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**Institutions indulge in tax evasion despite huge profits they make in Nigeria**

**Allegation of tax evasion by institutions, individuals and groups is rife in Nigeria**  
IHEANYI NWACHUKWU writes on how to tackle the menace.

No matter how deep rooted a country's resource base is, if institutions, individuals, or groups that practice evasion and avoidance of taxes consistently indulge in it the, the purpose of taxation will be roundly defeated. It is without doubt that the purpose of leadership in governance in any nation is for the leaders to tap into the available economic resources of the nation, put in place appropriate mechanisms to assess and collect direct and indirect personal and corporate taxes and make use of the economic resources and revenues from taxes to achieve economic prosperity.

This environment of economic prosperity would guarantee gainful employment for all categories of people in the country and open the doors to peace and harmony for all the citizens.

The nation's economic resources and revenues from taxes would therefore have to be available to provide infrastructure, essential public services and the necessary wealth redistribution.

It is no more news that Nigeria loses several billions of dollars in tax every year due to unreformed tax regimes and ineffective tax legislation that have aided tax avoidance and tax evasion by wealthy individuals, and local and multinational corporations (MNCs).

Nigeria loses \$8 billion annually to capital flight in the upstream activities of the oil and gas industry.

The Companies Act of 1968, the Institute of Chartered Accountants of Nigeria (ICAN) Act of 1965, the Association of National Accountants of Nigeria (ANAN) Act of 1993, Anti-money Laundering (Prohibition) Act of 2004, and the Economic and Financial Crime Commission Act of 2004 all placed the responsibility on the accountants and auditors to detect and report cases of financial corruption, tax evasion and illegal capital flight to the regulators.

Despite the existence of these Acts, it is often alleged the accountants and auditors in Nigeria have chosen the path of selling various schemes of tax avoidance and illegal capital flight to wealthy individuals, local and multinational corporations, and they that have also aided the ruling elite in looting the treasury and siphoning the looted funds to private accounts abroad.

As a result, these local and 'trans-organised' financial crimes and the perceived collaborative roles of the accountants in these cases of financial corruption, the country has since independence faced acute shortage of revenues to finance infrastructure, essential public services and the critical development programmes geared to foster wealth redistribution, despite huge oil resources.

Corruption on the side of finance in no doubt is related to precipitated hunger, poverty, disease and dispossession among the Nigerian masses.

Some notable scholars have earlier indicated that Nigeria needs to seriously restructure its tax systems, by putting in place effective tax legislation, which criminalises tax avoidance, tax evasion, illegal capital flight and other trans-organized financial crimes.

It is also essential to note that, if Nigeria is to meet the United Nations Millennium Development Goal of poverty eradication by the year 2015, she should strengthen international tax cooperation with the Nigerian tax regime and the consideration of the peculiar case of Nigeria when promoting trade liberalisation policies by multilateral institutions.

It can be recalled that BBC World News, on January 16 2006, noted that Nigeria is the eighth highest producer of petroleum in the world, producing 2.1 million barrels of petroleum per day at an average price of \$50-60 per barrel.

The recent rating by the World Bank which places Nigeria as the second poorest in the world can not be differentiated from the activities of individuals, institutions, and groups that have kept evading taxes.

It can be recalled that in 2005, reports disclosed that Nigeria's tax legislation still remained colonial in nature; as a result, many wealthy individuals and corporate bodies do not pay taxes in Nigeria.

Nigeria, therefore, loses several billions of dollars to tax evasion through local and 'transorganised' crimes by wealthy individuals as well as through local and multinational corporations operating in the country.

It was reported in 2002 that, the acclaimed trade liberalisation enforced on Nigeria by the multilateral institutions such as the World Bank, the International Monetary Fund (IMF) and the World Trade Organization (WTO) (acting under the pressure being exerted by the MNCs) has had the effect of shifting the tax burden of the MNCs on to the local Nigerian consumers, who are already burdened with extreme poverty

This imperial and exploitative trade liberalisation has led to many financial incentives such as reserve additional bonus and tax exemptions being given to the oil companies in Nigeria.

These companies have therefore been able to boost their capital flight and substantially reduce the amount of corporate taxes they end up paying to the government, thus decreasing the total revenues available to the Nigerian government for the provision of infrastructure, public services and necessary wealth redistribution

For Nigeria to meet the target set for the United Nations' 2015 Millennium Development Goal (MDGs) for poverty eradication, she must put in place a highly reformed tax regime, and necessary and effective legislation, which criminalise tax avoidance, tax evasion, trans-organised financial crime and all other forms of illegal capital flight.

Nigeria must have well trained incorruptible and efficient tax officials who are committed to their duties and the public interest rather than their own private interests. On the part of the multilateral institutions experts say, they should seek to ensure the strengthening of international tax cooperation between Nigeria and its giant global trading partners, and this could remedy the current imbalance between globalised businesses and the tax regime in Nigeria.

There is also the need for Nigeria to regain the capacity to tax its citizens as well as businesses operating within its borders and use the revenues to finance infrastructure, essential public services and necessary wealth redistribution.

It can be recalled as well that in 2005, **Tax Justice Network**, revealed that tax avoidance and capital flight by the elite and the MNCs have been responsible for underinvestment in infrastructure, education and health services in sub-Saharan Africa.

In 2002, CNN news noted that subordinating private power to the public interest has proved more rewarding for the MNCs than the public in most developing countries. Unchecked MNC power particularly in developing countries has failed to produce economic regeneration, gainful employment, cleaner environments, better sanitation, the eradication of avoidable poverty, and ethical behaviour and corporate responsibility in their operations in most developing countries, particularly the multinational oil companies in Nigeria.

Several reports have indicated clearly that the mission statements of most multinationals operating in Nigeria proclaim high ideals, but their practices are all too often not in keeping with the ideals touted, while their financial statements are manipulated and questionable.

The MNCs in developing countries are shrinking the tax base and the impact on social investment is immediately reflects.

It should be noted that the ability of the federal government to the meet demands on infrastructural development and maintenance of existing ones depend on the cooperation of businesses operating within the borders of the country.

It is sad to say that these MNCs and other foreign capitalist elite operating within the borders of the country have been capitalising on the loopholes in the taxation regime; the lack of effective tax legislation and the consequent delinquent behaviour of wealthy individuals and corporate Nigeria regarding the payment of taxes; and also the tendency of various government agencies, tax officials and accountants to collaborate with these MNCs in their efforts to avoid paying taxes on the huge annual profits they all make in Nigeria.