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# JHR

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## CHALLENGES CONCERNING THE LEGAL FRAMEWORK OF AN AUTOMATED PERSONAL INCOME TAX IN EDO STATE, NIGERIA

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### Abstract

Concerning the need to curb corrupt income tax practices and to increase internally generated revenue via income tax in Edo State, the Edo State Government 2019 introduced an automated personal income taxing system. However, it must be noted that the income tax procedure in Nigeria is a function of law regulated by the Personal Income Tax Act. Concerning this, there is a legal uncertainty concerning the effectiveness of extant the current legal framework in providing for and regulating an automated personal income tax system in Edo State. It is in this regard, that this study tends to adopt a hybrid method of research in examining to what extent the extant law provides for and regulates income tax in Edo State. The questionnaire was sent to 321 respondents and the data generated therein were analyzed via a descriptive and analytical method. The study found that the Personal Income Tax Act of 2004 does not provide for and regulate an automated income taxing system in Edo State. It was therefore concluded and recommended that for effective compliance with an automated income tax administration in Edo State, there is a need to amend the extant law to provide for an automated income tax procedure.

**Keywords:** Legal, Automated, Personal Income, Tax, Edo State

### INTRODUCTION

The development of technology has resulted in the use of information communication technology in virtually all sectors in Nigeria, including taxation regulation (AbdulKareem et al., 2020). This is concerning the fact that an automated personal income tax system has been adopted in Edo State (Aidonojie et al., 2023). It is a platform for an online procedure of registration of taxpayer as an eligible taxpayer, filing of a return, tax assessment (either by self-assessment or assessment

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by a tax authority), services of tax assessment notice, serving of demand notice on taxpayers, payment of tax and generating of tax receipt via online (Indraloka, 2023). In this regard, it reforms the manual personal income tax assessment and collection system into an automated tax system (Aribowo et al., 2022).

However, it is very apt to opine that the procedure to be observed in the process of filing of tax return, tax assessment, services of notice of tax assessment and demand notice, collection, and recovery of tax charged under the personal income tax is still a manual process recognized by the various legal framework that provides for and regulates personal income tax and including the recently adopted automated personal income tax (Utina, 2022). It suffices to state that this could cause legal challenges in the compliance and enforcement of an automated personal income tax administration in Edo State (Umanhonlen & Umanhonlen, 2020). The procedure to be observed in the assessment, collection, and recovery of tax charges is very sacrosanct for effective enforcement of personal income tax (Krever, 2023). As required by the Personal Income Tax Act, some of these salient processes are that it is required by law that a taxpayer should be manually served with notice of assessment on the tax charge on their income (Blank & Osofsky, 2016). The tax charge must be paid within two months of services of notice of assessment. Within one month of services, the taxpayer may raise an objection, failure of which will attract a penalty and interest, which will be manually served on the taxpayer through notice of demand (Rachmawati & Sariono, 2011). The notice of demand must be complied with within 30 days of services. When the taxpayer fails to pay the tax charge on their income, an action can be brought against the taxpayer (Okello, 2014).

Given the above, the processes involved in personal income tax regulation did not contemplate or provide for an automated personal income tax as adopted in Edo State (Obadina, 2016).

In this regard, this study researches ascertaining the level or ascertaining to what extent the various legal frameworks recognize and regulate an automated personal income tax in Edo State (Negaro, 2019). If non-compliance by a taxpayer could warrant tax personnel to enforce an automated personal income tax in a law court.

## **RESEARCH METHOD**

The study adopts a hybrid method of study which include a doctrinal and non-doctrinal method of research. The doctrinal method of research is aimed at examining various pieces of literature such as; laws, textbooks, and articles by learned authors as it concerns the concept of income tax and an automated income tax (Qamar & Rezah, 2020). Furthermore, the essence of also adopting a non-doctrinal method is aimed at ascertaining from legal scholars the legal challenges of enforcing compliance with an automated taxing system, given the extant Personal Income Tax Act. Furthermore, to ascertain if there is a need for a review of the extant law to adequately provide for and regulate an automated income taxing system in Edo State (Purwati, 2020).

## **RESULTS, DISCUSSION AND ANALYSIS**

### **A. An Examination of Current Legal Framework for Automated Personal Income Tax**

Although, in Nigeria, the Taxes and Levies Act provide that income tax is collected by the federal government, various states government of the federation (of which Edo State is part), and local government. However, by item 59, schedule 2 of the Exclusive Legislative list, the federal government is mandated to make law on income tax. It is concerning this, that the Personal Income Tax Act was enacted as the primary law regulating income tax in Nigeria. In this regard, the extant Personal Income Tax Act will be detailly examined to ascertain the extent it provides for and regulate automated income tax in Edo State

**a. Personal Income Tax Act**

The Personal Income Tax Act is a primary legal framework that provides for the imposition, assessment, and collection of income tax from individual and corporate bodies in Nigeria. The Act provides for and specified compliance with the procedure for direct assessment, collection, and recovery of personal income tax in Nigeria, including Edo state. Whether the Act and its amendment sections provide for an automated personal income tax administration or not will be considered more closely below.

**b. Personal Income Tax Act Vis-à-Vis Personal Income Tax Administration**

The current Personal Income Tax Act and its amendment section provide for a manual procedure of registration of a taxpayer as an eligible taxpayer, filing of a return, and tax assessment (either by self-assessment or assessment by a tax authority). It also provides for services of tax assessment notice, serving of demand notice on taxpayers, payment of tax, and generating of a tax receipt. Each of these processes will be considered if it extends or covers an electronic means.

**c. Registration of Taxpayer**

**d. Filing of Return by Taxpayer and Self-Assessment.**

A taxpayer's filing of return is a request to render an account concerning their business as a condition for tax assessment. According to the court in the *Federal Board of Internal Revenue. Joseph Razcallah & Sons Ltd*, the essence of taxpayer filing of return is intended to protect the taxpayer by allowing him to state his income and other relevant matters. However, section 41(1) and (2) of the Act requires a taxpayer too, without notice of assessment or demand notice, file a return of their income in the

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prescribed form for every year preceding the year of assessment. Subsection (3) of the said section further stipulates that the return to be filed with the relevant tax authority must be done within 90 days from the commencement of every assessment year. This is concerning the fact that an assessment cannot be effectively done without a proper taxpayer return being filed except in certain circumstances. In the case of *FBIR v. Joseph Razcallah*, the court held that the request to tender a return is a condition precedent or essential to assessment; the waiting for the time allowed by law in the request to pass is also a condition precedent or requirement. Both conditions are intended to protect a person by enabling or affording him an opportunity of stating his income is not fulfilled, either of those conditions is made without jurisdiction, and null and void.

Given the above, section 44 of the Personal Income Tax Act further stipulate that the taxpayer having fulfilled the requirement of filing the return if so desired shall carry out a self-assessment of the tax payable by calculating the amount of tax payable in the form as may be prescribed by the Personal Income Tax Act. However, it must be noted that section 108, which is the interpretation section of the Personal Income Tax Act, defined "year of assessment" as the period of twelve months commencing on the first day of January.

It suffices to further state that the above method of filing returns by a taxpayer concerns direct tax (that is, tax paid by large and small-scale businesses). However, concerning pay-as-you-earn tax (tax deducted from employee monthly salary), sections 81 of the Personal Income Tax Act stipulate that income tax chargeable on an employee by an assessment shall be filed with the relevant tax authority not later than 31st of January of every year of assessment by their employer. From the wording of section 81 of the Act, it



suffices to state that the Act contemplated a manual method of self-assessment by the employer. Given the fact that the provision required an employer to submit and file the self-assessment with the relevant tax authority without making mention of an electronic self-assessment. This position of the law was further reiterated in the case of *Edo State Board of Internal Revenue V. Accountant-General of the Federation*; in this case, the Edo State Board of Internal Revenue brought an action via a mandamus compelling the accountant-general of the federation to remit unpaid area of tax deducted from worker's salary (as income) from the federal establishment. Given the evidence before the court, it was held that the refusal of the accountant-general to remit tax deducted from the staff of the federal establishment as income tax offended the personal income tax Act.

Examining the above provision as it concerns taxpayers' filing of return and carrying self-assessment does not seem to provide an electronic means of filing taxpayers' return and self-assessment via electronic means.

#### **1) Assessment by Tax Authority**

As provided by the Personal Income Tax Act, it is required that after a taxpayer files a return within the assessment year, such taxpayer has the option to carry out a self-assessment of the tax due. However, Section 54 (1) and (2) of the Personal Income Tax Act stipulate that the taxpayer files a return without self-assessment as provided in section 41, the tax authority shall assess the taxpayer based on the return filed. However, the section further provides that a tax authority may refuse to accept the return file by the taxpayer and, based on its best judgment in determining the amount of the assessable, total, or chargeable income of that person. In this regard, the tax authority can therefore make an assessment based on its judgment.

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Furthermore, sections 54(3) and (4) of the Personal Income Tax Act further stated that where the taxpayer did not file any return, the tax authority will determine the amount of the assessable total, based on its best judgment chargeable income of that person. Therefore the tax authority can make an assessment based on its judgment. The case of *FBIR V. F.M. Solanke* illustrated this position of the law when the court held that; When the commissioner does not accept the return of income, he is entitled, indeed to have a duty to make an estimated assessment. The commissioner doesn't need to give his reason for arriving at his estimates.

In the case of *Lagos State Internal Revenue Board v. Odusami*, the court stated that the best judgment assessment might be valid and enforceable. Though, based on mistaken belief, if honestly made and reasonably in the circumstances, the taxpayer's failure to provide information and submission of false returns is a significant consideration. However, in exercising best judgment in tax assessment, the Commissioner must be honest and not vindictive; This position of the law is as held in the case of *FBIR V. F.M. Solanke* (supra) where the court held thus; He must not act fraudulently, or capriciously, because he must exercise judgment in the said matter. He must make what he honestly believes to be a fair estimate of the proper assessment figure. For this purpose, he must be able to consider local knowledge and repute concerning the assessee's circumstances and his knowledge of previous returns, and his assessment of the assessee. He thinks all other matters will assist him in arriving at a fair and proper estimate. In some instances, there must necessarily be guesswork, albeit 'honest guest work' in assessing the amount upon which income tax ought to be levied in his judgment. Yet, such an assessment is not *ipso facto* invalid.

The subsection further stated that the tax authority could also proceed to assess the taxpayer irrespective of whether or not the time within which the taxpayer is required to deliver a return or give notice of his income under the provisions of section 41 has expired.

Given the above, a cursory examination of the provision of section 54 of the Act as it concerns an assessment of tax due reveals that the said section is silent on issues concerning an electronic tax assessment being carried out by tax authorities. In this regard, there seems to be a legal gap inherent in adopting an electronic means of tax assessment by the Edo State Internal Revenue.

## **2) Service of Notice of Assessment, Demand Notice, and Recovery of Tax Charge**

Section 57 of the Act provides that a notice stating the amount of any assessable total or chargeable income, the tax charged, and the place at which payment should be made shall be served on the taxpayer through personal services or a registered post or courier service. However, section 13 of the Amendment Act 2011 includes an e-mail as a means of tax assessment notice services. In this regard, it suffices to opine that to a certain extent, the Personal Income Tax Amendment Act seems to capture services of notice of tax assessment via e-mail. Although, it did not state whether mere receipt or sending of a notice of tax due without the usual manual or any means of acknowledgment by the taxpayer is sufficient. Furthermore, it suffices also to state that the kind of automated personal income tax regime adopted by the Edo State does not include vital details (such as the right of the taxpayer as provided for in sections 58 and 59 of the Personal Income Tax), that ought to be included in a notice of tax assessment sent via electronic mail. This position was aptly stated by the court in the case of *Azikiwe v. Federal Electoral Comm.*, concerning when a tax is said to be due was very apt, the court stated that the following conditions must have been adhered to as follow;

- a) The taxpayer must have served notice of assessment stating the amount of tax due.
- b) The taxpayer must comply with any extension of time for the payment of tax is so provided for.

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- c) Exhausting and determination of any objection raised by the taxpayer concerning an assessment of tax due

If the above have been duly complied with, then a tax will be held to have fallen due. However, **section 76(2)** of the Act further provides that where the taxpayer did not make payment of the notice of the tax served on him/her, the tax authority is required to serve on the taxpayer a demand notice to comply within one month from the date of service of the demand note. In the case of *Femi Ikuomola V. AlaniIge*, the Nigeria court was very emphatic when it stated that personal income tax is due after two months of services of notice of assessment and demand notice issued therein for refusal to comply with the notice of assessment within two months of services. Although, section 59 further stated that an assessment should not be impeached, quashed, or deemed to be void or voidable for any of the following reasons;

- a) mistake as to the name of the taxable person, description of the taxpayer income, and the amount of any income tax charged,
- b) For want of form,
- c) Any defect or omission therein, and
- d) The variance between the assessment and the notice thereof;

Provided the notice of assessment is duly served on the taxpayer, the notice must contain the particulars of the assessment made.

Section 68(1) of the Personal Income Tax Act provides that where a taxpayer income has been subjected to tax assessment, and the amount payable as tax has been arrived at through the assessment formula. The taxpayer has the right to raise an objection or appeal concerning the amount of the tax payable that has arrived through assessment. Where the taxpayer did not raise any objection or appeal concerning the assessment and the amount due to be paid as tax, the taxpayer shall proceed and pay the income tax charged by the assessment after the following deductions;

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- a) If there is any amount to be set off for collection. (NOTE: set-off is the deduction that needs to be made during assessment).
- b) If the taxpayer has made any deposit concerning the tax so assessed.

The income tax chargeable by assessment must be paid within two months of service of notice of assessment. However, section 68(1)(a) of the Personal Income Tax Act provides that if the period of two months the taxpayer is expected to pay his tax so assessed expires before the fourteenth day of December of the year of assessment and the amount the taxpayer paid for the tax charge that was assessed is one half or more than one half of the tax that was assessed, then the taxpayer will have to pay the balance of the tax charged not later than on the fourteenth day of December of the year the assessment was done. To this end, this paragraph serves as an exception to section 68(1) of the Act, and it only applies to all taxable persons who have paid one-half or more of the tax charged, and demand notice can only be issued to them if they fail to pay the balance on or before the fourteenth day of December of the year of assessment.

However, it must be noted that, unlike direct assessment, where a taxpayer is required to be given notice of the tax assessed, the reverse is the case under P.A.Y.E where an employer is required to deduct and remit the same to the relevant tax authority. In *7up Bottling Company V. Lagos State Inland Revenue Board*, the respondent instituted an action in court against the appellant for failure to remit income tax to the relevant tax authority. The appellant contended that they are entitled to notice of tax assessment. In this regard, since they were not issued a notice of tax assessment, they cannot be held liable, the court held against the appellant that there was no need for notice. Cross check.

The purport of the provision of section 81-82 of the Personal Income Tax Act and the decision in *7up Bottling Company V. Lagos State Inland Revenue Board* is to the effect that an employer who fails to remit income tax deducted from staff salary and

withheld the same is guilty of tax evasion and cannot rely on any service of the tax assessment notice.

However, a cursory examination of section 76 of the Act and its amendment section revealed silence on issues concerning a demand notice sent through an electronic means by the tax authority to a taxpayer. In this regard, there seems to be a legal gap inherent in adopting an electronic means of services of demand notice by the Edo State Internal Revenue Board.

### **3) The Right of a Taxpayer to Raise Objection to an Assessment**

The Personal Income Tax Act, having stipulated the manual process involved in serving tax assessment notice and demand notice, section 58 of the Act further provides for the right of a taxpayer to object to an assessment where he has the reason or proof to believe in any of the following;

- a) The tax due is not due from him,
- b) That the tax assessment is excessive.

In the case of *I.T/R v. ESBIR*, the court held thus;The PITA affords the taxpayer several opportunities of airing his objection, and it is where it has been seen that the taxpayer has refused to use the opportunity and has in the same vein refused or failed to pay up the tax that the tax authority is then empowered to apply for distraining.

Also, in the case of *FBIR v. Azigbo Brothers LTD* on the need for a taxpayer aggrieved with an assessment to take appropriate steps, the court held thus; The board raised the assessments in dispute in default on returns of income by the defendant's company. It was open to the company on receiving the notices of assessment to apply by objection in writing to the tax authority in line with applicable laws to review and revise the assessments made and failing agreement to appeal against those assessments.

The court further held as follows; ... The amounts of the estimated assessable income became final and conclusive when no valid objection or appeal had been lodged within the required or prescribed time. The quotation is less than 3 lines and so should be run-on lines.

However, on receipt of the notice of objection, the tax authority could review and revise the disputed assessment or refuse to amend it. Although, where the tax authority retains a disputed assessment, a taxpayer can approach the courts for final determination or pay the tax as assessed. Section 68(2) of the Act stipulates that, where a taxpayer has raised an objection or appeal, collection of tax charged shall be in abeyance until the objection or appeal is determined. It must be noted that any part of an assessment that is not in dispute must be paid while the dispute resolution continues. Also, section 68(3) of the Act stipulates that where the tax authority has determined the appeal or objection, the tax chargeable shall be paid within one month of notifying the taxpayer. ‘However’ everywhere, why? They are 3 in this one paragraph.

Section 58(1)(a) of the Act stipulates that the notice of objection must be in writing and must be made within 30 days of the date of service of the notice of the assessment to the relevant tax authority. It further confirmed the fact that the procedure involved in objecting to an assessment by a taxpayer did not contemplate an automated procedure but rather a manual system or procedure.

#### **4) Enforcement of Non Payment of Tax Charge and Penalty upon Conviction**

Concerning the whole process involved in the assessment and payment of tax by a taxpayer as stipulated by the Personal Income Act, section 76(2) of the Act further provides that where the taxpayer did not make payment within one month from the date of service of the demand note, the taxpayer will be guilty of an offense. The tax authority may proceed to enforce payment in a court of competent

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jurisdiction. Upon conviction, the taxpayer will bear the full cost of litigation as a debt to the relevant state. However, section 99 provides that only relevant tax authority has the power to prosecute for any offense under the Act. It requires enforcement in recovering the tax due by a manual procedure, which includes an application to distrain a defaulting taxpayer of his property. In the case of *I.T/R V. ESBIR*, the court in Edo State in determining how ex parte application can be used to distrain a defaulting taxpayer's property, examine section 104(3) Personal Income Tax Act, held thus; By the provisions of section 104(3) of the Personal Income Tax Act, the prescribed form of seeking an ex parte application to distrain a defaulting taxpayer of his property is a mere application to a High Court judge sitting in chambers, with an affidavit to support the application, which must be in writing. Any application in pursuance of the section is a special procedure.

However, other instances could warrant the tax authority to institute a court action against a taxpayer. Given this assertion, section 94 of the Act stipulates that where a taxpayer violates any provisions of the Act and fails to file a return shall upon conviction be liable to pay the sum of ₦5,000 and ₦100 for every day during which the taxpayer fails to file a return and six months imprisonment. Section 95 of the Act further stated that where a person without reason files an incorrect return shall upon conviction be liable to pay the sum of N20,000 and double the amount that would have been so charged. Concerning the filing of return under pay as you earn personal income tax, section 81(3) of the Act provides that where an employer contravenes section 81(2) in failing to file a return before 31<sup>st</sup> January of every year of assessment shall upon conviction is liable to pay a penalty of ₦500,000 if it is a body corporate and ₦50,000.

Given the above analysis, it is evident from the provision of the Act and the decision of the court as it relates to the provision of the Act, that an automated method of assessment and collection of personal income tax from individual and corporate



bodies in Nigeria, was never contemplated or provided for by the Act. In this regard, adopting an automated personal income tax regime in Edo State could face legal challenges., hence the need for a review of the current legal framework to capture an automated personal income tax regime.

## **B. PRESENTATION AND ANALYSIS OF DATA**

Given the data generated from the questionnaire in this study, the data obtained is therefore analysed as follows;

### **Sample Size and Techniques**

The study adopt a simple random sampling technique in selecting the various respondents who responded to the questionnaire. Aidonojie et al., and Majekudmi et. al. have opined that simple random sampling techniques have several advantages. Some of the advantages as identified by these academic scholars include the following;

1. That the simple random techniques are relevant in selecting respondents from a heterogeneous population like Nigeria
2. That it is devoid of difficulty and complication in selecting respondents
3. That the chances of being biased are minimal or none
4. That the simple random sampling techniques are suitable in an empirical legal study

However, concerning the sample size, the study made use of 321 respondents residing in the three senatorial districts of Edo State.

### **Data Analysis**

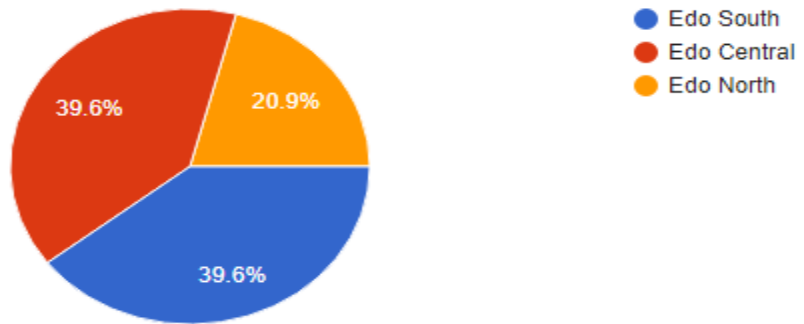
The data obtained through the means of an online survey questionnaire is at this moment analysed below:

**Figure 1: Respondent identification of the senatorial district they reside in Edo State**

**Research Question One**

**Which of the senatorial district do you reside in Edo State?**

321 responses



**Table 1: Valid respondent identification of the senatorial district they reside in Edo States**

S/N	Senatoria Distric in Edo States	Responses of Respondents	Percent
1	Edo South	127	%
2	Edo Central	127	%
3	Edo North	67	%
	<b>TOTAL</b>	<b>321</b>	<b>100%</b>

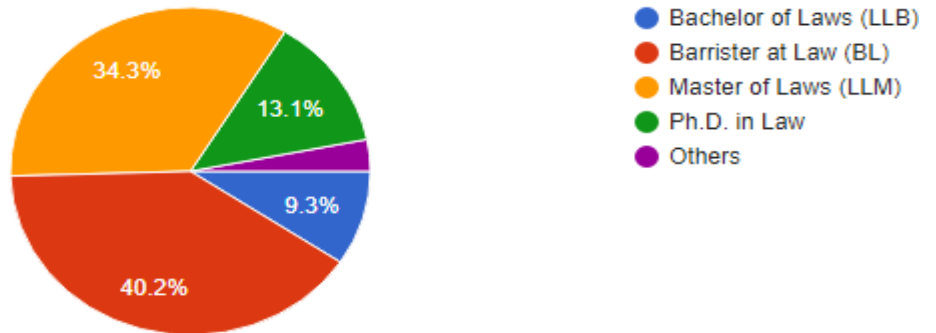
Figure 1 and Table 1 above are a representation of respondents' identification of the various senatorial district in Edo State where they reside.

**Figure 2: Responses of respondents stating the level of legal degree they have attained**

**Research Question Two**

**What is your educational level?**

321 responses



**Table 2: Valid respondents' identification of the level of legal degree they have attained**

Respondents' Professional Legal Degree	Response	Percent
Bachelor of Laws	30	9.3%
Barrister at Law	129	40.2%
Master of Laws	110	34.3%

Ph.D. in Law	42	13.1%
Others	10	3.1%
<b>Total</b>	<b>321</b>	<b>100%</b>

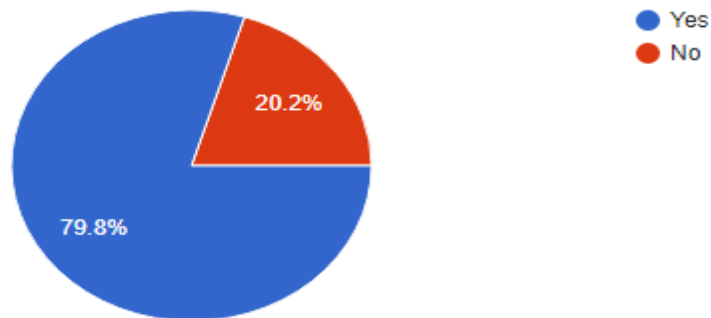
**Figure 2 and Table 2** above represent respondents' identification of the level of legal profession they have attained in the study of law in Nigeria.

**Figure 3: Respondents identifying if they are taxpayer in Edo State**

**Research Question Three**

**Are you a taxpayer?**

321 responses



**Table 3: Valid Identification of respondents if they are taxpayer in Edo State**

	Response	Percent
Valid Yes	256	79.8%

Valid No	65	20.2%
<b>Total</b>	<b>321</b>	<b>100%</b>

Figure 3 and Table 3 are valid identification by the respondents stating if they are taxpayer in Edo State.

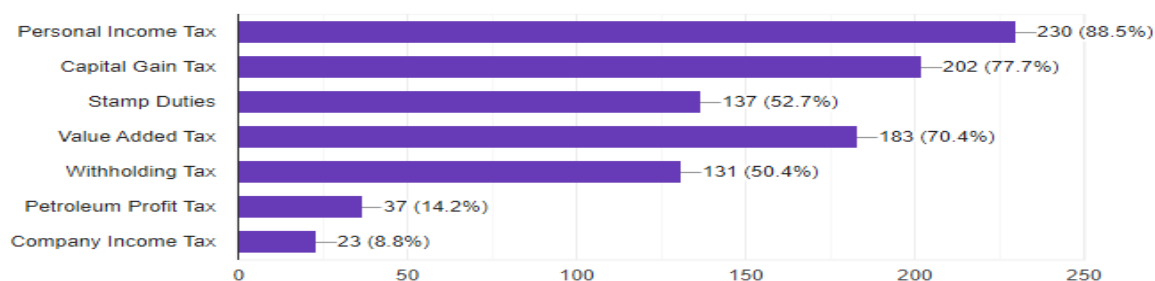
**Figure 4: Cluster of respondents' responses identifying the various taxes often paid**

### Research Question Four

**Which of the following types of income taxes have you paid? You can tick more than one option**



260 responses



**Table 4: Valid cluster of respondents' responses identifying the various taxes often paid**

Taxes oftended paid by the respondents	Cluster of Response	Percentage
Personal Income Tax	230	88.5%
Capital Gain Tax	202	77.7%
Stamp Duties	137	52.7%
Value Added Tax	183	70.4%

Withholding Tax	131	50.4%
Petroleum Profit Tax	37	14.2%
Company Income Tax	23	8.8%

Figure 4 and Table 4 are a valid cluster of responses identifying the various income taxes often paid to the Edo State Government.

Figure 5: Respondents identifying if they are aware of the adopted automated income tax in Edo State

Research Question Five

Are you are aware that the Edo Government has adopted an automated income tax system?

320 responses

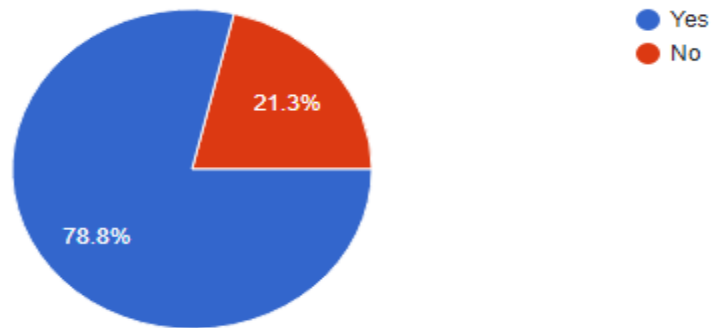


Table 5: Valid respondents' responses identifying if they are aware of the adopted automated income tax in Edo State

	Response	Percent
Valid Yes	252	78.8%
Valid No	68	21.3%
<b>Total</b>	<b>320</b>	<b>100%</b>

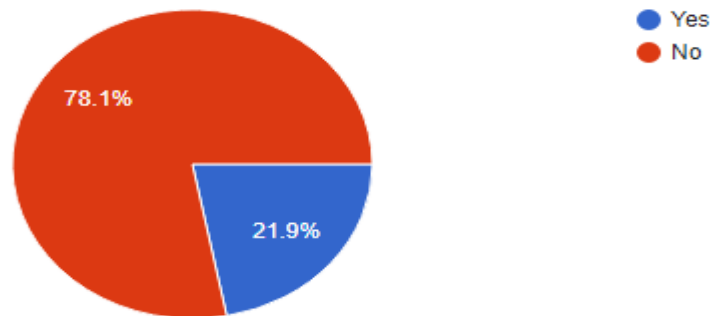
**Figure 5 and Table 5** are respondents' responses identifying if they are aware of the current adoption of the automated income taxing system in Edo State.

**Figure 6: Respondents identifying if the current income tax laws regulate an automated income taxing system**

**Research Question Six**

**Does the current legal framework adequately provide for an automated income tax system?**

319 responses



**Table 6: Valid respondents' responses identifying if the current income tax laws regulate an automated income taxing system**

	Response	Percent
Valid Yes	70	21.9%
Valid No	249	78.1%
<b>Total</b>		<b>100%</b>

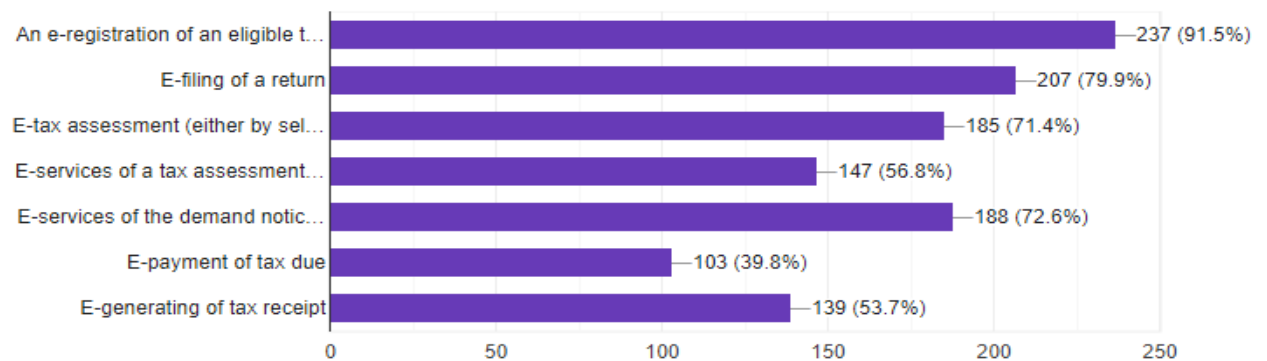
**Figure 6 and Table 6** are respondents' identification of whether the current income tax legal framework provides for and regulate the newly adopted automated income taxing system.

**Figure 7: respondents' identification of the procedure of an automated income tax not regulated by law**

### Research Question Seven

**If the above is in the Negative, which of the following automated income tax procedure is not adequately provided for by the current legal framework? You can tick more than one option**

259 responses





**Table 7: Valid respondents' identification of the procedure of an automated income tax not regulated by law**

<b>Procedure of automated income tax not regulated by law</b>	<b>Responses of respondents</b>	<b>Percentage</b>
An e-registration of an eligible taxpayer	237	91.5%
E-filing of a return	207	79.9%
E-tax assessment (either by self-assessment or assessment by a tax authority)	185	71.4%
E-services of a tax assessment notice	147	56.8%
E-services of the demand notice on taxpayers	188	72.6%
E-payment of tax due	103	39.8%
E-generating of tax receipt	139	53.7%

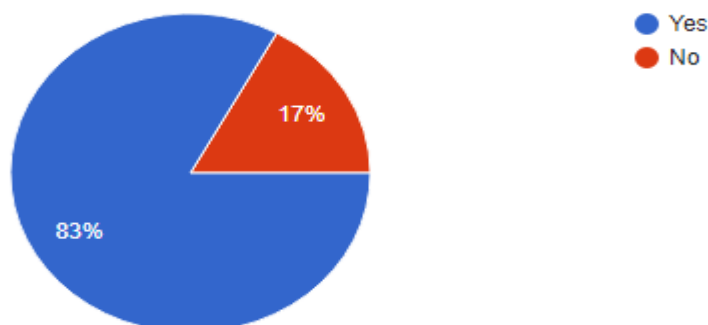
**Figure 7 and Table 7** are a cluster of the responses of respondents stating the various or some of the challenges often encounter in adopting a hybrid method of legal research.

**Figure 8: Identification of the need to review the current income tax law to accommodate automated income tax**

**Research Question Eight**

**Do you agree that there is a need for a review of the current legal framework to provide for an automated income tax system?**

317 responses



**Table 8: Valid identification of the need to review the current income tax law to accommodate automated income tax**

	Response	Percent
Valid Yes	263	83%
Valid No	54	17%
<b>Total</b>	<b>317</b>	<b>100%</b>

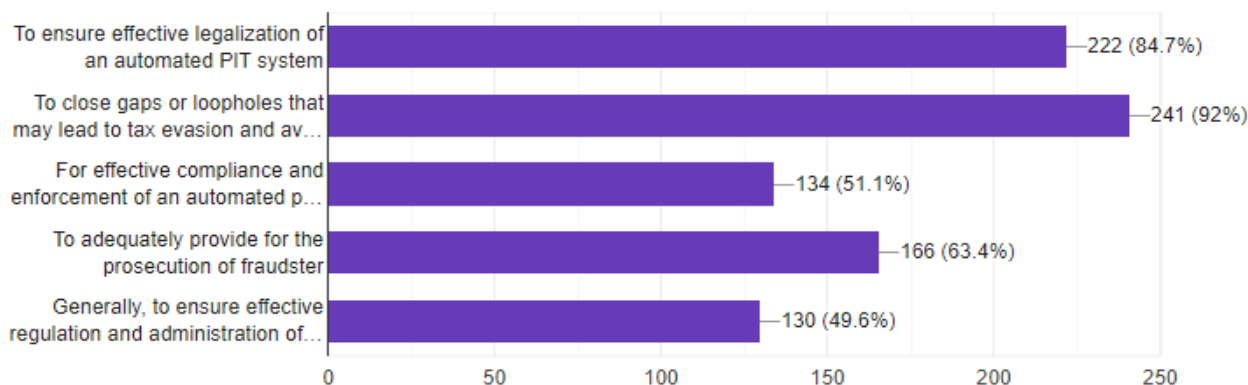
**Figure 8 and Table 8** are respondents' responses identifying if there is a need to review the current income tax legal framework to adequately accommodate an automated income taxing system.

### **Research Question Nine**

**Figure 9: Respondents stating reasons for the need to review the current income tax legal framework**

**Which of the following constitute the reasons for a review of the current legal framework concerning an automated personal income tax? You can tick more one option**

262 responses



**Table 9: Valid cluster of respondents identifying the reasons for the need to review the current income tax legal framework**

Reasons for review of the current income tax legal framework	Cluster of Responses	Percentage
To ensure effective legalization of an automated PIT system	222	84.7%
To close gaps or loopholes that may lead to tax evasion and avoidance	241	92%
For effective compliance and enforcement of an automated personal income tax	134	51.1%

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To provide for prosecution of fraudster	166	63.4%
Generally, to ensure effective regulation and administration of an automated PIT system	130	49.6%

**Figure 9 and Table 9** are a cluster of responses by the respondents identifying some of the reasons why there should be a review of the current income tax legal framework to adequately provide for and regulate an automated income taxing system.

### **RESULTS, DISCUSSION AND ANALYSIS**

Given the data obtained through the means of an online questionnaire survey as critically analyse and presented above. Figure 1 and Table 1, clearly represent that the respondents (321 respondents) live and reside in Edo State, Nigeria. Figures 2 and 3, Tables 2 and 3 further represent that the respondents are not only residents in Edo State, but they have learned lawyers and taxpayers respectively. In this regard, 79.8% (representing the majority of the respondents) as presented in figure 3 identify that they are a taxpayer. This further represents the fact that the respondents possess a good understanding and knowledge of the issues concerning the legal framework of an automated income tax in Edo State, Nigeria.

However, it is not enough to be taxpayers, but it is vital to ascertain the type of taxes often paid by the respondents. In this regard, in figure 4 and table 4 the respondents were able to identify the various types of taxes often paid to the Edo State Government as follows;

- i. 88.5% and 77.7% of the respondents stated personal income tax and capital gain tax respectively
- ii. 52.7% of the respondents identify stamp duties
- iii. 70.4% stated and value-added tax

iv. 50.4% of respondents stated withholding tax

The above types of taxes paid by the respondents are income taxes often collected by the Edo State Government. In this regard, it suffices to state that before the year 2019 the procedure involved in the administration of the above identify taxes is manual. However, in figure 5 and table 5, 78.8% of the respondents identify that they are aware that the Edo State Government has adopted an automated income tax. Furthermore, in figure 6 and table 6, 78.1% representing a majority of the respondents stated that the current automated income tax adopted by the Edo State Government is not adequately provided for and regulated by the current income tax legal framework. In this regard, in figure 7 and table 7, the respondents further identify some of the automated income tax procedure that is not adequately provided for by the current income tax legal framework as follows;

- i. 91.5% and 79.9% of the respondents stated that it does not provide for an e-registration of an eligible taxpayer e-filing of a return respectively
- ii. 71.4% stated that it doesn't provide for e-tax assessment (either by self-assessment or assessment by a tax authority)
- iii. 56.8% and 72.6% identify that it does not provide for e-services of a tax assessment notice and demand notice on taxpayers respectively
- iv. Also, 39.8% and 53.7% stated that the current income tax legal framework does not provide for e-payment of tax due and e-generating of tax receipt

Given the above, it suffices to state that the respondents' identification of the above automated tax procedure not being provided for and regulated by the income tax legal framework, is not in abeyance of the position of law. This is concerning the fact that the procedure for collection of income tax as stipulated by sections 41-80 of the personal income tax is manual. Given the shorting coming of the newly adopted automated income tax in Edo State, in figure 8 and table 8, 83% of the respondents further agreed that there is a need for a review of the current income tax legal

framework. Furthermore, in figure 9 and table 9, the respondents identify some of the reasons why there should be an amendment as follows;

- i. 84.7% of the respondents stated that to ensure effective legalization of an automated PIT system
- ii. 92% stated that a review of the current income tax law will close gaps or loopholes in an automated income tax that may lead to tax evasion and avoidance
- iii. 51.1% stated that it will enable effective compliance and enforcement of an automated personal income tax system
- iv. Also, 49.6% of the respondents stated that, to ensure effective regulation and administration of an automated PIT system

## **CONCLUSION**

In this study, we have analyzed and examined some of the legal frameworks concerning or regulating personal income tax in Edo State. In this regard, the study has been able to examine the current Personal Income Tax Act concerning the relevant provision such as section 68(1) (a) and section 76(2) of the Personal Income Tax Act, that required a taxpayer to pay their income tax. Also, to analyse the relevant provision of the Personal Income Tax Act such as sections 41, 44, 54, 57, 68(1) (a), 76(2), 81, 94, 95, and section 99 of the Personal Income Tax Act. These sections specified the procedure for direct assessment (which includes self-assessment or tax officers assessment), filing of tax return, services of tax assessment, issuing of demand notice to a taxpayer, collection or recovery of personal income tax, and prosecution of taxpayer defaulters. The essence of the analysis is to ascertain if the Personal Income Tax Act provides for an automated personal income tax. Also, this study has been able to examine other relevant laws such as the Edo State Revenue

Administration of Law, the Evidence Act, The Nigerian Constitution, the Finance Act, and the Cyber Crime Act.

However, it suffices to state that the essence of examining the extant legal framework that regulates personal income tax is to ascertain to what extent it provides for and regulates the current automated personal income tax that the Edo State Government has adopted. Furthermore, to ascertain if the current legal framework is sufficient to regulate an automated personal income tax in Edo State. Given the above analysis and examination of the various legal frameworks related to or concerning personal income tax in Edo State. It is evident that the Nigerian Constitution, the Personal Income Tax Act, the Taxes and Levies Act, and Finance Act seem to provide for and regulate personal income tax. However, a careful examination of these legal frameworks related to personal income tax further reviews that the whole process of an automated personal income tax regime was not provided or contemplated by these laws.

In this regard, to avoid future challenges of enforcement of an automated personal income tax in Edo State, it is as a result of this that it is recommended that there is need for a review of the various legal framework as it relates to the following process of personal income tax which includes;

- i. An e-registration of an eligible taxpayer
- ii. E-filing of a return
- iii. E-tax assessment (either by self-assessment or assessment by a tax authority)
- iv. E-services of a tax assessment notice
- v. E-services of the demand notice on taxpayers
- vi. E-payment of tax due
- vii. E-generating of tax receipt

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