

AN APPRAISAL OF THE LEGAL APPLICABILITY OF PERSONAL INCOME TAX IN NIGERIA

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Abstract

The paper discusses the appraisal of legal applicability of personal income tax in Nigeria, particularly emerging issues. It x-rayed the provisions of the Personal Income Tax Act 2011. In course of interrogating the subject matter, conceptual clarifications were made, to wit, personal income tax, taxable person and chargeable income respectively. The paper elucidated on the applicability by highlighting on resident individuals with respect to personal income tax and non-resident individuals. Compulsory deduction of personal income tax was also considered. In other to raise a robust argument on the subject matter and draw up a purposeful conclusion and/or possibly make some recommendations, interest for late payment of income tax and action by the relevant authority was highlighted, including the fact that the state or territory of resident is to be responsible for collection of income tax within their jurisdiction. In the bid to further establish the arguments raised by this study, the paper expatiated on pay as you earn and issuance of clearance certificate. The paper also discussed the importance and challenges of personal income tax. The paper summarized with conclusion and recommendations.

1.0 Introduction

In Nigeria, personal income tax is a significant aspect of the country's tax system, playing a crucial role in generating revenue for the government. The Nigerian tax system is a multi-layered and complex system involving various level of government that is; the federal, state and local government. Each level of government has the authority to impose and collect taxes within its jurisdiction which contributes to the overall revenue generation and economic development of the country. The Nigerian tax system plays a crucial role in providing essential public services and infrastructure.

Taxation in Nigeria has a long history dating back to pre-colonial times when various communities and empires had their own system of collecting taxes and tributes. During the colonial era, the British introduced a more formalized tax system which eventually evolved into the current tax system. After Nigeria gained her independence in 1960 the Constitution granted right to the Federal Parliament to legislate laws in regards to income and taxes. Two major tax decrees were introduced in 1993-the Personal Income tax Decree and the Value Added Tax Decree. Over the years, several reforms have been made to the Nigerian tax system to adapt to the country's economic and social needs.¹

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¹ Isochukwu 'Evaluation of the Nigerian Tax System and its Peculiar Feature' <http://isochuckwu.com/2018/01/18/tax-1-2a-history-features-of-nigeria-tax-system/> accessed 25th march 2023

The Nigerian tax system comprises of different types of tax levies administered by the federal, state and local government.² Each level of government has its challenges in regard to tax authority. The Federal Internal Revenue Service (FIRS) is responsible for administering and collecting federal taxes which includes; Companies Income Tax (CIT), Value Added Tax (VAT), Petroleum Profit Tax (PPT), Capital Gain Tax (CGT), Stamp Duties. State Internal Revenue Services are responsible for administering and collecting of state taxes which include; Personal Income Tax (PIT), Pay As You Earn, Withholding Tax (WHT), Road Taxes and Levies. Similarly, the local government authorities collect taxes and levies within their jurisdiction which includes; Property tax, Market taxes and levies, Business premises registration fees and renewal.

The personal income Tax Act in Nigeria has undergone several amendments since its inception in 1993 and over the years, there have been key changes.³ In 1998 the amendment made changes to the computation of tax payable by individuals, including the introduction of a tax free threshold.⁴ In 2004 the Tax Identification Number Tax (TIN) was introduced and it made provisions for the taxation of non-resident individuals.⁵ The amendment expanded the scope in 2007 on taxable income to include all forms of income which includes investments and capital gains.⁶ The amendment made significant changes to the Personal Income Tax- including the introduction of a consolidated relief allowance, an increase in the tax free threshold, and the introduction of a minimum tax for companies.⁷ The paper intends to investigate and discuss the applicability of personal income tax. Matters incidental to the applicability, *vis-à-vis* compliance to income tax obligation shall be elucidated in the course of this study.

2.0 Conceptual Clarification

2.1 Personal Income Tax

Personal Income Tax is said to be a tax levied on personal income like salary, wages, dividends, royalties, director's fees.⁸ Personal Income Tax is also defined as a direct tax collected on the income of a person.⁹ Personal income tax is payment of tax on income of individuals, partnerships, executors and trustees. It is governed by the income tax management Act (ITMA) 1961 as amended and now referred to as personal income tax decree (PITD) 104 Of 1993 as amended is also referred to as Cap. P8 LFN 2004. The latest amendment was in June, 2011.¹⁰ Personal income tax covers; taxation of sole trader; taxation of employees (pay as you earn - PAYE), taxation of partnership, taxation of settlements,

²Okauru, 'A Comprehensive Tax History of Nigeria', http://www.researchgate.net/publication/306503955_A_comprehensive_tax_history_of_Nigeria accessed 25th March 2023.

³ Personal Income Tax Act, 1993.

⁴ Personal Income Tax Act, 1998.

⁵ Personal Income Tax Act, 2004.

⁶ Personal Income Act 2007.

⁷ Personal Income Tax (Amendment) Act, 2011.

⁸ Actionaid International, Personal Income Tax (PIT); Progressive Taxation Policy Brief. <<https://www.actionaid.org/taxpower>> accessed 13 July 2023.

⁹ Personal Income Tax in Nigeria, Lawpadi Newsletter, *Beehiiv*. <<https://www.lawpadi.com/personal-income-tax>> accessed 13 July 2023.

¹⁰ J. A. Olugbade and Adegbe Fojajimi, 'Personal Income Tax and Infrastructural Development in Lagos State, Nigeria [2020] Journal of Finances and Accounting 8(6) 276 – 287 <<https://www.sciencepublishinggroup.com/ifa>> accessed 20 July, 2023.

trust and estate. It also includes: individual direct self - assessment and withholding tax.¹¹ Personal income tax in other words revolves around only incomes earned by individuals who are regarded as taxable persons. They include a family, any corporation sole, trustee or executor, having any income which is chargeable with tax under the provision of the Act.¹² Such income must also be accessible.

2.2 Taxable Person

The Act,¹³ postulates expressly *expressio* that tax of amount to be determined... every individual other than persons covered under paragraph (b) of this subsection or corporation sole or body of individuals deemed to be resident for that year in the relevant State under the provisions of this Act....¹⁴ It is the responsibility of the employer to deduct the tax from employee's salaries and remit it to the relevant State Internal Revenue Service (S-IRS) or FCT-IRS in the case of an employee resident within the FCT.¹⁵ The personal Income Tax is paid based on the state where the taxpayer is resident. Every individual that is resident in Nigeria is taxable on all their income whether home or abroad. A person whose employment duties if fully or partially performed in Nigeria, is liable to pay in Nigeria, except in situations where- the duties are carried out on behalf of another person that is non-resident in Nigeria, or the remuneration of the employee is from a non-resident employer or under the avoidance of double taxation treaty, the employee is tax in the employer's resident country.¹⁶

Section 6 of the Act¹⁷ permits that foreigners earning business profit in Nigeria should be taxed once a fixed base or taxable presence has been established.¹⁸ Notwithstanding the exceptions above, the Finance Act 2020 introduced the significant economic presence rule for personal income tax. It provides that the profits of the trade or business will be taxable in Nigeria when an individual, executor, or trustee outside Nigeria provides technical, management, consultancy, or professional services to a person resident in Nigeria. The Withholding Tax (WHT) on such income will be the final tax.¹⁹

2.3 Chargeable Income

The Act,²⁰ reiterated thus; subject to the provisions of this Act, tax shall be payable for each year of assessment on the aggregate amounts each of which is the income of every taxable person, for the year from a source inside or outside Nigeria, including, without restricting the generality of the foregoing;

- (a) gain or profit from any trade, business, profession or vocation, for whatever period of time such trade, business, profession or vocation may have been carried on or exercised.

¹¹ *Ibid.*

¹² Personal Income Tax Act 2011 s108.

¹³ *Ibid.*

¹⁴ *Ibid.*, s2(1).

¹⁵ Nexia, 'What is Personal Income Tax (PIT)?' Nexia Business Series [2021]. <<https://www.nexianigeria.com/what-is-personal-income-tax>>accessed July 14 2023.

¹⁶ "Individual: Taxes on Personal Income" Nigeria Pwc, 2023.<<https://www.taxsummaries.pwc.com>>accessed 14 July 2023.

¹⁷ PITA 2011.

¹⁸ *Ibid.*, s6.

¹⁹ Paye Tax, Paye Tax Nigeria-Guide to Taxation of Employee [2018] Bomes Resources Consulting <<https://www.bomesresourceconsulting.com/paye-tax-Nigeria>>accessed 14 July.

²⁰ Personal Income Tax Act, 2011.

- (b) Any salary wage, fee, allowance, or other gain or profit from employment, including compensations, bonuses, benefits or other perquisites allowed, given or granted by any person ...²¹

It presupposes that once an employee is a tax-resident in Nigeria, income tax will be payable on the worldwide income. Worldwide income refers to income received within and outside Nigeria.²² Thus, income chargeable to PIT includes income from all sources minus all non-taxable income, income on which no further tax is payable, tax-exempt items, allowable business expenses, and capital allowances.²³ The combined effect of the foregoing is that all personal profits gains from trade or business are categorized as chargeable income. Including salaries, wages and other allowances.

3.0 Legal Applicability of Personal Income Tax

The Personal Income Tax (Amendment) Act 2011 amended personal income tax Cap P8 LFN, 2004. The amendment became effective in June, 14, 2011, from the day it was signed into law by President Goodluck Jonathan.²⁴ Sadly, the gazette was only made public in January 2012 with the possibility that taxes computed or paid on the extant Act may require some readjustment or refunds for periods prior to January 2012 since the amendment became effective, June, 14, 2012.²⁵ It is trite to emphasize that personal income tax is imposed on income of individuals, communities, families and such incomes arising from or due to a trustee or estate, which shall be determined under an/or subject to the provisions of this Act.²⁶ The Act²⁷ further provides that; tax of an amount to be determined from the table set out in the sixth schedule (in this Act referred to as “income tax”) shall be payable;

- (a) Every individual other than persons covered under paragraph (b) of this subsection or corporation sole or body of individual’s decree to be resident for that year in the relevant state under the provisions of this Act. and
- (b) The following other persons, that is: (i) persons employed in the Nigerian Army, the Nigerian navy, the Nigerian Air force, the Nigerian Police force other than in a civilian capacity. (ii) Officers of the Nigerian Foreign Service, (iii) every resident of the federal capital territory, Abuja, and (iv) person resident outside Nigeria who derives income or profit from Nigeria.

²¹PITA 2011, s3 (1) & (2).

²² *Ibid.*

²³The Chartered Institute of Taxation of Nigeria, Taxation of Individuals Other than Employees in Nigeria: Compliance guidelines 7th June, 2023.

²⁴B. Abubakar, and Others, ‘The Problems of Personal Income Tax on Revenue Generation in Gombe State’ [2018] *International Journal of Business and Management Invention (IJBMI)* 7 (7) 20-28 <<https://www.ijbmi.org>> accessed 20, July 2023.

²⁵ *Ibid.*

²⁶(n 20), s1.

²⁷ (n 20).

Notwithstanding anything in the principal Act, the state relevant tax authority in a state shall have powers to collect tax under this Act from itinerant workers.²⁸

The effect of the foregoing is that income tax are levied only on individuals, itinerant workers, communities, families, and/or trustees. It is further emphasized that only the relevant tax authority in the state where these categories of persons are resident or earns has the power to collect personal income tax under the Personal Income Tax Act 2011 from itinerant workers.

3.1 Resident Individuals in Respect to Personal Income Tax

Resident individual in Nigeria are subject to personal income tax on their earnings within and outside Nigeria. The Act²⁹ defines a resident individual thus; a person shall only be deemed to be resident of Nigeria for a year of assessment if he is in Nigeria for a period or periods amounting to 183 days or more in any twelve-month period commencing in the same year or the following year.³⁰ A resident individual is required under the Act to pay tax on every taxable income, which includes income from employment, business, trade or investment, rent, royalties, dividends and other sources of income.³¹ The individual's income is to be taxed in the state or the territory where his place of principal residence is.

3.2 Non-Residential Individual

It is trite to postulate that nonresident individuals are also subject to personal income tax, in Nigeria, especially on their Nigerian sourced income. A nonresident person is also referred to as someone who is visiting a particular place but does not live or stay permanently. Similarly, a nonresident is any individual who derives income in Nigeria but is not domiciled in Nigeria or does not stay in Nigeria for more than 183 days within twelve (12) months period.³²

3.3 Compulsory Tax Deduction

It is compulsory for tax payers to deduct tax on rent (10%) interest (10%), director fees (10%), and dividend (10%) and remit same to the tax authorities within 30 days, the amount was deducted or the time the duty to deduct arose.³³ Failure to do so is punishable with penalty of 10% of tax not deducted or remitted in addition to the amount of tax or remitted plus interest at the prevailing monetary policy rate of the central bank of Nigeria.³⁴

It is expressly provided that income tax assessable on a person whether or not an assessment has been made, shall from any payment made by any person to that person³⁵ It is observed that any person or body corporate who, being obliged to deduct tax under section 69, 70, 71 or 72 of this Act, fails to

²⁸ *Ibid.* s2.

²⁹ PITA 2011.

³⁰(n 20), Third schedule paragraph 6(2).

³¹ *Ibid.* s2 (1)(a).

³² *Ibid.* Third Schedule Paragraph 2.

³³ B. Abubakar, and Others, 'The Problems of Personal Income Tax on Revenue Generation in Gombe State' [2018] *International Journal of Business and Management Invention (IJBMI)* 7 (7) 20-28 <<https://www.ijbmi.org>> accessed 20, July 2023.

³⁴ *Ibid.*

³⁵ PITA 2011, s73

deduct, or having deducted fails to remit such deductions to the relevant tax authority within thirty days from ... shall be liable to a penalty....³⁶

3.4 Interest for Late Payment of Income Tax and Action by the Relevant Authority

The tax due from taxable person shall carry interest on annual basis at bank base lending rate from the date when the tax becomes due/payable until it is paid.³⁷ Similarly, income tax due may be recovered in a court of competent jurisdiction by the relevant tax authority, if brought under subsection (1) of this section, the production of a certificate signed by a person duly authorized by the chairman of the relevant tax authority giving the name and address of the defendant and amount of income tax due, shall be sufficient evidence of the amount so due and sufficient authority for the court to give judgment for the said amount.³⁸

The foregoing presupposes that failure by taxable persons to remit or pay his tax shall attract annual interest on the amount, until it is fully liquidated. The law allows the relevant authority to recover personal income tax from persons charged with debt from a court of competent jurisdiction by signing in their official capacity.

3.5 The State of Resident to be Responsible for Collection of Income Tax

The Act provides thus. Notwithstanding, anything in the principal Act, the relevant authority in a state shall have power to collect tax under³⁹ The law further stipulates that the governor of the state may, on the recommendation of the commissioner responsible for finance acting on the advice of the relevant tax authority, remit wholly or in part any tax payable under this Act if satisfied that it is just and equitable so to do.⁴⁰

It is observed therefore, that the law also established states tax boards, their composition and functions respectively. The Act provides thus' there is hereby established for each state, a board to be known as the state board of internal revenue (in this Act referred to as "the state board") whose operational arm shall be known as the state Internal Revenue Service (in this act referred to as "the state service").⁴¹ The state board is responsible for ensuring the effectiveness and optimum collection of all taxes and penalties due to the government under the relevant laws. Including, doing all such things as may be deemed necessary and expedient for the assessment and collection of the tax and shall account for all amounts so collected in a manner to be prescribed by the commission....⁴²

The foregoing implies that the state government has the responsibility of collection or administration of personal income tax. This they can effectively carryout through its revenue board or internal revenue service board. As part of its day-to-day responsibility, the Board makes recommendations, where

³⁶PITA 2011, s74.

³⁷ (n 20), s77.

³⁸*Ibid*, s78.

³⁹PITA 2011, s 2(A1).

⁴⁰PITA s80.

⁴¹*Ibid*, s87.

⁴² PITA s88.

appropriate to the joint tax board on tax policy, tax reforms, tax legislation and exemption from time to time.

3.6 Pay as You Earn and Tax Clearance Certificate

The law requires employers to file a return of the emoluments paid to its employees with the relevant tax authority. Income tax chargeable on an employee by an assessment whether or not the assessment has been made, shall if the relevant tax authority so directs, be recoverable from any emolument paid, or from any payment made on account of the emolument, by the employer of the employee.⁴³ Every employer shall be required to file a return with the relevant tax authority of all emoluments paid to its employees, of all employees in its employment in the preceding year.⁴⁴ The Act prescribes a penalty on conviction of N500.00 in case of corporate body and N50 for individuals who contravenes or breached the provision section 81(2).⁴⁵

Similarly, section 104 spelt out the power to distain, to the effect that any taxable person having been properly served with an assessment which has become final and conclusive and a demand notice and fact to comply.⁴⁶ The relevant tax authority may for the purposes of enforcing payment of tax due, detain the tax payer by his goods, other chattels, bond or other securities or any land, premises or places in respect of which the tax payers is the owner....⁴⁷ The implication of the forgoing is that failure to comply with the provisions of the law regarding pay as you earn will attract punishment under the Act. Such punishment or penalty includes seizure or withholding of goods, chattels or properties belonging to the taxpayer to recover the amount due by selling off any of the items so seized or detained

Tax clearance certificate is required as a proof of compliance with the law relating to personal income tax. The law obligates ministries, department or agencies of the government or commercial bank to verify the genuineness of tax clearance certificate presented by tax payers from the relevant issuing authorities.⁴⁸ Whenever the relevant tax authority is of the opinion that tax assessed on the income of a person for the three years immediately preceding the current year of assessment has been fully paid, it shall issue a tax clearance certificate to the person within two weeks of demand by the person⁴⁹ Further, tax clearance is required when there is an application for government loan for industry or business, registration of motor vehicle, application for firearms license, application for foreign exchange or exchange control permission to remit funds outside Nigerian and application for certificate of occupancy....⁵⁰

4.0 Importance of Personal Income Tax in the Tax System

Personal income tax is a vital component of the Nigerian tax system. It plays a significant role in generating revenue for the government, promoting economic equity and fostering a sense of civic responsibility among citizens administered and collected by the State Internal Revenue Services (SIRS)

⁴³ (n 20), s81(1).

⁴⁴ *Ibid*, s81(2).

⁴⁵ *Ibid*, s81(3).

⁴⁶ *Ibid*, s104(1).

⁴⁷ *Ibid*.

⁴⁸ *Ibid*, s85(2).

⁴⁹ (n 20). s85(1).

⁵⁰ *Ibid*, s85(4).

of each state. Personal income tax system promotes financial responsibility among citizens by incentivizing them to manage their income and expenses effectively. Through income tax citizens now understand their tax obligations and plan for tax liabilities. Individuals can as well make informed decision about their financial well-being. Paying personal income tax fosters sense civic responsibility among citizens. It creates awareness of importance of contributing to the government's revenue, which in turns, support public services and infrastructure that benefits the society as well as whole. By fulfilling their tax obligation, individuals help to build a stronger and more prosperous nation. Other key reasons why personal income tax is very pivotal in Nigerian tax system includes:

4.1 Revenue Generation

Personal income tax is a major source of revenue for state governments in Nigeria. The funds generated through personal income tax are used to finance public services and infrastructure projects, such as education, healthcare, transportation and other essential services that contribute to overall development and welfare of the country.⁵¹ According to Garba, 'personal income tax on revenue generation is a form of taxation which taxes employees and self-employed persons specifically....'⁵² However, Okafor reiterates that tax revenue generation and simply put is aimed at national economic growth.⁵³

4.2 Progressive Tax Structure

Personal income tax is based on a progressive tax rate structure, meaning that individuals with higher incomes pay higher rates. This system promotes economic equity by ensuring that those who earn more contribute a larger share of their income to the government helping to reduce income inequality and redistribute wealth among the population.⁵⁴

4.3 Diversification of Revenue Sources

Personal income tax contributes to diversification of government revenue sources, reducing reliance on other sources such as oil revenue. A diversified revenue base helps the government maintain a stable and sustainable fiscal position, especially during periods of economic stability or fluctuating prices. Furthermore, the personal income tax is an essential aspects of Nigerian tax system which contributed to the government revenue as well as promote economic equity.⁵⁵ By understanding and fulfilling their obligations, individuals play a very important and crucial role in supporting public services, infrastructure development and overall the growth and prosperity of Nigeria.⁵⁶

5.0 Challenges of Personal Income Tax in Nigeria

⁵¹Y. Ademola, 'The Impact of Personal Income Tax on Revenue Generation of State Government' <<http://academia.edu/26661756>> Accessed 25th March 2023.

⁵²M. Garba, 'Paper Presentation at Personal Income Tax Workshop' [2009] p24.

⁵³ 'The Impact of Personal Income Tax on Revenue Generation of State Government' <<http://academia.edu/26661756>> accessed 25th march 2023.

⁵⁴O. Egbon, 'What is Progressive About Nigerian Personal Income Tax'

<<https://www.researchgate.net/publication/280922872>> accessed 27th march 2023.

⁵⁵A. Adekunle & G. M. Ebipani, 'Personal Income Tax PIT and Egression VAR Analysis'

<https://www.researchgate.net/publication/34244365_Personal_Income_Tax_PIT_and_Eegression_VAR_Analysis> accessed 20 July 2023.

⁵⁶(n 56).

Personal income tax though a crucial source of government revenue generation, but is not without enormous challenges. It plays a vital role in financing governments' developmental program and promotes economic advancement. Ordinarily, no individual enjoys tax payment. However, the law compels everyone to fulfil this obligation in the higher interest of the society.⁵⁷ It has been argued that political risk and exchange controls pose by far one of the greatest business and regulatory challenges of taxation in Nigeria.⁵⁸ Non availability of tax statistics is another challenging factor in realization of a successful tax regime. It is expected that tax statistics be made readily available. This expectation however is misplaced. Many government agencies of the states and relevant federal tax officers have serious failures in data management.⁵⁹ There are no efforts made to have the limited data that are available collated or analyzed on a routine basis....⁶⁰

The Act⁶¹ postulates that the relevant tax authority should proceed to assess every taxable person chargeable with income tax... after the time allowed to the person for delivery of the return provided for under section 41.... The section referred to above mandates all taxable persons to file a return of their income to the relevant tax authority. Unfortunately, the non-availability of data statistics has remained a strong bane to achieving that. Mean while, in civilized societies, citizens derives pleasure in discharging their civil obligation in so far as it will enhance economic development and doing so will avert any eventual criminal liability.

Similarly, it is observed that there is poor tax administration in Nigeria, the administration of individual agencies suffer from limitations in manpower, money, tools and machinery to meet the ever increasing challenges and difficulties. The negative attitude of most tax collectors towards tax payers can be linked to poor remuneration and motivation.⁶² These makes tax administration in terms of total coverage and accurate assessment very weak.⁶³ There is also the challenge of corruption, where some tax officers connive with the would be tax payers to defraud the government over taxes. A large chunk of revenue that is meant for government treasury end up in private pockets.⁶⁴ Rascality of those in control of government and the mannerism with which public funds are applied and embezzled is also discouraging.

Inadequate tax education of the citizen as many tax payers in Nigeria are not aware of their obligation on how to comply with tax laws and regulations, hence the case of tax evasion. This has led to low levels of tax compliance and lack of trust in the tax system. The enforcement mechanism for personal income tax in Nigeria are weak with limited resources and capacity for tax authorities to identify and prosecute tax evaders. This undermines the effectiveness of the tax system and reduces the revenue generated from personal income tax. Tax laws and regulations in Nigeria are complex and can be difficult to understand for tax payer. This has led to confusion and low levels of compliance.

⁵⁷ J. Odiukonigbo 'Legislative Imprudence and Challenges of Personal Income Taxpayers Assessment' *The Guardian Newspaper* (15th October, 2019) <<https://www.guardian.ng>> accessed 29th July 2023.

⁵⁸ A.F Akintola and Others, 'Tax Administration in Nigeria: Challenges and Prospect' [2021] *International Journal of Scientific Engineering and Applied Science (IJSEAS)* Vol.7(8) ISSN 2395-3470 <<https://www.ijseas.co>> accessed 22nd July, 2023.

⁵⁹*Ibid.*

⁶⁰(n 58).

⁶¹PITA 2011.

⁶²(n 58).

⁶³*Ibid.*

⁶⁴*Ibid.*

Furthermore, while there are challenges facing the personal income tax system in Nigeria, there are also prospect to improvement. These improvement can help promote economic growth and development in Nigeria.

Technology and automation is another aspect that have the potential to improve the efficiency and effectiveness of the personal income tax in Nigeria. Electronic tax filing and payment system, for example can simplify the tax process and increase compliance. Enhanced tax payer education and awareness is another area to know their tax obligation and rights can improve compliance and trust in the tax system.⁶⁵ Strengthened enforcement mechanism for personal income tax authorities can improve compliance and deter the tax evasion. Simplifying the tax laws and regulation in Nigeria can reduce confusion and improve compliance among tax payers

6.0 Conclusion

Personal income tax is not the only tax applicable in Nigeria. The Nigerian tax regime is a multi-level taxation, which implies that tax system is not only administered by the central governments, but by the three tiers of government; that is, the federal, state and local government. Personal income tax is a payment of tax on the income of individuals, families, communities trustees and executors. The case of tax evasion is envisaged in the collection and administration of personal income tax. However, the state concern through its agency can deploy some modern Information. Technological system to checkmate it. The provision of the Personal Income Tax Act demanding tax clearance certificate from individuals and corporate organization, requires every employer to file a return with the relevant tax authority of all emoluments paid to its employees annually and a penalty for failing to comply with the pay as you earn provision are very helpful in checking tax evasion.

The income chargeable in personal income tax under the PITA as not limited to gains or profits made from business, trade, professional or vocational service, but includes, salaries, wages, fees or allowances received from paid employments. Business, premises and another workplace benefit inclusive.

7.0 Recommendations

The paper suggests the following to enhance effective tax compliance and performance in Nigeria

1. Tax authorities in the state should adopt the use of technology and automation to improve tax administration, including electronic tax filing and payment system and data analytics, machine learning and artificial intelligence for compliance monitoring.
2. Policy makers in the tax sector should work in synergy with individuals and business in the formal sector to address the challenges of tax compliance and promote a culture of tax compliance in Nigeria. It can introduce incentives and reward tax compliance such as break access to government services. This can encourage tax payers to comply with their tax obligation.
3. The government should ensure that revenues obtained from tax payers are diligently and judiciously applied. Tax payer should also be regularly acquainted with any changes to Personal Income Tax Act and be encouraged to seek professional advice when necessary to ensure compliance with tax obligation.

⁶⁵ O. Olatunji and K. Ayodele, 'Impact on Information Technology on Tax Administration in Southwest, Nigeria' [2017] (5)(9) *Archives of Business Research*.