him, government expenditure is a major source of the development of the economy. Therefore, sufficient revenue is necessary for the government to do the things that are needed to support the population and to ensure law and order and political stability.

Ibn Khaldun in this theory concluded

that taxes and government expenditures determine the strength or weakness of a state at various stages in its development (Islahi, 2006).

Findings

1. There was no well equipped database on taxpayers.
2. Adequate tax powers is not given to the local government in Nigeria, hence, there are over-dependent on statutory allocation.
3. There is embezzlement of revenue by local government revenue collectors resulting in widespread unwillingness by communities to pay taxes.
4. There is reported cases of revenue collectors helping themselves with funds collected for the councils.
5. Some state governments encroach or completely take over the little viable areas of taxes meant for the local government which affect their internal revenue generation and of course, their development programmes.

Conclusion

The findings of this study indicated that taxation contributes significantly to the internally generated revenue of local government as the management of revenue generated in the local government constitutes the crucial and central component in the administrative process of the local government. This is largely so because finance determines

the services rendered by the local government. Several evidences reported in the study have also established that there exist relationship between taxation and development.

From the reviewed literature, it is realized that development is highly associated with fund as much revenue is needed to plan, execute and maintain infrastructures and facilities at the local government level. The needed revenue collected for such developmental projects like construction of accessible roads, building of public schools, health care centres, and construction of bridges among others should be mainly generated from taxes. Thus, the local government cannot embark, execute and possibly carryout the maintenance of these projects and other responsibilities without adequate tax collection.

Recommendations

Evidences revealed in this study indicate that Local Governments in Nigeria have challenges at the moment that require effective taxation system for their development. The study therefore recommends that:

1. Local governments in Nigeria should establish Well Equipped Data Base (WEDB) on all tax payers with the aim of identifying all possible sources of income of tax payers for tax purpose aimed at ensuring that taxation contribute significantly to the revenue generation of local governments.

2. The Federal and State governments should give adequate tax powers to local governments and also allow them to share in major tax bases to reduce their over-dependence on statutory allocation, and to provide enough independent funds for development.
3. In consonance with the provisions of financial memorandum, the internal auditors of local governments should check the tax collectors on regular basis and accordingly punish anyone found guilty of corrupt practices. The local governments should have the political will to prosecute corrupt public officers to serve as deterrent to others.
4. Finally, to ensure effective control of tax collectors, local governments should use their employed staff for tax collection instead of agents who are contracted as political patronage.

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