

# Innovation and Technology as Catalyst for Revenue Generation: Kwara State Internal Revenue Service (KW-IRS), Nigeria in Focus

Ambali, Abdulrauf <sup>1</sup>, Salawu, Ibrahim O. <sup>2</sup>, Abdulwahab, Alhaji Kayode <sup>3</sup>

<sup>1,2,3</sup> Department of Politics and Government, Kwara State University, Malete, Nigeria

[Abdulrauf.ambali@kwasu.edu.ng](mailto:Abdulrauf.ambali@kwasu.edu.ng)

## Abstract

*The decline in the price of oil on the international market, resulted in astronomical drop in the monthly revenue that was available in the distributable pool to the three tiers of government in Nigeria. It was felt in Kwara State, because it was not hugely endowed in natural resources that fetched extra funds. And, in parallel to this, Governor Abdulfatah Ahmed made a vow not to reduce the workforce. In spite of this commitment, the major elements of the recurrent expenditure of the government, with respect to salaries, pension and other emoluments of the serving and retired public servants did not go down. Furthermore, the promise of the government to continue to fulfill its electoral manifesto and provide the dividends of democracy, forced it to look inwards and leverage on the cordial executive-legislative relations to establish the Kwara State Internal Revenue Service (KW-IRS). The objectives of this paper are to assess how deployment of technology revolutionized the activities of KW-IRS and resulted in increased revenue. The methodology adopted was the qualitative approach. The major findings were that if the instrument of tax administration is adhered to, there will be increase in revenue generation. The study recommends that the tax administration should be continuously reviewed and backed-up with increased advocacy.*

**Keywords:** Innovation, Technology, Taxation.

## INTRODUCTION

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Taxation is as old as humanity. It is one of the principal instruments of generating funds, which is the critical element of governance, irrespective of the style government that is being practiced, whether it is presidential, parliamentary or an admixture of the two. The target of the government is to enshrine an effective tax administration that will make the collection effective and efficient. This is because the citizens of any society expect the government to build roads, hospitals, clinics and maternity centres, provide educational facilities, water and other infrastructure. Taxation has always been charged by the people who are ruling in order to get finance to provide socio-economic services to the generality of the citizens. It is also used as the means by which those who have resources, were made to drop from what they have to cater for some of the things that the society would need to survive and also make life easy for the general people.

In this paper, which has the Kwara State Internal Revenue Service (KW-IRS) as the centre-piece, efforts would be made to examine the effect of tax administration on

revenue generation and how innovation and the deployment of technology to engender the automation process, aided the activities of KW-IRS. *Ab initio*, the resort to internal revenue generation in Kwara State was contingent upon the low level of allocation of funds from the Federal Accounts and Allocation Committee (FAAC). This in itself, was sequel to the decline in the price of oil, which is the mainstay of the economy of the nation and the highest earner of finance for the country. The passage of the bill was an excellent demonstration of cordiality in executive-legislative relations.

## **METHODOLOGY**

The methodology of this paper is the qualitative approach. The materials that were used comprised of books, journal articles, magazines, newspapers and other publications including the in-house bulletin of the Kwara State Internal Revenue Service (KW-IRS) called KWARAEEVENews.

## **LITERATURE REVIEW**

Many scholars have written on taxation and revenue generation, in particular to explain its meaning and purpose. The fundamental agreement amongst them is that the bedrock of an effective taxation system is the tax administration mechanism. It is therefore auspicious to look at this concept in order to thread our path in this paper. Amos (2019) believed that in order for the generation of revenue to be efficient, the laws that guide the administration of the process of the collection should be effective. Animashaun (2016) elongated this view to state that the effectiveness of tax administration should be viewed through the lens of agency that the government set-up to collect the tax.

Yahaya (2009) also stated that the critical function of the revenue generation agency saddled with the responsibility of the administration of the taxes, is to execute it in such a way as to cause minimum discomfort to the citizens and the companies that are paying the tax. It is also expected that the agency will ensure that tax evasion and tax avoidance is reduced to the barest minimum. He cautioned that tax administration is very important but very delicate. This is because on the one hand, the government would always like to increase the Internally Generated Revenue (IGR) in order to meet its needs. On the other hand, the people, especially the business men, would also be concerned about paying the least taxes on their goods and services, in order to increase their profit margin and broaden the income at their disposal. In furtherance of this

argument, Popoola (2009) asserted that in Nigeria, being a developing country, the tax administration and practice should therefore be structured towards economic goal achievement. This is to improve the standard of living of the citizens, according to him.

Kiabel and Nwokah (2009) as well as Osemene, Salman and Soladoye (2016) were in agreement that when the tax administration is being designed, the principal focus should be on how to make it effective and efficient during the implementation process. They asserted that the institutional guidelines that were instituted would illuminate and shape the path to follow. Furthermore, they clarified that tax administration differs from one country to another, because it is a function of the type of socio-economic policy that the country operates. In other words, in the socialist country, the administration of taxes would be under the purview of the state. However in a state that runs the free market economy, it can be a joint partnership of the public and private sector. Also, it can be run by the government under the jurisdiction of a government agency that has autonomy of operation. In whichever form it occurred therefore, the agency that is responsible for this task, in their view, should be carefully put in place, guarded and guided with the relevant laws that will make it functional. Under this premise, they stated that it would afford the agency the capacity to sufficiently attend to the three elements that constitute tax administration. These are the tax payers, the tax authority and tax law. They reiterated that tax administration prescribes the right and obligations of the tax payer as well as the limits of the tax authority itself.

Many scholars have written on taxation from different perspectives. For instance, Jugu, Jat and Onoja, E. (2016) in their book, 'Modern taxation: Principles and Practices' stated that taxation has always been charged by the people who are rulers in order to get finance to provide socio-economic services to the generality of the citizens. It is also used as the means by which those who have resources, were made to pay from what they have to cater for some of the things that the society would need to survive and also make life easy for the citizenry. Ogbonna and Appah (2016) in their works were of the view that taxation is the means by which revenue is generated by the government, from the private, informal as well as the public sector. In their contention, Ihenyen and Miesegha (2014) defined taxation as the process where the government collects money people who are eligible to pay tax. Further, they said that, it is the means through which the government also levies different sectors of the economy to collect taxes. Apere (2003) who also wrote on taxation described it as levies on its citizens and

business entities,. He maintained that it is the means by which a government or the taxing authority imposes taxes on public and private sectors. This taxes according to him, includes income tax and Goods and Services Tax (GST), which applies to persons at all levels as long as he participates.

Also, a tax consultant, Dr Mohammed Aminu Yaru in the KW-IRS in-house publication KWARAEVENews of May 2017., Volume 3 Issue 18. Page 8, was emphatic that tax payment creates the avenue for an interdependent relationship between the citizens and their government. Government reliance on tax makes it more sensitive to the plight of the citizens. Therefore the renewed effort of the Kwara State Government at revamping the tax system was the beginning of the journey to sustainable development in the state.

From the earlier times, taxation existed in the Biblical era. It was stated in the new International version that “but when the crop comes in, give a fifth of it to Pharaoh. The other four – fifth you may keep as seed for the field and as food for yourselves and your households and your children”. This is in Genesis 47 verse 24. The earliest form of taxation occurred in Egypt around 300 BC – 2800 BC during the first dynasty of the old kingdom. Because there was no physical money, the Pharaoh collected twenty percent (20%) of the harvest of grains that was harvested from the farms, to represent the store of value. The aim was to redistribute it within the society. (<https://www.taxfoundation.org>). The Romans also introduced taxation through the payment of one tenth of their harvest, referred to as *decimal*, which was submitted to the body that oversee tax administration which was called *aerarium* (Gershon, 2017)

In the pre-colonial and colonial era Nigeria, there were different forms of taxation and it was under the jurisdiction of the monarch that controlled the affairs of the community, including the security system from which the tax payer himself and the community would benefit Aguolu (2004). During that era, the people saddled with the tax responsibilities, did apply force, on the citizens when necessary, to collect the taxes, under the authority of the King. This was especially so, at the Local government level in both the Western and Northern Nigeria where the monarch, determined the mode of taxation. In specific terms, the system of taxation that operated under the emirate system in the old Northern Nigeria which has a Muslim majority included the *zakat*, the precept that was established by Islamic religion. It has its origin in many *Surahs* of the Holy Quran that addressed the issue such as in Surah Al-Araf, which is chapter 7 of the

Holy Quran; Surah At-Tawbah, chapter 9; Surah Maryam, chapter 19; Surah Al-Anbiya, chapter 21; Surah Al-Mumunin, chapter 23; Surah An-Naml, chapter 27; Surah Ar-Rum, chapter 30; Surah Luqman, chapter 31 and Surah Fussilat, chapter 41. Aside from these Quranic references, there are other references in the *Hadith* (deeds) of The Holy Prophet Mohammed. *Kurdin kasa*, *Jizyah*, *Shuka Shuka* and *Jangali* were other forms, through which taxes were paid by the people (Feinstein, 2007).

In the old Oyo Empire of the Yorubas, the *owo ori* and *isakole* were paid as form of taxes by the people to the traditional ruler, the Alaafin or through the various chiefs that reported to him. However, some citizens engaged in bush clearing and farming to pay taxes, in kind. In the East among the Igbo ethnic stock, which had a decentralized leadership, taxation was not deeply rooted and tax officials were seriously hated by the people when it was introduced. It explains why, when the formal taxation was introduced, there was resistance among them. And it turned into a riot when the British made attempt to also bring women into tax net. This was what led to the Aba Women Riot in 1929. Traditionally what existed among them were *egwu ukwu*, and other community efforts (Arowomole, 2006).

The formal introduction of taxation into Nigeria followed the colonial conquest of the country by the British. The first law in this direction was introduced in 1904 as the Land Revenue Proclamation. Following the amalgamation of the Northern and Southern Protectorates and the Colony of Lagos in 1914, Native Revenue Ordinance Cap 74 of 1917 was also enacted. This was re-enacted in 1929 in Eastern Nigeria, while the Non-natives Protectorates Tax ordinance of 1931 was promulgated. It was later repealed and merged into tax Ordinance, No 4 of 1940, and subsequently re-enacted as Income Tax ordinance of 1940 as well as the Direct Taxation Ordinance. The Richards constitution of 1946 had prescribed devolution of powers between the central and regional governments, when every region was given the power to determine how it was going to develop. Therefore, the Lyttelton constitution which was introduced in 1954, with its attendant federal structure, and division of powers gave the jurisdiction over Personal Income Tax and also the Companies Tax, to both the central government and the regional governments. Furthermore, the government of the Eastern Region also enacted the Finance Law of 1957. This was the trend such that in Nigeria the tax administration in the country is divided in consonance with the three-tier structure of government in the country (Evans, 2009; Abiola and Asiweh, 2012). Each of the tiers have areas on which they exercise jurisdiction.

## DISCUSSION OF FINDINGS

The Kwara State Revenue Administration Law 2015 (Kwara State of Nigeria Law 6 of 2015) was an executive bill forwarded by the Kwara State Governor Alhaji Abdulfatah Ahmed, with the official title “Kwara State Revenue Administration Law 2015”. It was novel, unlike the operational *modus* of the past, because the bill granted autonomy to the revenue generation agency which was called the Kwara State Internal Revenue Service (KW-IRS).

In retrospect, between 1967 and 2015, the body that was responsible for revenue generation in Kwara State operated within the civil service bureaucracy under the Ministry of Finance. And it took its root from the Income Tax Management Act (ITMA), Number 21 of 1961 (Gazettes.Africa. accessed at 6:08pm October 29, 2022 at <https://www.gazettes.africa>) and the Finance Act of 1962 ( European Journal of Scientific Research accessed at 6:18pm October 29, 2022 at <https://www.europeanjournalofscientificresearch>) of the defunct government of Northern Nigeria, which birthed the state. It was, at that time, targeted to obviate the incidence of double taxation, which was identified as counterproductive to revenue generation. This was the organogram/system that was adopted in Kwara State at its creation in 1967. The earnings of the revenue generation section, just as its other activities were lodged into, and conducted under the auspices of the Ministry of Finance. Ultimately, and in the passage of time, revenue generation section was upgraded into a department, as the Kwara Board of Internal Revenue (KBIR). Yet, it was under the supervision of the Ministry of Finance throughout the period. (KWARAEVENews, September 20, Volume 2, Issue 10).

However, following the abysmal level of revenue that accrued from the joint distributable pool of Federal Accounts Allocation Committee (FAAC), by 2014-2015, which was a consequence of the fall in the price of oil that is the mainstay of the Nigerian economy, the bill was proposed (Awodun 2018). The autonomy of the KW-IRS was enshrined through the provision of section 2 (a), (b) and (c) where it declared that “it shall be a body corporate with perpetual powers of succession; it may sue or be sued in its own name; and may acquire, own or dispose of any property or interest in a property, movable or immovable, for the purpose of carrying out its functions that was stated in the law itself.

The position of the Chairman was advertised outside the bureaucracy and he was designated as the accounting officer and chief executive. Section 9 (b) of the KR-IRS law empowered the Service to apply the relevant Federal and State laws “to effectively assess and collect all revenue, including taxes, levies and give the necessary penalties on the matters of revenue and taxes”. To give effect to this provision, section 10 (3) empowers the agency to take full possession of any property that is available to satisfy a court judgment in their favour. It is notable that it is one of the provisions that ensure compliance from the citizens, traders and business men. The provision of Section 41 (1) which enables the KW-IRS to seek and obtain the assistance and co-operation of law enforcement agencies to forcibly take possession if necessary, of properties after a due order of the court, which is section 42 (e) in the discharge of its duties, gives them the additional accessibility on tax payers.

The provision of section 21 reinforced the powers of the agency to collect taxes from all persons or corporate bodies in collaboration with the security agencies. More especially the provision of sub-section (g) in which gives them the power to identify, trace, freeze and also confiscate or seize the proceeds of properties that were obtained by avoidance and evasion of taxes. Furthermore, the provisions of section 31 (3) which states that “any person who contravenes the provisions of this section is, in respect of each offence, liable on conviction to a fine equivalent to 100% of his actual tax liability”; instill fear that defaulters would pay higher penalties.

An in-depth assessment of the movable and immovable properties of the tax payers was successful because of the provision of 43, (1) which empowers the agency to seek information from non-staffers of the Service and to give them motivation and reward for that purpose. Moreover, the provisions of Section 44 which states that in the performance of their duty, civil action cannot be brought against staffers in the legitimate performance of their duties, was helpful. Also, staffers were not under obligation or produce or disclose the ownership, or the place or from whom they procured any document that was used in the course of their duties.

In an effort to refrain the service from assuming a tyrannical posture, however, and in order to guarantee the freedom of the citizens, as established by the 1999 constitution, Section 50 of the KW-IRS law gives the assessee(s) who is/are dissatisfied with the assessment given to him, his firm or his property, a right to appeal to the body of Appeal Commissioners. Their duty is to re-consider the matter(s) in disputes with all

fairness. At this level the complainant can hire a legal practitioner to appear for him, or he might choose to stand for himself and on behalf of whatever interest(s) that he represents.

Notwithstanding, one provision that has helped compliance from the general public is Section 57 (1-3), which states that anybody who makes false declaration of the property that is assessed would be charged to court. If he was found guilty and convicted, he is liable to pay, first a fine of N200, 000 and second an additional 10% of the amount of the tax that was not paid. And thirdly, he might be sentenced to three years in prison or both the fine and the prison sentence. Very closely aligned with this provision enunciated above, was the amendment captured in section 55 of the law. The amendment which was assented to on August 21, 2017 was with respect to when defaulters were charged to court. It now provides that after the payment on conviction, the defaulter would also pay the tax that is due. This is an additional provision that strengthens the agency against defaulters.

Besides, the provision of Section 71, wherein it encourages the absorption of the former staff of the defunct Kwara Board of Internal Revenue (KBIR) into the new KW-IRS, which has better package in terms of salaries, allowances and other emoluments, had a positive impact on the performance of the service. It enabled old hands in revenue generation to lend their experience and capacity, which were developed over the years, to the new agency. This became meritorious and instructive in several areas. First, they knew the right places and paths to thread in order to hit the ground-running immediately the KW-IRS started operation. Second, they offered hands-on guidance and on-the-job training to the new recruits into the Service. Most importantly, they were available to guide the agency away from acts that could result into litigation and brawls with the citizens. In fact, the observation of this paper showed that the positive responses that were recorded at the kick-start of the KW-IRS resulted from their guidance.

It was discovered that the agency made great in-roads when it adopted more of persuasion than force in their approach to tax matters because of the input of these set of old-hands from KBIRS. Similarly, the largely consultative approach that was initiated by the KW-IRS management was a fall-out of the input of this category of staff. It was observed that the management of the Service enjoyed an audience with the Emir of Ilorin, Alhaji Ibrahim Sulu-Gambari November 2015, at which they they furnished the Emir with the tax administration law was very helpful. (KWARAEVENews December



2015, Volume 1 Issue 1. Pg. 47.) Being the chairman of the State Traditional Council of Obas Emirs and Chiefs and a retired presiding Judge of the Federal Court of Appeal, the Emir understood the significance of the legislation that established the KW-IRS.

According to the reportage of the visitation:, the Emir:

*Formally endorsed the government's efforts in mobilizing revenue for the development of the state. He went down memory lane to bring out the significance of tax in the life of the society. He admonished the citizens of Kwara State to fulfill their civic obligation by paying their tax, while advising the new KW-IRS to devise convenient methods of collection. He also advised government to step up their efforts in empowering the citizens through the provision of infra-structure that are basic requirements for convenient living. The Emir stated that both Islam and Christianity supported the institution of tax and that every citizen should play their part by paying their taxes*

Therefore at a meeting of the first class traditional chiefs, the Emir Sulu-Gambari, as Chairman intimated them of the Kwara State Revenue Administration Law 2015 (Kwara State of Nigeria Law 6 of 2015) and briefed them of his meeting with the management of the Service at which they requested the support of the traditional leaders and their subjects across the state. After this, the management of the KWIRS visited the leading traditional rulers in each of the 16 local governments of the state to further solicit their co-operation in their revenue generation efforts.(KWARAEVENews. September 2016. Volume 2 Issue 10, pg. 38-41). While making allusion to the genesis of the bill at the palace of the Emir of Lafiagi, Alhaji Saadu Kawu Haliru, Yetunde Elegboja, in the publication stated that:

*The Executive Chairman, KW-IRS gave a brief into the law that constituted the Kwara Internal Revenue Service (KW-IRS) and the defunct Kwara Board of Internal Revenue (KBIR) with the intention of the State Government to rejuvenate revenue collection in the state. He conversely stated that the focus on Internal Generated Revenue (IGR) is the way out for the government both at the Federal and State levels in lieu of the crash in the oil sector worldwide which unfortunately is the major source of income of our nation.*

Notwithstanding the efficacy of the tax administration, since the responsibilities of the agency were human-beings driven, the provisions of section 15 sub-section (16) becomes quite significant. It not only provided that the account of the agency must be audited by a competent firm to be appointed by the board of KW-IRS, but it was also stated that the task must be carried out in compliance with the guidelines of the Auditor-General of Kwara State. It further provided that the exercise should also be carried out not later than six months after the end of each year. Also, the agency was directed, according to the provision, to ensure that its audited accounts were up to date. The greater purpose that this provision served was that it enhanced transparency and thereby built the trust of the citizens in the payment of taxes.

The provisions of section 17 (1) and (2), is also one of the cornerstone of its success with the paying public because it enhanced transparency in the conduct of the Service. The KW-IRS was required to submit its report to both the Kwara State Executive Council and the Kwara State House of Assembly (KWAHA) periodically for scrutiny. This accountability procedure engendered the confidence of the citizens in its operations. This paper observed that the people were willing to pay taxes even ahead of assessment. Furthermore, the provision helped in the performance of the oversight functions of the KWAHA in two-folds. To the Public Accounts Committee (PAC), they were able to check the conduct of the Service against the background of the financial requirements. And secondly, the entire legislature successfully used the benchmark of KW-IRS to rate the transparency profile of similar bodies within the state.

One fundamental inclusion that aided the activities of KW-IRS was contained in the first amendment to the original legislation which was cited as Kwara State Revenue (Amendment) Law of 2016, and assented to by Governor Abdulfatah Ahmed on April 29, 2017. It encompassed 28 items. However, one of the most significant inclusions was the power of the agency to fund itself from the money that they generate. There was a new Section 13 (e) which provides that the Service can retain an amount that was not higher than ten (10%) and not less than five percent (5%) of the amount of revenue that is generated. It is considered as administrative charges.

The opportunity offered by this provision enabled the Service to fulfill the provision of section 10 of the pioneer legislation that was passed in 2015. It empowered the agency to give incentives to their staff and motivate them through rewards on

account of commendable performance in the course of their duties. In fact sub-section (h) was very specific that such incentives can be offered either in kind and/or in cash. It was within the jurisdiction of the management to determine this, when staffers do well in the lines of duty or out-perform revenue targets. This view was aptly espoused by a former staffer of the defunct KBIR who was absorbed into KW-IRS, Mr Bolakale Imam, who stated in the in-house publication of the KW-IRS, KWARAEVENews, September 2016, Volume 2, Issue 10. pg 15 that there:

*Is performance bonus which motivated the staff to put in their best. In the old KBIR, there was nothing of sort, we earned peanuts and there was no motivation even to an Assistant Director. And the basic remuneration adopted by KW-IRS is good compared to the civil service. I was confirmed and promoted recently. In the old KBIR, one must first be confirmed before promotion. And for confirmation, you have to wait for two years. As such, I wasn't expecting that you can have confirmation and promotion the same day. It is great when one's hard work is recognised and appreciated. So what else would you say (sic) you want? When people are motivated, it insulates them from corrupt practices*

Indeed, this provision invariably offers the requisite financial muscle to the provision of section 43 (1) of the original law which empowers the KW-IRS to seek information and data that they needed from individuals and/or groups of persons that do not work at the agency. In order to motivate or and reward such people for their efforts, they can be offered cash or kind gestures with financial outlay. And it is from the 5-10%, which the Service receives from the revenue that they generate, that is used for these purposes.

The findings of this paper further revealed that innovation and the deployment of technology was the cornerstone of the activities of KW-IRS. The principal innovation that was brought onto the Service was the enactment of the law, which was novel in the state. It was the circuit upon which the entire fabric, structure and performance of the agency revolved because it was the bastion that propelled the service. The fundamental innovation was that the law granted autonomy to the agency. The first thing in this realm was that it was excised from the bureaucratic structure under the Ministry of Finance and developed it as an agency whose operation was based on the law. It has its own organogram of existence. In fact it had a distinct office of its own and a board that

directed its affairs. The power that was conferred on the board was the bedrock of its autonomy. It was explicitly stated in the tax administration law of 2015 that had two Schedules, which established the KW-IRS, that it is a body corporate with perpetual succession and a common seal. This was in the 1<sup>st</sup> Schedule, in Sub-section 2 (a). Further in Sub-Section (b), it was stated that the Service may sue or be sued in its name, while in Sub-section 2 (c), it may acquire, hold or dispose of any property, movable or immovable, for the purpose of carrying out its responsibilities.

In order to foothold its autonomy, the Chairman of the board, according to the provision of Section 2 (a) is the head of the agency, and he is “solely appointed by the Governor”. To demonstrate the desire for competence and competition, a consultancy firm was commissioned to interview many applicants. It ultimately recommended, Dr Muritala Awodun, who became the pioneer Chairman. He was the first Director of KWASU centre for Entrepreneurship and Head of Business and Entrepreneurship Department. He was also the pioneer Dean of the School of Business and Governance of the Kwara State University, (KWASU), Malete. Other members of the board, according to Section 2 (b) included representatives of the ministries of Finance, Commerce and Industry, Justice, Agriculture and Natural Resources; Planning and Economic Development, Works and Transport, Local Government and Chieftaincy Affairs and Environment and Forestry. Section 2 (c) also provides that Internal Revenue Service itself shall be represented by an official that is not below the rank of a Director as did the others. Furthermore, Section 2 (d) provided that three other persons shall be nominated by the Governor on the basis of merit without any prejudice or sentiment. And they shall have relevant capacity and knowledge on the issue of budget and investment matters. More importantly, they were to have knowledge in tax matters and also belong to relevant professional bodies. The Board Secretary must also be in that same position, at the KW-IRS.

The most resounding innovation of the tax administration law, was the autonomy that the agency was given to the head of the agency. The demonstration of this was in the provision of Section 4 (a), which defined the Chairman as the Chief Executive and Accounting Officer. His jurisdiction was the administration of the day to day affairs of the agency and execution of the policies. To give the muscle to this responsibility, the Chairman, in Section 5 (a) i-iii (b) and (c); has the duty to monitor and keep records of the activities of KW-IRS in consonance. This would be conducted with standard accounting methods and financial regulations in line with international best practice, for

all its financial transactions. In addition, all other revenues collected by the Service, including income on investments; as well as its liabilities and assets, the Chairman were to include it in the annual report and the financial statements. The agency remained unencumbered by the bureaucratic bottlenecks and red-tapeism because the Chairman reports his activities directly to Governor and the KWHA.

An important feature of the tax administration which made the agency effective in line with the creed/dictate of the autonomy, was the provision of Section 12 (1) and (2) (a, b, c and d) which established a technical committee. It has the Chairman of the KW-IRS; and two Directors of the Service; a representative each of the Ministry of Planning and Economic Development; Ministry of Finance, who shall not be below the rank of Director; and the Legal Adviser of the agency as members. It is auspicious in this paper that they have power to co-opt additional experienced staff from both the private sector and from within the KW-IRS. This portends an advantageous leverage that enhanced the autonomy and operational efficiency of the agency, because they imputed the expertise garnered in the private sector to bear in the discharge of their call to service at KW-IRS. It is of specific reference because they were required to attend to such other matters as may, from time to time, be referred to it by the board. The essence of the autonomy was well captured by a former staff of the KBIR, Mr Bolakale Imam, who was one those integrated into KW-IRS. While he was comparing the new agency and its predecessor in terms of rejuvenation, he maintained in the in-house publication KWARAEVENews, September 2016, Volume 1 Issue 10, page 15 that:

*Once revenue is dwindling you strategise. But no matter the level of strategy in place (at the old KBIR) it was killed by the bureaucracy characterised in the civil service. So it will not have a headway. Strategising (at the defunct KBIR) was just a window dressing one, not usually implemented with the old board*

This background thereby established the *de jure* and *de facto* autonomy of the operation of the Service. This fact was reiterated by the Chairman of the agency, Dr Muritala Awodun in his book entitled “Taxpreneurship”, published in 2018. According to him, on page 263:

*The assignment given to us is very clear, and it is hinged on the mandate to block all leakages and ensure that the various revenues due to the*

*government get into the coffers of the government. For this to be accomplished, the government realized, and agreed that the people, process and technology must change. ...How do we ensure that the people are better served, as the convenience of payment is significant in this age and time that the taxpayer has to be met at his space. We cannot but be innovative in process and service delivery and this can only be achieved through the automation of payments and collection processes. There are diverse developments in technology that are available and adaptable to the processes involved in revenue and tax collection and we have to begin to look into how to make this work for us in the drive for growth and revenue collection. More importantly, is the efficiency advantage of the automation processes, which when fully adopted make life more convenient for all*

Findings revealed that, in order to drive the exercise, the Kwara State Executive Council, specifically mandated the Secretary to the State Government (SSG) Alhaji Isiaka Sola Gold to work with and report, on fortnightly basis, the activities of the group of staffers, called the Business Development Officers (BDO). They were specially selected by the agency to drive the automation process and their responsibility was to ensure that the introduction of technology was carried out systematically and successfully within the desired period. And how it was to be done with the minimum inconvenience, to both the taxpayers and the workers of KW-IRS (Awodun, 2018, pg. 265). From this premise, the pilot process at automation began with two significant exercises. These were the payment process of Christian pilgrims to Israel and Muslims to Hajj in Saudi Arabia, both in 2016. Similarly, the collection of the State citizenship certificate was also automated.

With the successful launch of these schemes, the Service went onto other platform of payments beginning from 2018. The transformation was not difficult because all the core staff of the KW-IRS were graduates of Universities and Polytechnics while post-graduates constituted the management, that were broad onboard. This fact was confirmed by Mr Bolakale Imam who was a staff of the defunct KBIR. In his words “if you look at the crop of KW-IRS staff, everyone is a graduate. This was not so with the KBIR. In the new Service, there was a reliable recruitment process. This was not so with the defunct KBIR”.

To underscore the success of the rejuvenation of the revenue generation process in Kwara State, in the aftermath of the establishment of KW-IRS in 2015, Ambali and Abdulwahab (2021), in their work *Inter-Branch Power Relations at Sub-National Level in Nigeria's Presidential System: Kwara and Osun States in Focus*, profiled the performance of KW-IRS, to show that that in the year that KW-IRS was established, 2015 the Internal Generated Revenue for the state was #7,178,922,182.76; and in 2016 it increased drastically to #17,253,829,559.51; in 2017, #19,637,873,512.22, in 2018; and #30,646,731,408.92, in 2019.

The performance trajectory of the agency, from the findings of this paper; bore down to the tax administration which prescribed the autonomy that was given to the agency. And with this followed the automation process was pursued through technology. It was accomplished with the procurement of the technological equipment and gadgets that were acquired for the exercise. More importantly, the financial outlay for this operation was made possible by the insertion of Section 13 which granted the KW-IRS the legal right to possess between 5-10% of the revenue that they generated. In this sphere. Awodun (2018, p.269) acknowledged that the management was able to orientate, streamline and “accommodate the tech-savvy generation, making them evolve from their passive position to an active involvement in design and creation of solutions” that met the needs of the agency. He was emphatically optimistic that: “We hope to grow the revenue of Kwara State by doing more with less through process innovation and automation that will be sustainable through our taxpreneurship concept”.

Within this connexion, it is essential to identify the fact that the deployment of technology was very critical in the gains that were made in the positive turnaround of the Service. Findings revealed that the introduction of Direct Bank Lodgments (DBL) which became the hallmark of the payment system was cardinal to block both leakages and wastages. This view was attested to by a former staff of the old KBIR who was re-absorbed into the KW-IRS, Mr Samuel Sunday Agbana. According to him, “In terms of operations, there is also the issue of Direct Bank Lodgments (DBL). Here at KW-IRS, you hardly see tax payers making cash payment. In the old system, it was a mixed practice and that did not give the system, the room to be most effective unlike what we have now”. KWARAEVENews, September 2016, Volume 2, Issue 10. Pg 14

Furthermore, this paper also affirmed that technology is driven by human beings and experts. Therefore KW-IRS was able to upscale the motivational strategies and

reward system for its staff and the outsiders it brought in, for specific exercises because of the autonomous status it enjoyed, and the money available. In addition to this, its ability to establish a recruitment process through which experts in specific and different fields were taken onboard was crucial. Findings revealed that while an active information technology centre was established with the latest available gadgets, there was continuous training and motivation for them. It was function/fallout of the retention of 5-10% of the revenue that the Service enjoyed, in consonance with the provision of section 13 of the tax administration.

It suffices to also mention that the availability of fund, was quite useful to the performance of KW-IRS in the area of staff welfare. First, the salary scale was higher than in the state bureaucracy. Secondly, the payment of bonuses the reward system and other condition of service was entrenched in the administrative set-up of the Service. The basic remuneration adopted by the KW-IRS was a special scale, just as some other conditions of service. Mr Agbana reiterated that “when you want to go on leave, you are free, once you just apply, the approval will come immediately you make the request. So there is no bureaucratic bottleneck”, adding that “In the old board (KBIR), when we talk of staff motivation, it was completely zero”

## **CONCLUSION AND RECOMMENDATIONS**

The paper has shown that when there were cordial executive-legislative relations, positive achievements would be recorded in governance. The passage of the Kwara State Revenue Administration Law 2015 (Kwara State of Nigeria Law 6 of 2015) was a clear example in this respect. It was though an executive bill, but the KWHA gave it the desired attention and conducted a public hearing with the interested public and other bodies. They include the Manufacturers Association of Nigeria (MAN); the Nigeria Labour Congress (NLC) and Trade Union Congress (TUC), the Nigeria Bar Association (NBA), and the Nigerian Union of Journalists (NUJ). The others were Nigeria Union of Teachers (NUT), market men and market women, and many other professionals. Their input culminated in the effective legislative insertions that enhanced the quality of the Act.

Flowing directly from this, is the fact that when the tax administration meets the expectations of the citizens, compliance would be high and success would be recorded. Furthermore, this would afford the required impetus to recruit the qualified



professionals that can turn an otherwise agency in slumber, into a highly vibrant and effective Service for the good of the society. More significant is the fact that the performance of the KW-IRS showed that when tax agency have funding, technology and the right gadgets can be acquired. Similarly the right staff can be recruited and given the necessary incentives, motivational measures and reward system can be applied to upscale their performance.

This paper recommends that issues on taxation in the 1999 constitution should be resolved earnestly with respect to the exclusive, concurrent and residual lists, in line with the dictates of federal structure of governance which Nigeria propagates. A particular reference is the provisions on Value Added Tax (VAT). It is absurd that at this moment, that the Rivers State governments instituted a case against the Federal government seeking the enforcement of the fiscal federalism. The specific issue in point is VAT, which the federal government is collecting through the FIRS. The River State House of Assembly (RSHA) passed the VAT Law No 4 of 2021 (VATL) law that the state government, and not the Federal Government, should collect and own it. The Lagos state government joined the suit as an interested party, filed at the Federal High Court (FHC) with No FHC/PH/CS/149/2020, AG Rivers State v FIRS & AGF. And they won. They sought the interpretation of Section 58 and 59 in Part 1, Schedule 2 of the 1999 constitution that on the exclusive list in which the tax items were listed, stamp duties, taxes of incomes, profits and capital gains, were the only items under the jurisdiction of the federal government. That VAT was not included. That although it was also not listed either in item 7 of the constitution, which were the concurrent list. And therefore it was a residual matter, on which the Local Government presides. And on this, it was the State Houses of Assembly that have jurisdiction. They won the suit, and the Federal Government has appealed. (Vanguard newspaper, September 7, 2021; It was headlined “VAT: Lagos joins tax war as Rivers dig in” and Punch newspaper, September 11, 2021, with the headline “VAT war: FG, others face #3.9tn loss, Lagos joins Rivers legal battle).

This paper recommends that there should be regular update and review of the laws on taxation in general terms. This is consequent upon the fact that the country suffered 28 cumulative years of military rule, and the democratic ethos is just firming up. Therefore it is important to regularly review the laws. The last exercise was undertaken through the 2007 amendments. And since that year, only two other

amendments have been made to the Personal Income Tax Act and the Tertiary Education Trust Fund Act and both were effected in 2011.

Finally, in this paper it is recommended that the tax agency should be transparent in its activities and carry the stakeholders along in its activities. This would tremendously reduce tax evasion and avoidance. Similarly, increased advocacy should be undertaken to enlighten the citizenry on the benefits of tax payment. More importantly, increased investment and deployment of advanced technology must be effected by KW-IRS to cover all nooks and crannies of the state. It is because Kwara State has an expansive land mass of 35,705 square kilometres. This would reduce the man-hour efforts of the staff of the agency, as well as the citizens, especially traders and business men and women in the informal sector, for the payment of tax.

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