

THE LAGOS CHAMBER OF COMMERCE AND INDUSTRY



LCCI



Evaluation of the Lagos State Local Government Levies Law



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DEFINITION OF TERMS

- **Multiple Taxation:**

Is defined as when the same tax object, that is, income, wealth, goods, services or asset among others is subjected to more than one tax treatment or assessment by two or more tax authorities. It could also arise when a taxable person or a taxable transaction involving goods and services within the same economy are subjected to the same type of tax more than once or it occurs when the same tax is being imposed by the same tax authority on the same income more than once

- (Manufacturers Association of Nigeria/Centre for International Private Enterprise, policy paper on Fostering Private Sector Participation in Policy Making Through Taxation Reform, 2011).

- **Actively aware:** knowledge of the contents and provisions of the law, and its effects on businesses
- **Passively aware:** vague/no knowledge of the contents, but actively affected by the dictates of the law.

Abbreviations

BER – Business Environment Roundtable

BMO – Business Membership Organisation

CIPE – Centre for International Private Enterprise

CITN – Chartered Institute of Taxation of Nigeria

CPPA – Centre for Public Policy Alternatives

DFID – Department for International Development

ENABLE – Enhancing Nigerian Advocacy for Better Business Environment

LASAA – Lagos State Signage and Advertising Agency

LCCI – Lagos Chamber of Commerce and Industry

LGA/LCDA – Local Government Area/Local Council Development Authority

MAN – Manufacturers Association of Nigeria

PARTNERS IN THE PROJECT

About LCCI

Formed in 1888, the Lagos Chamber of Commerce and Industry (LCCI) is one of the oldest institutions in Nigeria. LCCI promotes trade and industry in Lagos State, representing the interests of local businesses to governments and investors.

LCCI is an influential Business Membership Organisation. Its approximately 1,500 members represent 80% of the industrial wealth of Lagos State and generate over 60% of Nigeria's entire economy. In recent times, LCCI has been able to reach out to its members and also to engage with the State Government on issues that affect Lagos businesses – through organising innovative public-private dialogue sessions and highlighting problems via cost-effective use of the media.

The organisation continues to host its Business Environment Roundtable (BER) series to address members' priority business issues to Lagos State government's policy-makers and has drawn important guests from both the private and the public sectors including the President of Nigeria.

About ENABLE

Enhancing Nigerian Advocacy for a Better Business Environment (ENABLE) is a DFID-led program managed by Adam Smith International. The organisation has recent history of support to Business Membership Organisations (BMOs), which is its main focus of enhancing the business environment in Nigeria. ENABLE engages to improve the ability of BMOs to conduct advocacy that delivers results. This is done through diagnosis, capacity building and sustained mentoring to implement a range of solutions, improving communication with members, conducting more effective fundraising and financial management and improving their use of research to push for evidence-based policy-making.

About CPPA

The Centre for Public Policy Alternatives (CPPA) is an independent, non-partisan public policy think-tank committed to rigorous research through which public policies and processes are examined, supported and best practices disseminated. The CPPA aims to help sub-Saharan governments and their agencies realize the goal of rapid development and a prosperous future for their citizens.

CPPA has research personnel that have constantly been engaged in a number policy research projects spanning across issues such as economy, energy, health, governance, agriculture and environment. It has consistently produced quality policy research and provided policy advice to many government agencies, private sector and civil society organisations on international best-practices while retaining a localised approach to policy action.

1.0 EXECUTIVE SUMMARY

This research has been commissioned by Enhancing Nigerian Advocacy for a Better Business Environment (ENABLE) on behalf of the Lagos Chambers of Commerce and Industry (LCCI) to assess the impact of the Law for Approved Levies for Local Government Councils and Local Council Development Areas passed by the Lagos State Government in July, 2010. It forms part of LCCI's advocacy project with the objective of assessing the impact of the law on business members and building capacity within the LCCI research team to gather information using a survey tool and thereby conduct evidence-based advocacy.

Through structured interviews with key public officers in government and representatives of Business Membership Organisations, and statewide survey of businesses, this report explores the extent to which the law has achieved its objectives of eliminating multiple taxations, enhancing tax administration by clarifying the levies that can be collected, and improving the business environment in Lagos State. CPPA conducted the data collection and entry for this project with practical support from LCCI staff for sampling the LCCI membership base and collating responses from the survey tool. Case studies analyses included in the report reflect key stakeholders observations of the law since it was passed. Our findings revealed that:

- 83% of the respondents confirmed there was a problem of 'multiple taxation' before 2010, and perceived it as a burden.
- Two in five businesses stated that the law has been effective in solving the issue of 'multiple taxation' since it was passed in 2010. The pervasiveness of illegal fees paid has also reduced across businesses.
- 48% of respondents stated the law has increased compliance with the payment of levies due to the local government
- 45% of the respondents are actively aware of the law, while 55% are passively aware.
- Those that are actively aware of the law are 8 times more likely to pay tax/levies compared to those who are passively aware.
- **Nearly two-thirds of the businesses in our sample reported that the law has caused a reduction in the cost of doing business.**
- In interviews, stakeholders and business membership organisations identified a decrease in the problem of multiple taxation, reduction in the cost of doing business and other costs of the law.

1.1 SUMMARY OF FINDINGS

BUSINESSES ARE PAYING LESS TAX TO LOCAL COUNCILS IN LAGOS

THOUGH AWARENESS IS STILL POOR AND SOME CASES OF HARRASSMENT REMAIN, MULTIPLE TAXATION HAS SIGNIFICANTLY REDUCED

Our survey of businesses across Lagos state showed that multiple taxations represented a major problem and a key concern for businesses in the State before the law was passed in 2010, a fact attested to by 83% of the respondents; of which 43% considered it “very serious” and another 40% “somewhat serious”. Two in five businesses are of the opinion that the passage of the law has helped reduce the problem of multiple taxations, and 47% say that they pay fewer taxes than before. Three out of every four agree that there are no more unauthorized tax collectors in their areas. These facts were also attested to by public officers at the state and local government, as well as BMOs in the state.

48% stated the law has increased compliance with the payment of levies due to the local government, an observation which was statistically significant when tested with awareness of the law; with those who are actively aware more likely to pay levies. A significant proportion (57%) is of the opinion that tax administration in the state has generally improved. This was partially strengthened by the introduction of direct payments to banks in place of direct cash payments.

73% of the sub-sample who are actively aware of the law reported reduced business cost as a result of the law. This was also attested to by 41% of the sub-sample who are passively aware of the law. Further statistical test between awareness and cost of doing business indicate that on the overall, 63% of the total population significantly agreed that the law has reduced the cost of doing business ($p = 0.002^*$). By extrapolation, this observation represents 63% of all businesses in Lagos state.

Findings from stakeholders and business management organisations identified the decrease in the problem of multiple taxations, reduction in the cost of doing business and overall impacts of the law.

These are commendable outcomes of the legislation. Given the relatively small sample size used in this research, this result should be confirmed by government through broader sampling of Lagos-based businesses.

Case studies analyses reflected key stakeholders observations as it relates the implementation, monitoring and evaluation as well as enforcement of the law since it was passed.

However, clearly more needs to be done to create awareness for the law and its provisions since only 45% of the respondents were actively aware of the law, and as the local government awareness has merely reached 24% of all respondents. Similarly, 55% do not know the appropriate authority to report to in case they are harassed by unauthorized tax collectors.

1.2 REVIEW OF THE LAW

During the last decade, indiscriminate imposition of taxes and levies especially by Local Government councils were major concerns for business owners in Lagos state. The prevailing situation evidenced by overlapping jurisdictions of both state and local government tax authorities; ambiguity in the authority to collect taxes; type of tax or levies payable; and the conduct of different tax agents across the state forced some businesses to close. General complaints in the organized private sector bordered on issues of multiple taxation (from duplicate agencies as a result of their overlapping jurisdictions), illegal taxes and levies, and touts posing as agents for collection and enforcement of several fees payable to the State and/or Local governments. This resulted in lax enterprise promotion and sluggish improvements in the state's business climate.

KEY FEATURES

To address the aforementioned issues, the Lagos State House of Assembly passed a Bill to clarify and stipulate legitimate levies for Local Governments in Lagos State. The Bill also sought to monitor and regulate the method of collection of such levies in all Local Government Authorities within the state – these include the 20 Local Government Authorities (LGAs, recognized by the Federal Govt.) and the 37 Local Council Development Areas (LCDAs, established by the State). The Bill, contained in 7 pages of 15 sections and a Schedule of Levies, was signed into Law on the 12th of July 2010 by the incumbent Governor of Lagos State, Mr. Babatunde Fashola.

The Law, as prescribed for all the 57 LGA/LCDAs within Lagos state, covers a range of key actors in the organized private sector as well as a large portion of the informal sector at the grassroots of the State. These include business owners, market

women and petty traders, slaughter slab owners and workers, motorists and commercial transporters, residents, and other business professionals at the sea ports. A schedule of the Law, enshrined in the last section, details all legal levies that may be collected by the LGA and according to *Section 1(3)* thereby, renders other levies outside the scope of the Law, illegal. Albeit *Section 13* of the Law offers a caveat that states “*Nothing in this Law shall be construed as prohibiting a Local Government Authority from enforcing penalties stipulated for breach of its bye-laws or charging fees as may be approved by the State Joint Revenue Committee for the use of Local Government properties, public utilities established and maintained by the Local Government.*” This may be significant in ensuring that the Law does not necessarily constrain the Local Government Authority from its other revenue sources outside the scope of the prescribed Levies.

Review of the Lagos State Local Government Levies Law according to its Central Objectives

Objective 1: Clarify the Levies that can be collected

Sections 1, 2 and 3 stipulate *inter alia* levies collectible by LGAs and LCDAs as enshrined in the *Schedule of Levies*. *The Schedule of Levies* details sixteen (16) items that are taxable by local government authorities. These are shops and kiosks rates; approved open market levy; tenement rates; licensing fee for sale of liquor; slaughter slab license fee in abattoirs under local government control; marriage, birth

and death registration fees; street naming registration fees; motor park levy (including motorcycles and tricycles); parking fee on local government streets or roads as may be approved by the State Government; domestic animal license fee (excluding poultry farmers); license fees for bicycles, trucks, canoes, wheelbarrows and carts (other than mechanically propelled trucks); radio and television license fee (excluding radio and television in motor vehicles, transmitters and other communication equipment); public convenience, sewage and refuse disposal fees; cemetery and burial ground permit fee; permit fee for private entertainment in public places (excluding roads and streets); and wharf landing fees. *Section 4* mandates the display of a chart showing fees collectible, applicable rates and time of payment at conspicuous places and revenue offices of the LGA/LCDA.

Objective 2: Strictly regulate collection procedure

Section 4, Section 6(2) vests the responsibility for collecting *prescribed revenues and levies* in the Revenue Committee of the Local Government Authority, which includes Local Government Councils, Local Council Development Areas or any other administrative unit established by Law at the Local Government level. Thus, the Law renders all other agencies of government illegitimate as a first step in resolving the conflicts of duplicate authority to collect levies. *Sections 6, 7, and 8* demand that in the event that a joint tax consultant or administrative agent is to be appointed by one or more local governments for the purpose of collection of levies, strict procedures must be employed in selection and engagement of such agent(s) to ensure proper representation. *Section 9(b)* outlines the means of identification of such agents to increase public awareness and prohibit all unauthorized agents or staff.

IMPLEMENTATION

The administration of this Law is the responsibility of the local government authorities and their designated revenue collection agents. The implementing organ in LGAs/LCDAs is the Local Government Revenue Committee. At the state level, a Central Complaints and Information Unit, was established as an office for public complaints and comments on the administrative processes of the Law. This unit also serves as a mediator and for the settlement of disputes outside of the law courts. Another duty of the Unit is data collection and analysis to generate statistics for evidence based policymaking and administration of Lagos State.

MONITORING and REGULATION

Section 3 vests regulatory function in the State Joint Revenue Committee, to periodically review the rates charged by LGAs/LCDAs in order to minimize differences across the state. It also approves of levies that may be considered legitimate and added to the law in an amendment. At the level of the State Government, a Central Complaints and Information Unit has been established to address issues, suggestions and complaints arising from the affected stakeholders. This is expected to encourage voluntary compliance among taxpayers.

ENFORCEMENT

Sections 10 – 12 of this Law recognizes several offences such as collecting or attempting to collect any levy that is not listed in the schedule, mounting of road blocks or causing a road or street to be closed for purposes of collecting any levy, and collecting or attempting to collect any levy or penalty without due authority and identification. In *Section 11 (c)* the Law imposes a sanction of three years imprisonment (or fines of up to N500,000) for offenders on the side of the local governments – unauthorized agents,

staff, or official acting in a capacity not approved by the LGA. However, *Section 11 (4)* of the Law protects LGA officers in carrying out their duty among members of the public and stipulates a bigger penalty of up to five years imprisonment for any person, particularly in the public, who causes injury to any authorized officer carrying out his duty. In addition, the Law considers default in the payment of levies as an offence, in *Section 12 (1, 2)* it prescribes fines of about two times the amount defaulted or imprisonment for up to six months or both for offenders.

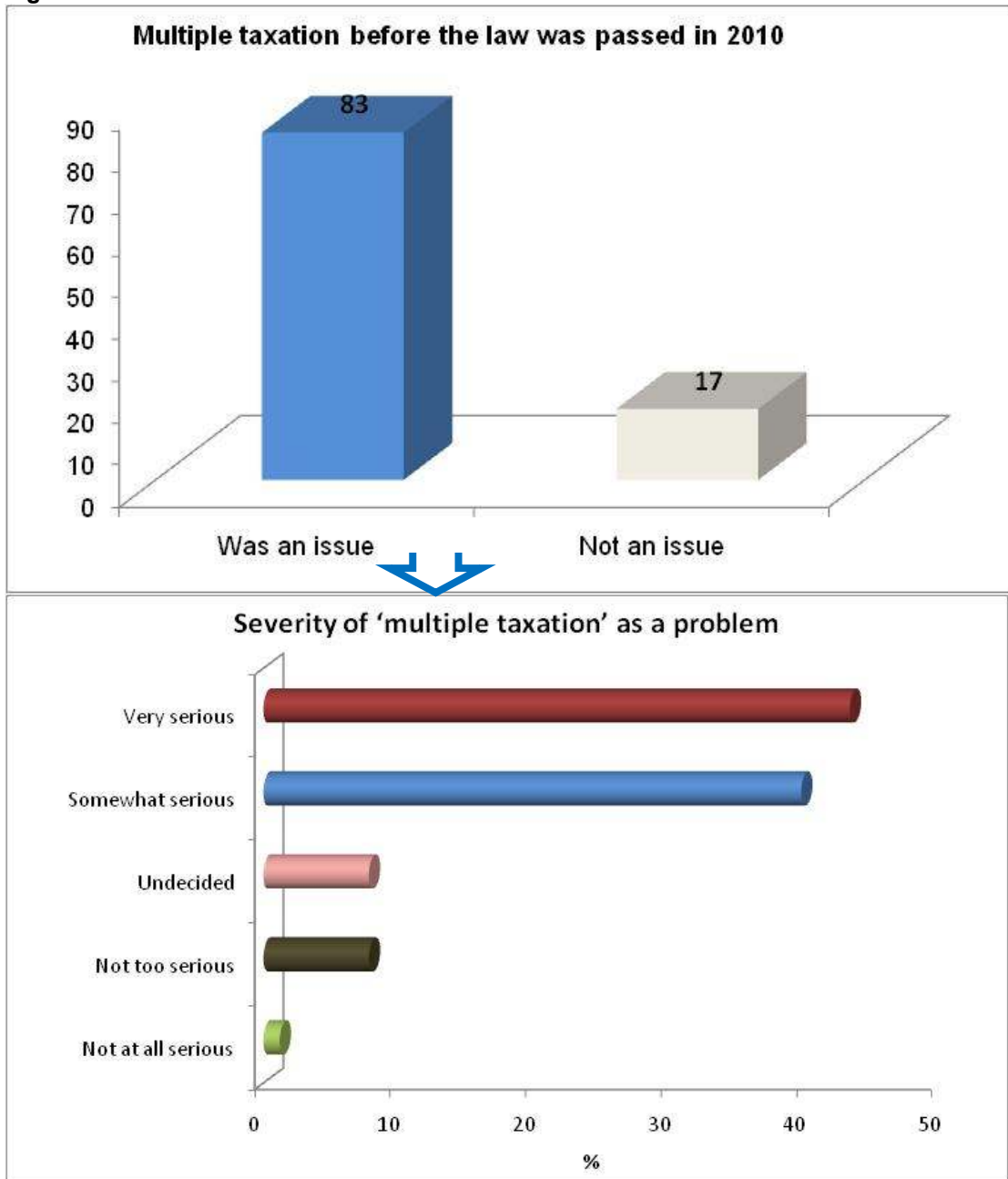
2.0 ISSUE HEADINGS

MULTIPLE TAXATION: Changes in Tax Paid

i. Key findings

- Overall, 96.0% of the respondents pay one type of levies or another.
- Tenement rates, public convenience, sewage and refuse disposal fees, as well as shop and Kiosk rates are the most common types of levies paid.
- In addition, respondents claimed they pay other types of legal levies. They include: canopy rate, extension, lock up shop, sticker permit, regulated premises permit, eatery /bake house permit, Open space; Food regulation permit, trade permit, and sign boards. Of these levies types, lock up shop permit was predominant.
- 83.1% of the respondents confirmed there was a problem of 'multiple taxation' before 2010; of which 83.2% stated it was a serious problem.
- 40.4% of the respondents are of the opinion that the law has been effective in solving the issues of 'multiple taxation' since it was passed in 2010. In contrast, 19.9% think otherwise, while 39.8% were of neutral opinions.
- 56% of the respondents were males while 44% were females. Another characteristic was that about half (43%) have been in business for ten or more years.

Figure1



ii. Questionnaire response tables

Table 1: Multiple taxation assessment & levies paid by business owners

Approved Scheduled levies by the Bill	% that paid
Tenement rates	49.8
Public convenience, sewage and refuse disposal fees	40.8
Shop and Kiosk rates	36.3
Radio and Television licence fee (excluding radio and television in motor vehicles, transmitters and other communication equipment)	29.4
Parking fee on local government streets or roads as may be approved by the State Govt.	19.9
Licensing fee for sale of liquor	10.9
Wharf landing fees	5.0
Licence fees for bicycles, trucks, canoes, wheelbarrows and charts (other than a mechanically propelled trucks)	5.0
Open market levy	4.5
Motor Park levy (Including Motor cycles and Tri-cycles)	4.0
Slaughter slab license fee in abattoirs under local government control	2.5
Street naming registration fee	2.5
Marriage, birth and death registration fees	1.5
Permit fee for private entertainment and merriment in public places (excl. roads & streets)	1.5
Cemetery and burial ground permit fee	1.0
Domestic animal licence fee (Excluding poultry farmers)	0.0

Multiple taxation & performance of the law	%
“Do you think there was a problem of ‘multiple taxation’ before 2010?”	Yes (83.1)

Severity of ‘multiple taxation’ as a problem	%
Very serious	43.4
Somewhat serious	39.8
Undecided	7.8
Not too serious	7.8
Not at all serious	1.2

Assessment of the performance of the Law in solving ‘multiple taxation’ since 2010”	%
Very effective	6.3
Somewhat effective	34.1
Neutral	39.8
Not too effective	15.9
Not at all effective	4.0

Respondents provide the following reasons to their responses on the performance of the Law in solving the issue of ‘multiple taxation’ since it was passed in 2010’:

Not at all effective: stating that there is no proper dissemination of information on the purpose for the tax, lack of trust, no commensurate improvement on businesses, and that tax collection in the state is still flawed by the presence of illegal collectors (or touts).

Not too effective: the reasons stated include “awareness is still low especially among the business owners with little or no formal education”; poor enforcement from the tax officials (collectors), existence of multiple taxation, “we still experience interference from touts/hoodlums”; as well as the fact that people don’t respect the law.

Neutral: poor awareness; no access to the law; multiple taxations still exist although the law reduced the illegal activities of tax officials.

Somewhat effective: good level of awareness on radio and TV majorly; ease of payment through the bank system; reduced multiple taxation problems; improved business environment; significant reduction in the number of unofficial tax collectors; fairness of the law on business; “implementation is not very effective”; “other people still come around to disturb especially when you have not collected the receipt for payment”; reduction in illegal fees like extension permit; “the government should try as much as possible to balance it”; the law has performed creditably well in the area of multiple taxation; “we need to make a local tax office nearby just like a reporting/enquires station and a familiar website/email address”.

Very effective: it is very effective “because there has been wide spread of the information through media and so on which has made it known to every individual”; because if anyone fails to pay the levy then it will be a problem so you just have to comply to avoid problem; the law has really helped in reducing multiple taxation; very effective in the sense that it has reduced the cost of doing business; we are now aware of what to pay to the necessary government.

iii. Discussions

NOTE: In the case studies analyses, full details were ascribed to some respondents, while in others, anonymity of the individuals or their organisations was maintained (use of fictitious identities), while remaining true to the central issues highlighted and the insights learned from their core experiences.

CASE ONE

Stakeholder Type:

BUSINESS
MEMBERSHIP
ORGANISATION
(BMO)

Respondent’s Post:

Director, MAN

Central Issue:

**MULTIPLE
TAXATIONS**

Located in the metropolis of Lagos and advocating policy change on behalf of its members, the Manufacturers Association of Nigeria, a BMO, was involved in the process that led up to the passage of the LGA Levies’ Bill into Law. CPPA spoke with the Director on the issue of multiple taxations. We wondered how serious the problem was and if the Law has had any effect in solving this problem.

The Director noted that the issue of multiple taxes is defined based on differing perspectives – between the government and the business community. According to him, “the government is looking at it from a legalistic point of view i.e. in as much as there are laws backing them up, they are legal. But we [BMOs] are looking at it from the burden aspect i.e. how it affects the business environment. If there are too many levies and taxes, it is not good for the business environment. It’s a disincentive to business activities.”

This comment raises the issue of what could be done by government to clarify the business environment, and make it more business-friendly.

From the interviews conducted, multiple taxes appeared to be a major issue before the law was enacted in 2010 particularly as it concerned the collection of similar levies by different tiers of government (State and Local). The most highlighted levies-in-dispute was the Land-Use charge (collected by the State) and a similar tenement rate (collected by the Local Government). The law has harmonized this through an agreed central collection by the state and sharing of the revenue with the local councils. From the perspective of government, the law has effectively dealt with the problem of multiple taxes – collection conflicts have been eliminated and the number of levies reduced.

CASE TWO

Stakeholder Type:
LOCAL GOVERNMENT

Respondent's Post:
Head, Budget Dept.

Central Issue:
**Land Use Tax vs.
Tenement rate**

In this local government, we spoke with the Head of the Budget Dept., whom we shall call Mr. Ogunsola. He discussed the issue of multiple taxations with specific instance of the inability of the local government to collect the tenement rate because it was viewed as a duplication of the Land-Use tax collected by the state.

Mr. Ogunsola points out that "the situation arose that a number of people, having obtained the Land-Use charge assessments from the State [but without paying the rates], make it impossible for the LGA to collect the tenement rates" on claims of multiple taxations. "Both the State and the Local Government were losing that revenue."

It was therefore important that the Law was conceptualized in order to clarify the authority to collect those disputed levies. This gives evidence to the view of government that issues of multiple taxes have been addressed by the Law.

However, BMOs in the formal sector see the issue from an entirely different perspective from the government. Businesses consider multiple taxes from a "burden" perspective. In other words, too many taxes are a "disincentive to business activities". Since taxes are still too many even when they are not dually collected by both the state and the local governments, the issue of the burden of tax is likely to be prevalent.

BUSINESSES' PERCEPTION of Changes in Tax Paid since the Law

i. Key findings

- 40% of the respondents acknowledged the state government is 'doing enough' to manage the issue of multiple taxation, 31% responded "Not enough", while 23% had neutral opinion.
- More than half (57%) of the respondents agreed that there have been improvements in the tax system of Local Governments in Lagos State since 2010.

ii. Questionnaire response tables

Table 2: Business perception of the law as it affects payment of taxes

	%
Changes in number of levies have paid since the Law was signed in 2010	
Pay more	23.3
Pay less	46.7
No change	23.3
Overall assessment of the State Govt. in tackling the issue of 'multiple taxation'	
Not at all enough	6.0
Not enough	30.8
Undecided	22.9
Just enough	39.3
More than enough	1.0
General assessment of the improvements in the tax system of Local Governments in Lagos State since 2010	
Positive improvement	57.2
No improvement	19.4
Neutral opinion	23.4

IMPLEMENTATION CONCERNS

i. Key findings

- Less than half (45%) of the respondents are actively aware of the law, compared to 55% who are passively aware.
- Among those that are actively aware; 9% rate their understanding very high, 33% (high), 41% (moderate), 16% (low) and 1% stated 'I don't know'. Among those that are passively aware; 4% rate their understanding very high, 16% (high), 20% (moderate), 20% (low) and 40% stated 'I don't know'
- Overall, 57% had their information from the radio or television, 24% from the local government, while the internet may not be considered a very effective approach; as it only accounts for 12%.

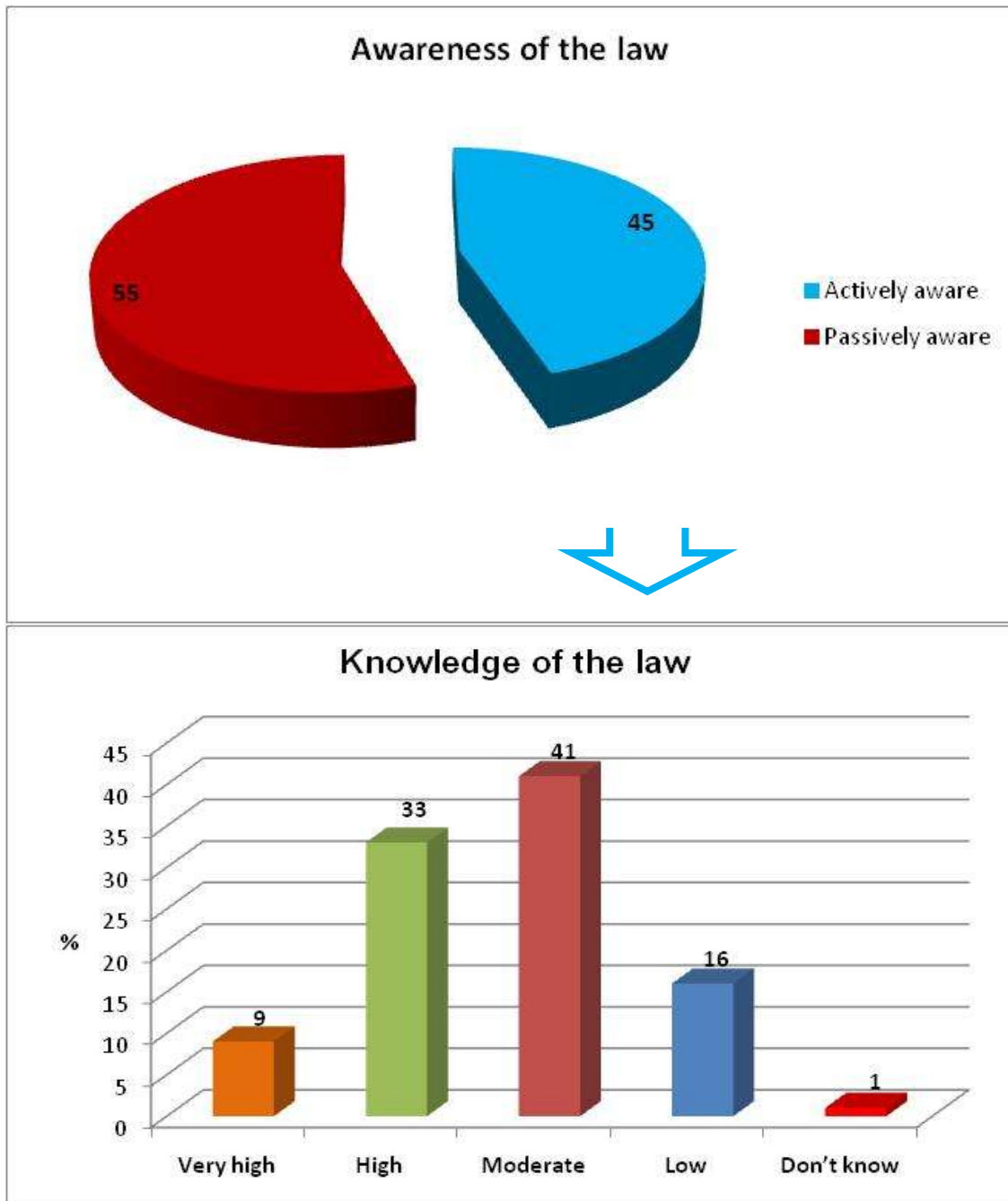
ii. Questionnaire response tables

Table 3: Implementation concerns

Implementation concerns	%
Awareness of the revised Local Govt. Levies Law and the schedule of approved Levies signed into law in 2010?"	
Aware	45.3
No awareness	54.7
Source of information	
At the Local Govt.	24.2
From a friend	17.6
In the newspaper	34.1
On the radio or television	57.1
On the internet	12.1
Knowledge assessment of the Law	
Very high	8.9
High	33.3
Moderate	41.1
Low	15.6
Don't know	1.1
Existence of unauthorized tax collectors in Local Government	
Still in existence	24.9
Not anymore	75.1
Knowledge of appropriate authority to report to when harassed by unauthorized levy collector	
Yes	44.8
No	55.2
Extra cost in attempt to pay due levies to the Local Govt. since 2010	
Still incur extra cost	33.2
Does not incur extra cost anymore	66.8
Improved compliance with payment of due Levies to the Local Govt. as a result of the law	
Yes	48.2
Reduction in the level of harassment of firms by the Local Govt. tax staff since 2010	
Yes	73.3
Increased in awareness of Levies payable since the Law was passed in 2010	
Increase in awareness	71.4
No increase in awareness	28.6

48% stated the law has increased compliance with the payment of levies due to the local government, this observation was statistically significantly ($p < 0.001^*$) when tested with awareness of the law; and those who are actively aware were more likely to pay levies. An increased awareness (71%) of levies payable by firms has been observed since the law was passed in 2010.

Figure 2



iii. Discussions

Awareness

There is a considerable expression of awareness of the law and the enactment process by public officers at the state and local government. Most of them displayed background knowledge of the issues that led to the reform process such as multiplicity of taxes and jurisdiction of authority, and complaints by the business community. Similarly, BMOs such as the Lagos Chamber of Commerce (LCCI) and Manufacturers Association of Nigeria (MAN) and a number of

business owners exhibited extensive knowledge of the law and seemed to play a key role towards the reform. They served as a voice platform aggregating the concerns of members and channeling them to the government. The informal sector however, displayed lesser knowledge of the law and the reform process showing that they may somehow still remain outside the mainstream of tax issues.

<p><i>This local government is one of the largest in the Lagos metropolis, with a large residential base and hundreds of businesses within its area. The Council Manager (whom we shall call Mr. Abiola) discussed with CPPA on staff awareness of the Law concentrating on issues of conflict of interest and authority in the collection of levies and taxes. What is the situation?</i></p> <p><i>Mr. Abiola reflected a high level of awareness with detail of the antecedent to the law. He says, "I am aware of challenges with regards to the conflict of levies to be collected between the Local Govt. and the State... complained by the public. The problem was addressed by the idea of the Joint Tax Board [after a series of public hearings] where certain schedules were listed to affirm, in clear terms, the levies collectible by the Local Govt. and the State Government. The Law stemmed from this arrangement to give a legal backing to the levies collected by States and the Local Government."</i></p> <p><i>When asked whether we can say, in practice, that the Law has actually achieved its' objective of reducing multiple taxation, the opinion of Mr. Abiola was that it had done so.</i></p>	<p><u>CASE THREE</u></p> <p><u>Stakeholder Type:</u> LOCAL GOVERNMENT</p> <p><u>Respondent's Post:</u> Council Manager</p> <p><u>Central Issue:</u> SORTING TAX COLLECTION CONFLICTS</p>
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The law stipulates the dissemination primarily by notice boards at the local government. This has however been augmented by innovative dissemination strategies adopted at the state and local government levels. The mechanism for creating awareness is varied from traditional approaches to the use of notice boards at the council quarters. Some local councils employed the use of public address systems attached to revenue buses in a traditional town crier-style. Some others used radio jingles and billboards. A daring initiative incentivized the payment of rates by tying it to eligibility for certain age-group free medical service provided by the local government. Other cases revealed that some council distributed duplicate copies of the law to corporate firms after it was enacted to sensitize them. In some cases, copies are attached to tax bills sent to firms. However it also revealed that the awareness campaign has largely targeted corporate entities to the exclusion of the informal sector. This is aptly captured by the statement by a local council treasurer that "this law basically affects the corporate firms." Shop owners in the informal business sector noted that they had word-of-mouth (indirect) communication on the

appropriate rates through their landlords. This is likely to be a "hit and miss" method of informing informal sector businesses.

CASE FOUR

Stakeholder Type:

BUSINESS MEMBERSHIP
ORGANISATION (BMO)

Respondent's Post:

Director, LCCI

Central Issue:

**AWARENESS:
INITIALISING THE LAW**

IMPACT:

BUSINESS ENVIRONMENT

In a session between the Lagos Chamber of Commerce and Industry (LCCI) and CPPA, we observed that the organisation played an important role in the steps (particularly legislation) that led to the creation of the LGA Levies Law. Furthermore, we determined to estimate the perceived and real impacts of the Law on the Lagos business environment from the point of view of the organisation and its membership.

The LCCI noted that surveys conducted by the chamber prior to the enactment of the law revealed multiple taxations as a general burden for the business community in Lagos. To this regard, the chamber organised a Stakeholders' Forum. The Special Adviser to the Governor on taxation advised that the LCCI and other stakeholders (Chattered Institute of Taxation of Nigeria (CITN), Manufacturers Association of Nigeria (MAN), etc) mediate through the Lagos State House of Assembly.

Together, the LCCI and the other BMOs articulated the issues which were forwarded to the House. Top on the agenda were the contentious issues such as the Advert (LASAA) tax and the Land-Use tax (tenement rate). The reprieve sought by the business owners was the reduction of the number of levies as well as the elimination the issue of duplication of levies. The outcome of the advocacy led to the passing of the Approved Levies bill which reduced and harmonized the number of levies from 18 to 16 levies.

The informal sector forms a large part of the business community in the Lagos metropolis. In this discussion, CPPA case writers engaged a trader (who we will refer to as Mr. Felix) in one of the many open air markets in the city. The central issue was a focus on the awareness mechanism used by the informal groups to learn about their rights and the right kind of levy to pay to local governments.

Mr. Felix noted that the process is at best indirect. He says, "We get information [concerning the rates] from the Landlords and we pay our 'tenement' rates to them. This can be paid annually but it is usually paid on a monthly basis at their instance."

CASE FIVE

Stakeholder Type:

Small business

Respondent's Post:

Owner (Trader)

Central Issue:

AWARENESS

Implementation

The introduction of direct payments to bank accounts in place of cash payments to individuals has reduced the problem of illegal tax collectors and improved transparency and accountability in tax revenues. Most local councils make use of direct bank payments (especially for corporate

firms) or franchise collection to authorized tax agents (especially for the informal sector – commercial motorcyclists, motor parks, markets, etc). The Law now provides backing and clarity on the levies to collect. Some local councils serve tax bills especially to corporate firms which require them to pay to the designated council bank account. Defaulters are handled through court processes. However, considerations are given to practices of persuasion, arbitration/mediation and rolling over bills to the following year, on compound interest (as a mild penalty). According to an administrator, *“in most cases, we oblige to arbitration requests because we do not always want cases to result in litigation. We give room for out-of-court settlement and agreeable extensions of payment deadlines.”*

Enforcement

Collection agents/local governments use guidelines to demand and enforce payment and also provide avenues for negotiations for deferred and extended payment plans. However, the use of tax agents is not without problems. A respondent notes that “the oversight is somewhat weak and accountability is somewhat weak... revenue collection targets are set and there is no check of what happens next once targets have been met”. Besides, some believe that the presence of touts has not been totally eliminated. Such respondents believe it is a scourge that cannot be fully eliminated.

Cost of Compliance

The administration of taxes has become easier and more cost effective. The costs experienced have been associated with sensitization and awareness. A council treasurer notes that “when there is a change you have to sensitize the people about it and such costs are one-offs. Those that are sensitized this year will be outside the target the next year except for new businesses. At times even the new businesses are sensitized by others (*older ones*). The cost of sensitization drops along the way.”

Though voluntary compliance has improved, the cost of litigation to prosecute defaulters may be of concern to LGAs. The abandonment of the arbitrary use of force by councils implies that they have to follow through appropriate court processes.

Loss of revenue at the local government also results from the withdrawal of collection rights for levies (such as advert rates and waste collection rates) ceded to a central body that is empowered by the state government. This pooled revenue is distributed across LGAs by a pre-agreed revenue sharing formula making it impossible for local governments with a high business population to recoup all the revenue that would have accrued to them if done independently.

This has taken its toll on budget estimates and revenue forecasts. According to one administrator, *“there has been a decline in the number of revenues collectible by the LGAs which also affect the total volume of revenue that would have accrued to the council. In terms of revenue changes since the Law, the law has only stabilized the few levies conceded to the LGAs. For e.g. by Law you can only collect trade levies and not business premises. Thus, the law has not improved internal revenues for the Local Govt. It has only essentially reduced the conflicts between the State and the Local Govt.”*

CASE SIX

Stakeholder Type:
LOCAL GOVERNMENT

Respondent’s Post:
Council Manager

Central Issue:
IMPROVEMENTS IN IMPLEMENTATION

At a Local Government in one of the upscale areas of the State, West of the Lagos metropolis, CPPA case writers met with the Council Manager, who we shall call Mr. Smart, to discuss the improvements the Law may have brought to the business environment and to highlight the changes in manner of operation (implementation process) of the local government.

Mr Smart noted that there have been positive changes to the process of rates collection. He says, “It has become easier to use the mandate of LGAs [as prescribed in the law] as basis for demanding certain rates. Certainly, to the best of my knowledge, it appears that Local Governments now have specific levies to collect.”

The members of staff have also become convinced of their duties. “The Levies are clearer.” he says, “the issue of double taxation does not arise any longer. Members of the LGA staff are fully aware of the list of levies they can demand with the advent of this law. This is an improvement.”

This case supports the position that the incidences of arbitrary charges/levies by local governments may have truly diminished.

At the Lagos State House of Assembly, CPPA met with a legislative house member, whom we’ll call Mr. Adewale. We wondered if there have been any improvements as a result of the policy, from the point of view of the legislators.

Mr. Adewale was convinced that improvements have been recorded. He notes that “there is [now] a formal process of collecting taxes at this [LGA] level with the use of tax agents” and with payments made directly to the banks. He maintains that there has been reasonable improvement as a result of increased public awareness via the print media. In support, he cites an example; “a citizen had once called me to complain arbitrary charges imposed by the local government. The issue was resolved with reference to the new law and an agreed levy [based on the law] was paid.”

However, it appears that weaknesses still exist in accountability and in the oversight functions of the House on LGA activities especially concerning what happens to the revenue, once collected. “There is no check of what happens [to the money] once revenue targets have been met”, he concludes.

CASE SEVEN

Stakeholder Type:
LEGISLATIVE HOUSE

Respondent’s Post:
Legislator

Central Issue:
IMPROVEMENTS IN THE IMPLEMENTATION OF THE LAW

CASE SEVEN-B

[Comment: Why 7-B?]

Stakeholder Type:
STATE GOVERNMENT

Respondent's Post:
Top Legal Officer

Central Issue:
IMPROVEMENTS IN IMPLEMENTATION

This case interview with a top Legal Officer took place at the Lagos State Secretariat complex, referred to here as Mr. A. Our discussion probed Mr. A's view of improvements in the process and compliance with the law as a consequence of changes in the clarity of levies.

Mr. A. appeared persuaded that clarity to the process has reconciled the conflicts with business membership organisations. He says, "There is a sense of relief from the formal business organisations such as LCCI and MAN" concerning the challenge of multiple taxes. Compliance has also improved as he notes that it is easier for "big hotels" to comply as a result of increase in awareness and clarity of the levies.

Mr. A. gave credit for improved awareness to the State government, by pointing out that the State government has reinforced the level of awareness by providing free copies of the law and the approved list of levies to the public. A Complaints Office under the office of the Special Adviser on taxation and revenue was also set up.

Improvements

Generally the law has recorded some noticeable improvement in the tax administration in the state. The conflicts between state and local government tax jurisdictions have been clarified. Collection has been made easier and compliance has also improved with many tax payers (especially corporate entities) knowing exactly what to pay, to whom and where. The law provides mandate to seek for payment as well as reject payment of unapproved levies. Voluntary compliance has made tax enforcement less of a burden for local councils and state government. The use of direct bank payments has also improved transparency.

On the other hand, the impact on revenue has been mixed within local councils. Some argue that the law introduced some items which they could not tax previously while others that were previously collectible were prohibited (e.g. tenement rates). For this they believe that revenue remained somewhat unchanged. Some other council argues that the revenue has fallen as a result of the reduction in the number of collectible levies by the councils. The fact that the amounts paid have been harmonized also means that local council cannot charge above stipulated rates. Previously every local council had its autonomy to stipulate rates.

Though compliance has improved some problems still remain. Tax evasion, "lock ups and sealing of shops are still more frequent than voluntary compliance"

3.0 COSTS & BENEFITS TO DOING BUSINESS

The following findings are taken from the sub-sample of respondents' who stated that they were aware of the law:

i. Key findings

- Around **half (51%) of the respondents acknowledged there have been benefits to their firms as a result of the law**: of which 86% said the law has had a positive effect in terms of 'time savings', and 61% said that it had positive effects on investment.
- **Generally, 63% of the respondents agreed the law has reduced the cost of doing business.**

ii. Questionnaire response tables

Table 4: Cost of doing business & impact assessment

	%
Benefits (cost or non-cost) to firms as a result of this Law	
Positive benefit	50.8
No benefit	49.2
The impact on the noted benefits on Time savings	
Positive	85.7
Negative	4.8
No change	9.5
The impact on the noted benefits on investment	
Positive	61.3
Negative	12.5
No change	26.3
Assessment of the Law in reducing the cost of doing business	
Positive reduction	63.4
No reduction	36.6

73% of the sub-sample who are actively aware of the law reported reduced business cost as a result of the law, and 41% of the sub-sample who are passively aware of the law also stated likewise.

Statistical test between awareness and cost of doing business indicate that 63% of the total population significantly agreed that the law has reduced the cost of doing business ($p = 0.002^*$).

iii. Case Studies

CASE EIGHT

Stakeholder Type:
MEDIUM-SIZED BUSINESS

Respondent's Post:
Business owner

Central Issue:
**CHANGES TO
BUSINESS COSTS**

This case was recorded from an interview that CPPA held with a business owner (who we shall call Obinna) in the haulage/logistics sector. The interview was held to determine, from the perspective of business owners, what impact the law has had on business costs.

Obinna noted that "before the Law, especially at the Local Government level, you have multiple taxes - they waylay you, throw barriers across vehicles even when you have paid same [tax] at another LGA. It's a high cost when hauling from one end of the state to the other." He was describing the practice of multiple collections of levies (tolls) by different LGAs from pick-up (truck) owners whenever they transport goods across local governments. This should not be the case, since a businessman is liable to pay such tax only once and collection should be harmonized across the LGAs.

"However", continued Obinna, "there has been some sanity" since the law. By this, he was referring to a decline in the level of harassment by the 'toll' officers. The law made it illegal to mount road blocks for the purpose of collection of levies. The law made attempt to harmonize collection across LGAs, so that payment at one LGA was admitted as valid for business by another LGA.

CPPA conducted this structured interview with the Council Manager (who we shall call Mr. Adejare) at a top-rate (Category A) Local Government on the east axis of Lagos metropolis. The aim was to get a view of administrators concerning the effects of the law on costs – both from the LGA side and their perception of business effects.

According to the discussions, LGA administrators are of the opinion that there may not be extra costs incurred by Local Governments in enforcing or implementing the law. The explanation for this is in two-fold. First, with the clarification of jurisdiction, the dialoguing process for resolving dispute is improving, saving reasonable litigation costs. Secondly, the revenue focus area of the local government has reduced leading to a reduction in implementation [coverage] costs.

As Mr. Adejare succinctly puts it, "... what we are saying now is that we have less revenue items to contend with. So, definitely, the costs may not be as high as what it used to be in the past when there was

CASE NINE

Stakeholder Type:
LOCAL GOVERNMENT

Respondent's Post:
Council Manager

Central Issues:
**IMPLEMENTATION:
IMPROVEMENTS
CHANGES IN COST**

CASE TEN

Stakeholder Type:
SMALL BUSINESSES

Respondent's Post:
Business Owners

Central Issues:
CHANGES IN COST

**PROCESS
IMPROVEMENTS**

CPPA held this discussion with a panel of small businesses to ascertain cost effects of the law on regular business activities of small scale entrepreneurs.

Our respondents note that the situation remains uncertain. While "the harassment has greatly reduced", business owners remain sceptical. They retain the opinion that "it is not easy, particularly for the LGAs, to forget their style of doing business." They [LGAs] still capitalize on ignorance and continue to extort unsuspecting members of the business community.

One person says, "If local government authorities insist on factory closure, then the member affected is obliged to inform the representative BMO." This makes it easy to forward such cases to various officials at the state level (State Revenue Office) and Ministry of Trade and Industry. The Law has improved the impact of such pressure group situations on Local Governments and raised public expectations.

Another contributor adds that, "Formerly people have accused the LGAs of lack of accountability. They just collect levies with nothing to show for it. But now when the state government has projects such as roads, they assign part of the responsibility to LGAs. We have started feeling the impact of LGAs. The responsibility to the people is increasing. This is as a result of improved channels of communication. If you accuse the government of

[2-3 paragraphs of commentary on these case studies needs to be added - since costs and benefits of the law is a - perhaps THE - central issue to business and LCCI]

4.0 BEYOND THE BILL: WHAT NEEDS TO BE DONE?

The study generated insights on a number of issues that may need to be addressed and also some lessons for improving policy making and business advocacy. These form the recommendations which may provide useful opportunities for future policy engagement between government, the business community and the citizens in general. The following are issues and opportunities which stakeholders may need to explore:

- **The exchange of ideas between citizens and government that has started needs to be further improved and strengthened.** Consultation with citizens is essential in the success of policy initiatives. This is evident in the role played by the various stakeholders in the enactment of the law. This process has to continue and be further deepened so that all stakeholders are carried along through the policy making process.
- **Accountability is still unclear to citizens and business owners concerning the use of tax revenue and public funds.** Citizens need to know how their taxes are used to serve public needs and how they stand to benefit from paying taxes. Businesses perception of tax as a

burden may be as a result of the feeling that they do not benefit meaningfully from the taxes they pay. Improving accountability in this regard is important in the gaining cooperation of the taxpaying community.

- **Feedback needs to be encouraged between State policy-makers sitting in the State House of Assembly and the policy research arm of the House.** For instance, the Policy Analysis and Research Project (PARP) at the National Assembly should be active in carrying out policy impact assessment so as to feedback its findings to the policy and law making institutions.
- **The value of research is gaining importance among BMOS but they need to be encouraged to increase budgetary provisions for research funding.** The LCCI agrees that “research is useful in supporting advocacy role as it moves the discussion from sentiments to evidence based demands”. It however, notes that “funding for such research activities are still primarily from sponsors”.
- **The capacity of BMOs for advocacy remains a challenge.** There is need to build the capacity for research among BMOs and create awareness for the value of research for advocacy. For instance, the Research officer at the LCCI stated that the “research department is constrained by inadequate resources and has only one resource person, with no research budget”.
- **The link between research findings and advocacy, and enhancing the BMO membership base needs to be made.** Members should be able to identify tangible benefits with their membership. BMOs need to hold and articulate clear and informed positions on business issues, backed by solid research evidence. Besides, follow up impact assessment by BMOs should continue on policy reforms which they advocate so as to understand if reforms are addressing intended objectives.
- **Joint projects among BMOs may offer opportunities for effective advocacy.** At the moment, this is weak given lack of a common ground among BMOs. The LCCI notes that “opportunity for joint advocacy projects with BMOs like Manufacturers Association of Nigeria (MAN) will only occur if there is a consensus on the issues”. Donor agencies and development partners may focus on helping BMOs weave such consensus.
- **Donor funded projects (such as this policy impact evaluation) which builds in transfer of skills into the overall objective offer a lot to BMOs and their capacity building needs.** However, there is need to for such projects to be adequately monitored at each stage and co-funded by the BMO to ensure that the motivation is sustained for sufficient skills transfer to be achieved. The LCCI points out that “training from CPPA was okay in terms of learning field survey techniques but LCCI participation did not follow through in the analysis process”.
- **Residual problems of tax touts should be tackled as it appears the problem has not completely disappeared.** More publicity should be given to citizens’ rights so as to protect them from illegal extortions. Identification tags should be used by tax agents as prescribed by law for easy identification and clarity. There is still a concern of land use charges levied by

traditional land owners (*omo nile*) when landed property transactions are made. This needs to be addressed because it constitutes a tax (illegal) burden for citizens.

- **Tax administration in the informal sector may benefit from the use of trade and market unions in the collection of taxes and improvement of awareness among informal sector businesses.** It is interesting to note that membership in unions is compulsory before one can be allowed to put up a stall in the markets or participate in informal sector businesses. For this, the unions can provide the umbrella through which taxes can be efficiently collected and better tax awareness created among the informal business sector.
- The issue of multiple taxation between the Federal and State levels of government still needs to be addressed. Are tax jurisdictions at that level clear and or are there still conflicting issues? Research should be commissioned to conduct such a study.

These issues will help direct the Agenda-setting process in government. There is need to have “Joined-up” government – a government that moves forward by collating the impact of its previous policies to make future policies in a clearly articulated feedback mechanism.

5.0 METHODOLOGY

This survey was implemented adopting quantitative and qualitative approaches. Upon determination of the sample size, the quantitative approach involved a multi-level randomized sampling technique. A list of all the 20 local government areas (LGAs) in Lagos State was obtained to create a sampling frame. For adequate use of available resources, twelve (12) local government areas were selected for sampling of businesses using a simple random technique to determine sites for data collection. Sites used in the survey included Agege, Alimosho/Egbeda, Amuwo-Odofin, Apapa, Eti-Osa, Ikeja, Kosofe, Lagos Island, Lagos Mainland, Mushin, Oshodi/Isolo, and Surulere. The target population was comprised of businesses, which were then stratified into standard component sectors determined by the Lagos Chambers of Commerce and Industry (LCCI). The eligible respondent for each category was then randomly selected, using an unequal sampling procedure. A structured questionnaire was designed to elicit all the needed information from the respondents.

The qualitative approach involved conducting In-depth interviews (IDIs). Stakeholders that were interviewed included key state government officials on taxation; Local Government Chairmen and Joint Revenue Committees representatives, market leaders; and representatives of Business Membership Organisations. The in-depth interview adopted a descriptive, multiple-case pattern. The case studies collected were designed to reflect the identified objectives and the major issue raised by the Law.

Data collection and entry were conducted by CPPA field workers with assistance in part of the process from LCCI staff. For quality control, on-spot and back checking were conducted during the data collection process. Questionnaire guides were also provided and a brief training conducted for data collectors. The major challenge encountered was the initial refusal by respondents, which can be attributed to the sensitivity of the subject 'taxation'. The quantitative and qualitative data collected were collated and thoroughly processed. The data was then analysed using Predictive Analytical Software (formerly known as SPSS), an analytical package.

In reporting the discussions from the case studies, we describe the type of stakeholder, the designation of the respondent and the central issues discussed. In some, we name the respondents and their organisations, to point out the key issues directly. In others, anonymity of the individuals or their organisations was maintained, while remaining true to the central issues highlighted and the insights learned from their core experiences.

APPENDIX

I. The Levies Law Schedule (List of legal and Illegal Levies)

Levies' Schedule (legal)

The following is the list of legal (permitted) levies for local government authorities in Lagos State;

1. Shops and Kiosks rates
2. Open market Levy
3. Tenement rates
4. Licensing fee for sale of liquor
5. Slaughter slab license fee in abattoirs
6. Marriage, birth and death registration fees
7. Street naming registration fees
8. Motor park Levy (incl. Motorcycle and Tricycle)
9. Parking Fee on LG streets/roads
10. Domestic animal license fee (excluding poultry)
11. License fees for bicycles, trucks, canoes, wheelbarrows and carts (excl. mechanically propelled trucks)
12. Radio and television license fee (excl. those in motor vehicle, transmitters and other communication equipment)
13. Public convenience, sewage and refuse disposal fees
14. Cemetery and burial ground permit fee
15. Permit fee for private entertainment in public places (excl. roads and streets)
16. Wharf Landing Fees

Levies' Schedule (Illegal)

The following are Illegal for local government authorities and anyone who imposes them on behalf of a local authority will be liable to criminal sanctions under the Law:

1. Corporate business permit
2. Commercial premises rate
3. Corporate Parking (within company premises)
4. Vehicle Radio Permit or Clearance
5. Satellite/Mast Permit
6. Vehicle Environmental Protection
7. Outdoor Environmental Sanitation Agency Fees
8. Mobile advert permit
9. Computer use permit
10. Inter State Revenue
11. Penalty for Seat Belt default
12. Computer license fee