

ABSTRACT

This research work, treated impact of taxation as an aid to economic development. this research work was done to find out if actually there is an impact of taxation as aid to economic development. this research also became necessary in order to bring to the proper understanding of the enquirer the best ways to solve such problems connected with the taxation especially; what is taxable and the assessment of Nigeria tax system. It will also take cognizance of the objectives of taxation and impact on this economic development of Nigeria. The objectives of this study is to generate stable revenue or resources needed by government to accomplish loadable projects and investment for the benefit of the people and to determine why people feel cheated when it comes to tax. To examine the relevance of taxation in Anambra state and also to determine the extent government has been using revenue generated from tax. The method for sourcing data used in this research work, was primary and secondary source. The primary source includes questionnaires formulated and oral interviews while secondary source includes the use of textbooks, internet, and library. The method used in selecting the respondents were through the use of the judgement sampling method of the non probability method of sampling. The method that investigates data are the standard deviation, chi-square, the use of percentage, using of tables. The primary function of every government is to make provision for its citizens in terms of infrastructural facilities. The provision of this enormous work cannot be carried out adequately by the government due to its limited resources therefore, there is the imposition of tax on all citizens, companies to augment government financial position.

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY:

One of the major functions of any government especially developing countries such as Nigeria is the provision of infrastructural services such as electricity, pipe-borne water, hospital, schools, good roads and as well as ensure a rise in per capital income, poverty alleviation to mention a few.

For their services to be adequately provided, government should have enough revenue to finance them. The task of financing these enormous responsibilities is one of the major problems facing the government. Based on the limited resources of government, there is need to carry the citizens (governed) along hence the imposition of tax on all taxable

individuals and companies to augment government financial position. To this end, government have always enacted various tax laws and reformed existing ones to stand the test of time. They include income Tax management Act (ITMA), companies income tax Decree (CITD), Joint Tax Board (JTB) etc.

All these are aimed at ensuring adherence to tax payment and discouraging tax evasion and avoidance. For the purpose of this study, the researcher would be concerned with the impact of taxation as an aid to the economic development of Anambra state (Nigeria).

1.2 STATEMENT OF THE PROBLEM

The first need of any modern government is to generate enough revenue which is indeed “the breath of its nostrils”. Thus taxation is by far the most significant source of revenue for the government Nigeria regard payment of tax as a means whereby government raises revenue for herself at the expense of their sweat. It is good to note that no tax succeeds without the taxpayer’s co-operation. Here, we can ask some thought provoking questions such as: what makes taxation such a difficult issue? Why do people feel cheated when it comes to tax? Is government making judicious use of taxpayer’s money? In view of these questions above, this study is going to be carried out to offer solution to them.

We shall also look at the following issues and offer recommendations:

- Problems affecting the successful operation of **tax** system in Nigeria.

- How to determine the Assessable income

- Process of tax administration in Nigeria

OBJECTIVE OF THE STUDY

The general objective of the study is to assess the contribution of taxes towards the growth of the Anambra state economy.

However, the specific objective of the study includes:

- To examine the relevance of taxation in Anambra state

- To determine why people feel cheated when it comes to tax.

- To determine the extent government has been using revenue generated from tax.

- To examine how tax rate affects the rate of investment in the economy.

- To know general desirability of firms to invest of tax incentive measures.

Generally, the work is done to find out if tax constitutes the bulk of government revenues and to erode the erroneous that it is exploitation by government for their selfish interest.

1.4 RESEARCH QUESTIONS

These are the questions researcher ask during the research process to help in gathering information or seeking for answers during the research, questions are the following:

What is taxation?

What are the classifications of taxation?

How do people react to payment of tax?

Which system of tax is more accepted by people?

What are the major problem affecting the Nigeria as system?

What is the rate of tax evasion and avoidance?

How would you assess the Nigeria tax system?

Who are the people to pay tax?

Which people are exempted from paying tax?

Can your nation grow economically without taxation?

How would you compare tax revenue with revenue from other sources?

Does taxation make positive impact of life of a nation?

Are there enough workers to carryout this assignment?

1.6 SIGNIFICANCE OF THE STUDY

ONE OF THE MOST FREQUENTLY DISCUSSED ISSUES IN Nigeria is how to solve the economic hardship in the country and how to create an industrial base that can be guarantee self sustaining economic development. also one wonders why a country which is richly endowed with the necessary human and material resources and which the people pay tax has been turned a heavily indebted country. The study will afford us the opportunity to know the roles taxation play in the Anambra state economy, such roles includes:

Taxation is a major source of revenue to the government

Revenue generated form **tax** enables government performs its functions effectively.

Taxation acts as an instrument of fiscal policy

The impact of tax on small business in the state.

The study will in addition reveal if there are other better sources of government funding.

SCOPE OF THE STUDY

The scope of this study covers critical examinations on the impact of taxation on Anambra state economic development. it will also analyze other related issues such as structure and administrative machinery of tax in Anambra state and their associated problems. The essence of this digression is to possibly find out the obstacle if any, that hinder the effective collection & administration of tax in the state.

1.8 ASSUMPTIONS OF THE STUDY

The researcher in carrying out this study will make the following assumptions:

1 That the data that will be used are true & fair figures of taxes actually collected by the federal government in each year of assessment.

2 That the data will be authentic and can be relied on for further research work on the topic

3 That the data is going to form the basis of the research work.

1.9 DEFINITION OF OPERATIONAL TERMS

Tax: A compulsory levy by the government on its citizen for the provision of public goods & services.

Tax Base: The object which is taxed for instance personal income, company profit. The combined value of everything such as income, property, and other assets in a city, country, etc. on which tax is charged.

Tax Rate: Is the rate at which tax is charged. It is the percent of income paid as tax, or the percent of the value of a good, service or asset paid as tax. It can be classified as one of three types: progressive, proportional and Regressive tax.

Tax incidence: It refers to the effect of and where the burden is finally rested. It is the analysis of the effect of a particular tax on the distribution of economic welfare. Tax incidence is said to fall upon the group that ultimately bears the burden of or ultimately has to pay the tax.

FBIRS: Federal board of Inland Revenue Services. It is an operational arm of federal Board of inland Revenue which is responsible for the federal tax matters.

CITA: Company income Tax Act (CITA) is a federal law operated by the FIRS, which deals with the taxation of all limited liability companies in Nigeria with the exception of those engaged in petroleum operations.

JTB: Joint Tax Board: Is established under section 85 (1) of Decree 104 of 1993 to arbitrate on tax dispute between one state tax authority & another.

VAT: Value Added Tax is a multi stage tax levied and collected on transactions at all stages of sales and distribution.

CGTA: Capital Gain Tax Act is an act that stipulates that all capital gains arising on disposal of asset of individual partnership and limited companies should be taxed.

PPTA: petroleum Profit Tax Act is an act that regulates the petroleum profit tax and also specifies how profit from petroleum will be taxed.

WITHHOLDING TAX: This is tax charged on investment income

namely: rents, interest, royalties and dividends, presently it is charged and the tax offset.

PROGRESSIVE TAX: This is a tax incidence that increase as the size of income increases.

REGRESSIVE TAX: A tax is regressive when its tax rate decreases as the income increases. It is a tax that takes a larger percentage of a lower-income and a smaller percentage of a higher income

EXCISE DUTIES: These are taxes on some goods manufactured within a country (as opposed to customs duties, charged on goods from outside the country. It is a tax on the production or sale of a good.

PERSONS: It include all taxable persons whether it be individual or corporate bodies

1.5 RESEARCH HYPOTHESIS

HO: Revenue generated from tax does not make any positive impact on the economic development.

HA: Revenue generated from tax has a positive impact on the economic development.

H0: There are no incentive from the government to boost the morale of the revenue collectors.

HA: There are incentives from the government to boost the morale of the revenue collectors.

THE IMPACT OF TAXATION AS AN AID TO ECONOMIC DEVELOPMENT IN ANAMBRA STATE

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