REFORMING SALES TAX IN DEVELOPING COUNTRIES: A STUDY OF NIGERIAN SALES TAX SYSTEM

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MAHESH C. PUROHIT

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NATIONAL INSTITUTE OF PUBLIC FINANCE AND POLICY
18/2, SATSANG VIHAR MARG
SPECIAL INSTITUTIONAL AREA
NEW DELHI 110 067

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The objectives of this paper are to present the salient features of the sales tax system in Nigeria and to suggest reforms that could be attempted keeping in view the state of economic development of the country.

Evolution of Sales Tax

The history of sales tax in Nigeria dates back to 1953 when the Sales of Produce Taxation Act was enacted[1/] and the government was empowered to impose a tax on the sale of specified commodities made to a Marketing Board or to a licensed buying agent[2/]. However, the 1954 Constitution, for the first time, recognised the Constituent regions as separate entities and made specific provisions for the imposition of sales tax by them. The regions then assumed the 1953 enactment to have taken effect as a law of their respective regional assemblies. They abrogated and replaced the Act with their own separate and regional Produce Sales Tax Laws[3/].

The Federal Government enacted the Sales of Produce (Taxation) Act, 1957, to replace Sales of Produce Taxation Act, 1953, and provided for a tax in the Federal Territory of Lagos, on sales of produce to the Western Region Marketing Board, or any of the licensed buying agents[4]. The commodities taxed were cocoa, palm kernel and palm oil only.

The Nigerian (Constitution) (Amendment) order, 1959, introduced "Taxes on amount paid or payable on the sale or purchase of commodities" as an item on the exclusive legislative list[5]. Some commodities were, however, excepted: These were agricultural produce, hides and skins, motor spirit (gasoline) and diesel oil. These exceptions gave the regions a share in the proceeds of taxation of the excepted commodities[6]. Item 35A of the 1959 Amendment was re-enacted as item 38 of the exclusive list of the Constitution of the Federation of Nigeria, 1960. As the tax on items such as agricultural produce, hides and skins, petrol and diesal oil was not specifically placed on the concurrent list, it found a place on the residual list in respect of which the regions could legislate[7]. The Commodity Boards Act, 1977, dissolved the Marketing Boards[8] and the Nigerian Produce Marketing Company Limited (which hitherto administered the produce sales tax legislations) and replaced them by Commodity Boards for each important item of export produce[9].

The Constitution of 1979[10], which ushered in the executive presidential form of government, omitted item 38 in its entirety as set out in both the 1960 and 1963 Constitutions. Though this omission precluded implicitly the imposition of sales tax as a residual subject, it was interpreted that the Stated did have the competence under the Constitution to legislate and impose tax on the supply of goods and services within the States.

The 1979 Constitution was in force for only four years when the armed forces replaced the government in a military coup on December 31, 1983. The new Federal Military Government promulgated the Constitution (Suspension and Modifications) Decree 1984,[11] giving itself limitless powers "to make laws for the peace, order and good government of Nigeria or any part thereof with respect to any matter whatsoever". The Military Governor of a State who is the sole legislator in the State now exercises delegated authority. However, he has to seek the consent of the Federal Military Government before making any law even with respect to matters on the concurrent legislative list.

The effect of the above Decree is to give the Federal Government legislative powers over all matters, including state sales taxation. A Governor is, however, not likely to encounter any problem in obtaining clearance from the Federal Military Government as the latter has impressed upon the States to intensify their efforts to generate more internal revenue in the light of the bleak market prospects for Nigerian crude oil.

Existing Structure

Notwithstanding the jurisdictional problems of the States' right to levy sales tax, ten of the Nigerian States, viz., Anambra, Bendel, Benue, Cross River, Kaduna, Lagos, Ondo, Oyo and Plateau are presently levying sales tax. The tax structure of all these States is almost similar (Table 1). All of them impose a retail sales tax with no exemption

TABLE 1

SALES TAX RATES IN NIGERIA

(As on April 1, 1985)

Commodities and services	Anambra 1/	Bendel	Benue	Cross River*	Kaduna	Lagos**	Ogun $	Ondo	Oyo	Plateau
Flour	-	-	-	2	-	-	-	-	-	-
Soft drink	5	10	10	2	10	10	-	10	5	5
Beer and liquor	5	10	10	2	15	10	10	10	5	5@@
Cigarette and tobacco	5	10	10	2	15	10	10	10	5	5
Perfume and cosmetics	5	5	-	-	10	10	-	10	-	5
Foam	-	-	-	2	-	-	-	-	-	-
Plastic products	-	-	-	2	-	-	-	-	-	-
Paints	5	2	-	-	-	-	5	10	-	-
Cements	5	2	-	2@	-	-	-	-	-	-
Ceramic Product (including floor tiles)	-	-	-	2@	-	-	-	-	-	-
Motor cycle	-	-	-	2	-	-	-	-	-	-
Cars & other vehicles	-	-	-	2	-	-	-	-	-	-
Carpets and rugs	-	-	-	2	-	-	-	-	-	5
Fan	5	2	-	2	-	-	-	10	-	-
Tape Recorder	5	2	-	2	10	-	-	10	-	-
Camera	-	-	-	2	10	-	-	-	-	-
Refrigerator and deep-freezer	5	2	-	2	10	-	-	10	-	-
Upholstery product	-	-	-	2	-	-	-	-	-	-
Television set	5	2	-	2	10	-	-	10	-	5
Video set	5	2	-	2	10	-	-	10	-	5
Air-conditioner	5	2	-	2	-	-	-	10	-	5
Jewellery	5	5	-	-	-	10	-	10	-	5
Cinema	-	-	-	-	-	-	-	-	-	5
Petrol	-	-	-	-	-	-	1K/P.Lit	10	1K/P.Lit.	-
Diesel oil	-	-	-	-	-	-	1K/P.Lit	10	1K/P.Lit	-
Other petroleum products	-	-	-	-	-	-	1K/P.Lit	10	1K/P.Lit	-
Advertisement in press, radio, T.V. other mass media	10	-	-	-	-	-	-	-	-	-
Hotels and catering services	5	5	10	2	10	10	10	10	5	5
Laundry, other ancillary services	5	-	-	-	-	-	-	-	-	-

Notes: K/p refers to a specific rate of Kobo per litre

@ indicates levy of tax on all items referred to as "building material"

@ Reference period Jan. 1, 1982 as given in the Sales Tax Law, 1982 (Bill No. 23 (81-82)) Cross River State.

** Reference period 19.7.82, as given in Law No. 7 of 1982 of Lagos State.

$ Reference period 25.2.82 as shown in the Sales Tax Law, 1982 (No. 2, 1982) Ogun State, House of Assembly.

£ The rates are for the period 1983-84, as given in the Sales Tax Law, 1982.

@@ The tax on the item is not being collected so far; the rate however, exists.

1/ Anambra State also taxes 5% of turnover on other sales and services. e.g., sale and service of motor vehicles. This kind of taxation has negative effect as consumers will prefer patronising dealers in nearby States where sale of such items and services are not taxed. Electricity is also taxed under the Anambra State Law and this will no doubt affect industries that [illegible] rate of electricity consumption.

limit[12/]. The rate of tax, however, varies from two per cent to 10 per cent. The low rate of two per cent is levied in only Cross River. Three of the States, viz., Anambra, Oyo and Plateau tax the commodities at the rate of five per cent.

The tax is levied only on a few select commodities, generally luxury articles or addiction items. In addition, the tax is levied on petroleum products in three States, namely, Ogun, Ondo and Oyo. Sales tax structure of these three States is likely to be more productive and income-elastic, for, the consumption of petroleum products is very high. The coverage of the tax has been further extended to advertisements and services. Whereas Anambra is the only State which levies tax on advertisements and other mass-media, most of the States have attempted to levy tax on services as well. While the ten States resorting to sales tax are levying tax on hotels and catering services, Anambra is the only State which levies tax on laundry and other ancillary services.

The majority of the States have one single rate of tax which is levied on all taxable commodities. The rate of tax is five per cent in half of the States levying sales tax. Some of the States have higher rate of seven and 10 per cent.

As against a single rate of tax, three of the States, namely, Anambra, Bendel and Kaduna have resorted to commodity-wise rate differentials. In Anambra only advertisements in press and other mass-media have been earmarked for taxation at a higher rate of 10 per cent (when the general rate is five per cent on all taxable commodities). In Bendel there are three rate categories: two per cent on raw materials and electronic items, five per cent on services, and 10 per cent on soft drinks and additional items. In Kaduna beer and liquor as well as cigarette and tobacco have been singled out for taxation at 15 per cent (whereas the general rate is 10 per cent in the State).

All the States levying sales tax have adopted an ad valorem levy. Only two of the States, namely, Ogun and Oyo have elected to levy specific tax on petroleum products. Ondo, which levies tax on petrol and petroleum products, has adopted an ad valorem levy. Its tax yield would thus be elastic as compared to the other two States which levy tax on petroleum products.

Although the States levy a retail sales tax, many of the Nigerian States have so devised their operations that in effect the tax structure is working like a tax on wholesale sales only. This is due to the fact that the structure of markets in Nigeria presents a typical dualistic economy. Very big departmental stores and five-star hotels co-exist with the unorganised markets comprising small roadside shops, inns and kiosks. Administration of a retail sales tax in such a market situation is extremely difficult. Obviously, many of the States collect the tax from big departmental stores, hotels and gas stations and from wholesalers and manufacturers. In practice, therefore, the tax is collected on the first-sale of the commodity in the State. In fact, in some of the States the cooperation of manufacturers residing in other States is being sought for information and possible collection of the tax from them as "exporter" of goods to their State.

Revenue Importance

Sales tax as a fiscal measure is a relatively new instrument in the fiscal armoury of the Nigerian States. Besides, as is the case with most of the economic statistics in Nigeria, data relating to sales tax yield are not available in any published form. However, to illustrate the possible growth in revenue from sales tax, we present its revenue in Plateau State in Table II. The yield from sales tax in this State shows that within one year the receipts have increased from (Naira) ₦ 20,000 ($ 13,375 approx.) in June 1983 to ₦ 39,000 ($ 44,070 approx.). This represents an increase of more than 50 per cent. Also, the tax as a proportion of the State's tax revenue has increased from 1.36 per cent in June-December, 1983 (average to 1.93 in January-June, 1984 (average). The above data indicate that the importance of the tax in Nigeria is bound to grow.

Administration of the Tax

Administration of sales tax in Nigeria is done either through the State Tax Boards or through the Inland Revenue Boards. Some States like Bendel and Ogun have the State Tax Board and others such as Lagos have Inland Revenue Boards to administer the sales tax. As the struc-

TABLE II

Fiscal Importance of Sales Tax in Plateau State

Year / Month	Yields from sales tax (₦ 000's)	Equivalent to $ 000's	Sales tax as percentage of State's tax revenue
1983			
June	20	22.60	2.07
July	14	15.82	1.53
August	4	4.52	0.47
September	14	15.82	1.40
October	22	24.86	2.24
November	20	22.60	1.78
December	13	14.69	1.41
Agerage (June-December)	13.37	15.11	1.36
1984			
January	9	10.17	0.68
February	17	19.21	1.49
March	31	35.03	2.75
April	17	19.21	1.93
May	39	44.07	3.19
June	20	22.60	1.53
Average (January-June)	20.16	22.78	1.93

Source: Hiangya, John Shagboar, Sales Tax in Plateau State, MBA Dissertation, Ahmadu Bello University, Zaria, 1985.

ture of these Boards is vertical and the involvement of the local bodies is insignificant, given the market structure, it is possible for the Boards to collect sales taxes from big departmental stores, big hotels and gas stations only. Even in these cases the experience in many of the States shows that the rate of non-compliance is very high. Very recently, in Lagos State the government used the police and armed solidiers to seal up hotels to compel them to remit tax dues to government[13/]. Similarly, in Kaduna State the Governor himself visited shops and made many of them pull down shutters until the data tax was paid. Such instances do reveal the ineffectiveness of the existing administrative organisation and lack of compliance. Further, it would be very difficult to collect the taxes from small shops, hotels and inns.

To ensure proper compliance, therefore, it will be necessary to involve the local government councils in the administration and enforcement of sales tax. The close association with consumers and retailers will render tax compliance easier.

In order to make tax compliance and administration effective, tax penalities have been prescribed for offences against the various State sales tax laws. Offences include contravention or failure to comply with the provisions of the law,[14/] unlawful collection of tax from purchaser,[15/] evasion of tax,[16/] failure to apply for registration, submission of incorrect raturns or accounts, non-payment of tax collected[17/] and refusal to anwer any question put by the Chairman of the Board of Inland Revenue or failure to produce for inspection any relevant document[18]. Prescribed penalties range from ₦ 1,000.00 ($ 1290.00) for contravention or failure to comply with the law in States such as Lagos, Ogun, Bendel and Cross River to ₦ 500 ($ 645) or imprisonment for a period of not less than two years in States such as Ondo. Similarly, in Cross River the evasion of tax or attempt to evade tax attracts imprisonment for two years or a fine of ₦ 2,000.00 ($ 2580.00) or both. In the States of Bendel and Ogun, the penalty is imprisonment for one year and forfeiture of an amount double the amount of tax liability[19].

The penalties prescribed variously in the different sales tax laws are not likely to deter contraventions as they are not stringent enough. Experience in many of the States has clearly shown that prescribed penalties and methods of enforcing compliance as provided in the law is of little or no effect. The States should treat tax offences as attempts at economic sabotage and, as such, they should prescribe severe penalties.

<u>Cost of Collection</u>

As the tax has not been operative for a long time, and as no data are available on the operation of the tax, it is not possible to analyse the trend of cost of collection. However, the data available for Plateau State, as given in Table III, show that the expenditure has been to the tune of ₦ 2564 (about 12.52 per cent of the sales tax yield), in the first month of its operation. Over a period the cost has declined by a sizeable extent. In

TABLE III

Cost of Sales Tax Collection in Plateau State

Month/Year	Cost of collection (₦ 000's)	Equivalent to $ 000's	Cost as per cent of sales tax yield
1983			
June	2,564	3,330.64	2.52
July	1,064	1,382.14	7.43
August	1,058	1,374.34	26.37
September	1,065	1,383.44	7.38
October	1,070	1,389.93	4.86
November	1,085	1,409.42	5.52
December	1,058	1,374.34	8.39
1984			
January	1,080	1,402.92	12.20
February	1,064	1,382.14	6.12
March	1,065	1,383.44	3.46
April	1,070	1,389.93	6.28
May	1,085	1,409.42	2.75
June	1,064	1,382.14	5.20

Source: As given in Table II.

fact, by May, 1984 the cost was as low as 2.75 per cent of the sales tax yield. It is important to note that some additional expenditure towards proper enforcement of the tax may increase the cost of collection in the initial stage, but would bring greater yield in the long run.

Objectives of Tax Reform

The preceding analysis of the structure of sales tax in Nigeria suggests that the evolution of the tax is still at a rather early stage. Yet, it may be anticipated that growing financial requirements and the urge for financial autonomy would induce the States to exploit this source more vigorously to mobilise resources. However, we have to view the sales tax structure in a setting that would be specific to the States' taxation policy in the Nigerian context, or for that matter in any developing country with a federal structure. First, the tax system of a State is a sub-set of the country. Hence, it is restricted to activities and transactions that take place within its borders. Also, there are significant differences between building a regional tax system (the sub-set) and guiding the overall national tax policy. In a regional tax system, the possibilities of diversing of trade and investment have to constantly kept in view. In this respect, to emulate the "average" policy of the neighbouring States may be an easy option[20]. Accordingly, we could keep the following criteria in mind, while reforming the tax structure.

a. Growth objectives. The tax policy should be able to raise enough resources for the development of the State. Accordingly, it should aim at having a tax structure that could be more income-elastic.

b. Equity consideration. The structure should fulfil the criteria of both horizontal and vertical equity. It should cast proportionately larger burdens on the better-off sections of the population and should not take more than a token contribution from the poorer sections.

c. Administrative expediency. It should be so administered as to cause the least harassment to tax payers and to result in low compliance costs.

d. Coordination. It would follow the national objectives of the overall tax policy and should be in consonance, in essential respects, with the structures prevailing in the neighbouring States.

Suggested Reforms

Keeping in view the above objectives,[21] the existing structure of sales tax could be reformed on the lines suggested below.

Uniformity in the Tax Structure

One of the problems confronting the existing structure of sales tax in Nigerian States relates to the lack of uniformity of rates. The variation of rates causes diversion of trade as well as relocation of manufacturing activity from one State to another. It is important, therefore, that some attempt is made to bring about uniformity in the rate structure of sales tax. The possibility of a model sales tax structure for the federation as a whole could be considered. This could be adopted by the States with State-specific variations.

Levy of a Central Sales Tax

The second important line of reform in the sales tax structure of Nigeria relat to taxation of inter-State sales. This is important because in a federal set-up, sales tax does not remain a purely intra-State problem. A commodity may undergo several sales in more than one State before it reaches the consumer. Taxation or non-taxation of an intra-State sale affects inter-State movements of commodities. With a view to ensuring free flow of goods, avoiding unnecessary and uneconomic movement of goods, and checking discriminatory taxation, the following problems are rquired to be solved under the Nigerian sales tax system:

(i) Defining an inter-State sale;

(ii) Taxation of inter-State sale to avoid both multiple taxation and the privileged position of such a sale; and

(iii) Avoiding multiple taxation of commodity entering into inter-State trade or commerce.

In the context of a federal system, all the above aspects assume overriding significance and need to be studied at length. It is essential that States are prohibited from levying any tax on inter-State transactions.

Here it is pertinent to note that although the flow of inter-State commerce would be at its maximum if such commerce were immune to taxation, the economic unity of the country demands that inter-State trade should not be left free of tax[22]. If no taxes are levied on inter-State trade, the consumer would make out-of-State purchases more cheaply than identical local goods, and local dealers would suffer a competitive disadvantage as compared to outside dealers. This would create artificial channels of trade by putting local business at a disadvantage and economic waste in transportation by encouraging tax-free out-of-State purchases. With a view to avoiding these problems, levies on inter-State sale should be designed such that they do not impose a heavier burden than on the local products and that the local products does not bear a burden heavier than that on commodities from the other States of the federation.

Point of Levy and Exemption Limit

An analysis of the sales tax systems prevalent in developing countries reveals that when the federal government is empowered to levy tha tax, the manufacturers' form of sales tax is prevalent in most of the African countries[23]. However, when the States are empowered to levy the tax, the different forms in use are: value-added tax (VAT), multi-point turnover tax and a single-point tax. In spite of the economic arguments for adopting VAT and retail sales tax, it is important to note that a very efficient tax administration and a high level of tax compliance on the part of the dealers are prerequisites for the effective operation of a VAT as well as a retail sales tax. The multi-point turnover tax is easiest to administer but it is well known for its adverse economic effects.

Administrators point out two important drawbacks in the last-point tax as compared to the first-point tax[24]. First, it is said to be inconvenient to administer because the number of dealers that have to be registered is very large under this system of sales taxation. And second, the last-point tax is often evaded through the creation of bogus registered dealers to whom sale vouchers are made out. These arguments are, however, not very convincing. In fact, it is a mistaken notion that the number of dealers get reduced under the first-point tax. As the number of registered dealers depends upon the prescribed exemption limit, all those with turnover above that limit will have to be registered and assessed. The number of dealers would be the same under the two types of sales taxes. The argument of less evasion of tax under the first-point tax is also not tenable; in fact, the system of 'bogus dealers' in the last-point and 'bill-trading' under the first-point tax are similar in nature.

In contrast to the above, in modern economic theory it is well accepted that the last-point tax is clearly preferable to the first-point because (a) these taxes do not cause cascading and (b) at the same time cover value-added up to the final stage.

In view of the above economic arguments against the first-point tax and the administrative arguments against the last-point tax, it is recommended that Nigeria should have an admixture of the two systems. In regars to those commodities that (i) have no fixed trade channels, (ii) have difficult traceability after the first-point and (iii) do not have very large value-added after the manufacturing stage, it may be administratively convenient to levy a tax at the manufacturer's level. But in all other cases the point of levy should be shifted as far away as possible from the manufacturing stage to the retail stage. Under the present state of economic development in Nigeria, it would be useful to tax the commodities at the level of wholesalers and/or the level of departmental stores. This could be done by fixing the exemption limit of registration of dealers at a higher level of, say, ₦ 100,000 annum. The tax should be levied at this point. If the dealer at this level has bought goods which have already borne the tax, (because some commodities could be taxed at the first-point) no tax should be levied for that part of the turnover.

Basic Procedures for Enforcement

The proper enforcement of a tax require evolving basic procedures related to the tax structure. With regard to the sales tax, there are some important procedural regulations that have to be formulated before the tax is levied. As the experience of most of the countries suggests, lack of proper enforcement of the tax law leads to widespread evasion of the tax which, in turn, results in what may be described as "elasticity of conscience" of the taxpayer; evasion thus spirals out of control.

The enforcement of the first-point sales tax is based on information received from the importing ports/ stations and the declarations (or certificates) given by the first dealer to the next. On the strength of this document (declarations or certificates), the latter dealer claims exemption from tax liability. Experience shows that tax avoidance increases if the declarations are not cross-verified. It is, therfore, extremely important to evolve requisite procedures for verification of these documents.

Management Information System

It would not be an exaggeration to say that sales tax departments in the States in Nigeria do not have any management information system; data are not being collected in a systematic manner or regularly. In the absence of an adequate information system any evaluation of the existing structure of tax or an estimate of the impact of any policy changes becomes impossible. It is, therefore, important that steps should be taken to evolve some management information system. To begin with, the department should collect information at least on the following aspects:

(i) Commodity-wise turnover,

(ii) Tax yield by commodities,

(iii) Distribution of dealers by size and tax yield,

(iv) Yearly assessments, collection and information on flow of goods across State borders.

Information on the above aspects is necessary for the proper enforcement of the tax and for the evaluation of the administration as well as the effect of the tax.

Conclusion

As analysis of the different systems of sales taxation prevalent in developing countries suggests that most of the African countries have adopted manufacturers' form of sales tax. Such a tax could be effectively administered by a unitary form of government and with some modifications, even by the Union (Federal) Government. In Nigeria, however, sales tax is a State subject. When the States are empowered to levy sales tax, it is administratively convenient and economically rational to have sales tax at the manufacturers' or wholesalers' level. With a view to avoiding the defects of this system, it is useful to have higher turnover exemption for the dealers who bear the impact of the tax.

As the existing structure of sales tax in Nigeria is of recent origin, the preceding analysis of the structure suggests that from the point of view of the objectives of growth, equity, administrative expediency and coordination, it is essential to have federal sales tax on inter-State transactions to achieve uniformity in the rate structure, to levy an admixture of the first-and last-point tax, to evolve proper procedures for enforcement of the tax and to have a properly designed management information system.

NOTES AND REFERENCES

The author is Professor at the National Institute of Public Finance and Policy, New Delhi. Most part of work was however completed when the author was a faculty member of the Department of Accounting, Ahmadu Bellow University, Zaria, Nigeria. The author is thankful to Mr, John Shagbaor Hiangya and the Chief Inspector of Taxes, Department of Revenue, Government of Kaduna, for supplying useful information.

1/ Ordinance No. 12 of 1953.

2/ Williams, F.R.A., Submissions to Federal Court of Appeal, Ibadan, in the case Alhaji Ayinke Aberuagbe e.el. vs. Ogun State, FCA*134/83(1983).

3/ For example, the Western Region passed the Produce Sales Tax Law (No. 14 of 1957) after abrogating the Act. See Cap. 99 Laws of Western Region of Nigeria. 1959.

4/ Cap. 184, Vol. VI, Laws of the Federation of Nigeria, 1958.

5/ Introduced as a new item 35A.

6/ Item 38.

7/ See Constitution of the Federation, 1963, Exclusive Legislative List, Item 38.

8/ The State Boards affected were the Northern States Marketing Board, Western Nigeria Marketing Board; East Central State Marketing Board, Lagos State Marketing Board, River State Marketing Board, Benue-Plateau Marketing Board and Cross River State Marketing Board. The new Boards, had exclusive rights of purchase of produce for export. However, their exclusive rights did not extend to the domestic market and they could not therefore collect any produce sales tax. See Commodity Boards Act, 1977 ss. 5 & 6. See also Alhaja Aberuagba and 7 others v. Attorney General Ogun State FCA/1/34/83. Court of Appeal, Ibadan, 13/9/83.

9/ The Boards were - the Nigerian Cocoa Board with headquarters at Ibadan, Nigerian Groundnut Board with Headquarters at Kano, Nigerian Cotton Board with headquarters at Funtua, Nigerian Palm Produce Board with headquarters at Calabar, Nigerian Rubber Board with headquarters in Benin, Nigerian Grains Board with headquarters in Minna, and Nigerian Tuber and Root Crops Board with headquarters in Makurd.

10/ The Constitution of the Federal Republic of Nigeria, 1979.

11/ Decree No. 1 of 1984.

12/ While no formal exclusion is provided in typical retail sales taxes in developed countries, exclusion is common with all forms of sales tax in developing countries. Exemption of firms below a specified figure is the most common approach. See Due, John F., "The Exclusion of Small Firms from Sales and Related Taxes", Public Finance, No. 2, 1984, pp. 202 - 212.

13/ See Evening Times, November 19, 1984 p.1.

14/ Sales Tax Law, No. 7 of Lagos State 1982, s. 10; Petroleum Tax Law, Oyo State s. 10(1); Sales Tax Law, No. 2 of Ogun State 1982 s. 14(1); Purchase Tax Law, No. 4 Ondo State 1982 s. 10(e); Finance Law (Cap. 53) Laws of Eastern Nigerian 1963 s. 62 as amended by Finance Law (Amendment) Law, No. 1, 1983, Anambra State.

15/ Sales Tax Law, Ogun State and Sales Tax Law, Bendel, s. 15(1).

16/ Ibid s. 20, Sales Tax Law, No. 7 of 1982 Cross River State s. 23.

17/ Sales Tax Law, 1982, Cross River s. 19, Purchase Tax Law, 1982, Ondo State s. 10(a) - (d). See also Cross River State s. 20 on False Returns.

18/ Sales Tax Law, 1981, Cross River State s. 18.

19/ See, for example, Sales Tax Law, 1982, Cross River State, s. 25.

20/ See, for example, NIPFP (1981), Sales Tax System in Bihar, Somaiya Publications, Bombay.

21/ For a comparison of the criteria set out by Prof. Due, see Due, J.F., (1960), State Sales Tax Administration, Public Administration Service, Illinois, p. 136; and Due, J.F., (1950), "Retail Sales Taxation in Theory and Practice", National Tax Journal, December, p. 318.

22/ It is useful to note that in the Indian Federation there is a Central Sales Tax Act which levies tax on such transactions. It prescribes two different rates of tax for inter-State transactions: 4 per cent on inter-State transactions to registered dealers who would once more pay the State Sales Tax and a higher rate of 10 per cent on inter-State sales to unregistered dealers. The higher rate chargeable to sales to unregistered dealers is because of the fact that no tax is charged by the importing State on the non-registered dealer. The higher rate, therefore, deprives the unregistered dealer from entering into inter-State trade for any competitive advantage; the discrimination between the registered and unregistered dealer makes them at par. See Purohit, Mahesh C., (1982), Structure of Sales Taxes in India", Economic and Political Weekly, August 21, pp. 1365 - 75.

23/ Cnossen, Sijbren (1975), "Sales and Excise System of the World", Finanzarchiv, Vol. 33, pp. 177-236.

24/ When the tax is imposed on the sale by the first registered dealer in the State, it is known as the first-point tax and when the last registered dealer sells commodities either to the consumers or to the unregistered dealers, any tax on the sale by this last registered dealer is called the last-point tax.

25/ It is important to note that estimates of evasion of sales tax in India vary from 5 per cent to 85 per cent; the magnitude varies with the type of commodity. See Chelliah, R.J., and Purohit, M.C. (1985), Information System and Evasion of Sales Tax in Tamil Nadu, NIPFP, New Delhi.