

Taxation: A Noah's Ark in the Event Nigerian Oil Dries Off

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Abstract

This paper examines the possibility of replacing the Nigerian oil-based economy with tax-based economy. The paper argues that, if properly annexed and managed, revenue generation from tax can adequately sustain Nigerian economy. In holding this view, the paper examines both natural as well as manmade problems causing constant dwindling in the Nigerian oil production which according to the paper are not common in the case of revenue generation through tax. In conclusion, the paper recommends that, it is high time Nigerian Government start looking the way of taxation as the best alternative for the survival of Nigeria in the event her crude oil dries off.

Keywords: Nigeria, Tax-Based Economy, Oil-Based Economy, Dries off,

Introduction

Nothing without an end, whatever has a beginning must surely have an end. Therefore,

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the prediction by the World Bank and some other experts¹ that Nigerian crude oil may dry off in couple of years to come must not be a surprise. The fact that everything in the world will end except the creator Himself is also attested to both in the Quran² as well as the holy Bible.³ In the word of the Holy Quran, Allah says a time will come when “All that is on earth will perish”. Similarly, in II Peter 3:10, the Bible says:

But the day of the Lord will come as a thief in the night; in which the heavens shall pass away with a great noise, and the elements shall melt with fervent heat, the earth also and the works that are therein shall be burned up

Reflecting on the memory lane of Nigerian History, one need to ask, where is the popular groundnut pyramids in Kano, Northern Nigeria, where is the much talk about cocoa in the Western part of Nigeria? Gone! They have all gone. The past agricultural-based economy now replaced with oil-based economy.

Before the discovery of oil, the base of Nigerian economy was in Agriculture and the bulk of the funds used in the Nigerian development came from agricultural produce. The agricultural economy accounted for why Nigeria and Africa as a whole are popularly referred to as an agrarian society. The words of Rodney in his book aptly⁴ mirror the pre oil Nigerian society. According to him, Africa (Nigeria).

... are called agricultural countries because they rely on agriculture and have little or no industry, but their agriculture is unscientific...

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1. See the prediction of Professor Emmanuel Ogezi in Jude Owuamanam “Nigeria's oil deposits may dry up in 2054”, available on line at <http://www.punchng.com/news/nigerias-oil-deposits-may-dry-up-in-2054-expert/>, accessed on 4/1/2013/, see also, Professor Ricardo Hausmanni, the Director Centre for International Development, Harvard University, “Product Space and Export Competiveness” 4th Economic Policy and Fiscal Strategy Seminar in Abuja, organized by the Centre for Study of Economics of Africa (CSEA). Further, see the position of Mr Guy Maurice, the Managing Director of Total Upstream Companies in Nigeria as well as Mrs Diezani Allison Madueke and Mr Austen at the 29th Annual International Conference and Exhibition of the Nigerian Association of Petroleum Explorationists in Lagos as reported in Yemi Adeoye ”Nigeria's Crude Oil dry up in 37 years, available online at <http://www.vanguardngr.com/2011/11/nigeria%E2%80%5s-crude-oil-dry-up-in-37years-except%E2%80%A6>, accessed on 9/1/2013
 2. See Quran 55:26
 3. See II Peter 3: 10
 4. Rodney W. *How Europe Underdeveloped Africa* (Abuja, Panaf Publishing Inc. 2005, pp: 18-19) Further on base of African economy, see Olokooba S.M “The Relevance of Membership of the World Trade Organisation to Africa” in Olungbenga F.(ed.), *Law, Politics and Development: The Challenges of an Emerging Mega-City, Essays in Honour of Babatunde Raji Fashola, SAN,NBA, Ikeja Branch,2010, pp.431-438*

Though unscientific, agriculture was the life wire of the pre independence Nigeria. In fact, in 1960 agriculture contributed about 89% of the Nigerian foreign exchange earnings, while oil contributed only 2.7%.⁵ Unfortunately, since the discovery of oil in Nigeria, Agriculture's contribution to the national growth and exportation-

... fell almost continuously from some 63% in 1960 and about 30% in 1974, while crude oil extraction rapidly increased from insignificant 0.14% in 1960 to 27% in 1974... Not only did the relative share of agriculture decline, but its growth rate was in fact negative...⁶

The Central Bank of Nigeria commenting on the loss of the traditional exports said:

In fact, items like palm oil and vegetable oils were imported to supplement local production... The decline in the exports in recent years has been a cause for concern. Up to the early 1970s, these commodities were exported in appreciable quantities. From 1972, however, the export quantities of these commodities started to drop. In 1973 the export of palm oil were negligible, they picked up a bit in 1975 but then dried up completely in 1979. There were no exports of raw cotton from 1974 to 1976; exports were resumed in 1977 but they have again been declining since then. There were no exports of groundnut in 1975; in 1976 a very small quantity was exported but exports have dried up completely since 1978. a similar fate befell the derived products- groundnut oil and groundnut cake.⁷

If this could befall the pre independent and early post independence Nigerian economy, what assurance did we have that similar fate will not befall the present Nigerian oil-based economy? If exports in cotton, cocoa, groundnut oil etc could “dry up” what assurance do we have to prove the World Bank negatively, the prediction that the Nigerian crude oil will “dry off” in a couple of years to come? If there is none, then what preparation are we making

5. Okongwu C.S.P, *The Nigerian Economy: Anatomy of a Traumatized Economy with some Proposals for Stability* (Enugu, Fourth Publishing Co. Ltd,1986), P 11

6. Ibid, p.20

7. See Central Bank of Nigeria Annual Report and Statement of Accounts, 1980, pp. 88-90, 1981, p. 87 and in Ibid, pp. 11-12.

towards any eventually?

This article is based on review of published literature and other media sources. Addressing any lacuna in secondary data search would have required the use of primary sources like direct investigation of spoken discourses or by undertaking interviews with some of the actors in the field. Other methods, such as questionnaire administration and the focus group could also be used to produce data and insights for the analysis. But resource constraints deterred their use in this study. However, in spite of these shortcomings I am optimistic that they were not sufficient to derail the good intentions of the study, particularly with resort to search for academic journals, technical papers, and published newspaper reports and articles. The internet proved very helpful in this regard. The article is structured into six sections.

Statement of the problem is in the next section while section three discusses operational policies and background information on the Nigerian petroleum industry. In the fourth section, a critique of Nigerian oil-based economy is done and section five discusses the benefit of tax-based economy over the present oil-based economy and the best taxation methods Nigeria can adopt which will aptly fit into the position of Noah's Ark that will take Nigeria to a safe land in the event her crude oil dries off as predicted. The final section concludes the paper with some recommendations.

Statement of the Problem

It is widely known fact that oil sector has over the years been a major mainstay of the Nigerian Economy. Yet many years with oil money have not brought the population an end to poverty.⁸ To make the matter worst, most major players in the oil industries have predicted that Nigeria's oil deposit may dry off completely in less than 50 years considering the present rate of oil explorations in Nigeria. This paper therefore examines the possibility of replacing oil economy with tax economy in Nigeria. The effort in this direction is aimed at finding a more reliable and better alternative in the event Nigerian crude oil dries off as envisaged by both the World Bank and the stake holders in the Nigerian oil sector.

Operational Policies and Background Information on the Nigerian Petroleum Industry

The oil and Gas Industry (OGI) in Nigeria plays a crucial role to the sustenance of the nation and fuels her economic and development activities. The industry has been described

8. Kareem R. O. et al “ Global Financial Crises and Its Effect on Nigeria's oil Revenue” *Journal of Sustainable Development in Africa* Vol. 14, No 4, 2012, p. 133

as the nation's live wire and literature abounds on its role and significance in Nigeria.⁹ Petroleum products are so important to the extent that the federal government in Nigeria most of the times relies on oil benchmark to fix its yearly budget.¹⁰

Invariably, the Nigerian economy relied heavily on the revenue derived from petroleum products, as they provide 70% of government revenue and about 95% of foreign exchange earnings.¹¹ However, despite the economic significance of petroleum products, it has had so many problematic issues since the 1980s. Notable among the problems are the issue of the artificial scarcity of the product, the issue of sharing of revenues accruing from petroleum and:

...the fuel subsidy issue which in December 2011 generated social and political problems that paralysed economic activities nationwide, the issue of problems in the downstream petroleum sub-sector, issue of privatization and deregulation of the Nigerian oil industry...¹² and now the prediction that, Nigerian oil will soon dry off.

Historically, save for the brief period in 2008, when the militias intensified oil vessel attacks and oil pipe vandals in the Niger Delta Nigeria, which greatly reduced oil production and which made OPEC to declared Angola as the Africa's largest producer of crude oil,¹³ Nigeria has been the biggest oil producer in Africa with about two million barrel per day (bpd), all generated from the Niger Delta. Though oil exports account for more than 80% of total export earnings, 85% of this oil wealth is retained by a few comprising 1% of the national population.¹⁴

Nigeria Bituman Corporation (a German Company) was the first company to explore crude oil in Nigeria as far back as 1908 when traces of oil was found at Araromi in the present Ondo State. This pioneering exploration was brief due to the World War 1 (1914-1918).¹⁵

9. Omenikolo I.A, Amad, R.O. "Challenges facing Nigerian Local Content in Oil and Gas Industry", Wilolud Journals, 2010, p:15 citing Atakpu, L "Resource-based conflicts; Challenges in Oil Extraction in Nigeria" . A paper presented at European Conference Hosted by the German EU Council Presidency (March 29 & 30) Berlin, Germany, 2007.

10. Kareem, R.O. et al, op. cit., P133

11. Onyemaechi J.O. "Economic Implications of Petroleum Policies in Nigeria: An Overview", American International Journal of contemporary Research, Vol. 2 No. 5, 2012, p. 61

12. Ibid, p.60

13. See, www.nigeriancuriosity.com/.../no-longer-king-of-african-crude.html, accessed on 4th November, 2012.

14. "Crude oil crisis in Nigeria, "ht tp://nigeriadaily.blogspot.com/2009/10/crude-oil-crisis-in-nigeria.html, accessed 4th January, 2013.

15. Ibid

After been awarded the rights to explore oil, with the enactment of Mineral Oil Ordinance No 17, 1914,¹⁶ Shell started oil exploration in Nigeria and made its first oil discovery at Olobiri in the present Bayelsa State in 1956.

A major boost in crude production was the coming on stream of Mobil's Oso condensate project. Discovered in 1967 by the then Mobil Exploration Nigeria Inc., the predecessor of Mobile producing Nigeria Unlimited. The Oso field holds a gigantic reserve of 500 million barrels of recoverable Con K-densate, the Oso field is located in the NNPC/Mobil Joint Venture Oil Mining Lease No. 70, some 35km Offshore of Akwa Ibom State in the Eastern Delta.¹⁷ Nigeria is the world's eighth largest exporter of crude oil and sends 43% of its exports to the United States. Nigeria is heavily dependent on the oil sector which accounts for 95% of its export revenues.¹⁸

However, despite being a major oil producing country for decades and accruing huge revenues from oil, Nigeria is ranked as one of the poorest countries in the world. Also, the lack of equitable distribution of the oil wealth and environmental degradation resulting from exploration activities have been identified as the key factors aggravating actions from environmental right groups, interethnic conflicts and civil disturbances.¹⁹ All these problematic issues may have arisen due to some unfavourable characteristics of petroleum policies in Nigeria.²⁰

The principal legislation governing petroleum operations in Nigeria is the Petroleum Profit Tax Act (PPTA)²¹ while the principal objectives governing the production of petroleum according to OPEC are:

1. The coordination and unification of the petroleum policies of member countries and the determination of the best means of safeguarding their interest individually and collectively;
2. Devising ways and means of ensuring the stabilization of prices in international oil markets, with a view to eliminating harmful and unnecessary fluctuations; and,

16. This law was later amended in 1925 and 1950 with the effect that only registered companies in Britain or any of its protectorate can explore oil in Nigeria.

17. "Petroleum Exploration and production", <http://www.onlinenigeria.com//inks/petradv.asp?blurb=485>, accessed on 4th January, 2013.

18. Oil reserves in Nigeria "http://en.wikipedia.org/wiki/oil_reserves-in-Nigeria, accessed on 12th December, 2012.

19. Omenikolo and Amadi, op.cit, 16

20. Onyeamaechi, op. cit, 60.

21. Under the Petroleum Profit Tax, Section 21 (1) and (2), Cap P13, Laws of the Federation of Nigeria, 2007 , the tax rate was set at 67.5% of the first five years of operations by the oil company and 85% thereafter.

3. Ensuring a steady income to the oil producing countries and also ensuring an efficient, economic, and regular supply of petroleum to consuming nations and a fair return on capital to those investing in the petroleum industry.²²

Amongst the major petroleum policies in Nigeria, are non-price incentive which comprises, the exploration incentives, Petroleum Profit Tax Modification, Royalty Rate Modification, Investment Tax credit Royalty, enhanced Annual Allowances. In a jiffy under this incentive, all exploration drilling costs were to be expensed or tax deductible. Other incentives are investment tax credit and fuel subsidy policy.²³

A Critique of Nigerian Oil-Based Economy

Since the discovery of oil in the late 1950s, Nigeria has effectively emerged as a mono-cultural economy depending on oil sales for its survival.²⁴ Whether Nigeria will remain an oil giant or not is gradually becoming non-debatable, after the World Bank's published prediction which says Nigeria's oil will be depleted in 41 years.²⁵ With this prediction, there is no dispute in the fact that, for Nigeria to continue surviving as a nation, it is high time we find best alternative to the Nigerian mono-culturally oil-based economy.

Nigeria is richly blessed with oil and gas among other mineral resources, but the over dependence on oil revenue for the economic development of the country has left much to be desired. As rightly observed by Ariyo,²⁶ Nigeria's over dependence on oil revenue to the total neglect of other revenue sources was encouraged by the oil boom of 1973/74. This is unsustainable due to the fluctuation in the oil market which have in most cases plunged this nation into deficit budgets.

Even before the fearful prediction of ends to Nigeria oil, the mono-cultural dependent on a single export commodity in this case, crude oil, has made the economy of this nation to be vulnerable to fluctuations. The resultant effect was that whenever global prices fell, the

22. Olorunfemi M.A. "Nigeria and OPEC", NAPETCOR: Quarterly Magazine of the NNPC, Vol. 3, No 2, April-June, Onyemaechi, op. cit, 63.

23. Onyemaechi, op. cit, 63

24. Kareem et al, op. cit, 136

25. Olagunju L. "Nigeria's Depleting Oil and the Need to Reunite to Evolve, "<http://www.africanliberty.org/content/vola-nigeria%E2%80%995-depleting-oil-and-need-reunit-evolve-%E2%80%98lanre-Olagunju>, accessed on 3rd Dec. 2012.

26. Ariyo A., "A Productivity of the Nigerian Tax System: 1970-1990", African economic research Consortium (AERC) Research paper 67, Nairobi Kenya, Online at http://www.aercafrica.org/DOCUMENT/RP_67, accessed on 24/11/2012

economy also shakes. It is a clear fact that, the structural problem that hindered the economic growth of Nigeria starting from the 20th Century was the over-reliance on the mono-cultural export commodity. This oil economy drastically worsened the Nigerian economic structure in several ways. Notable amongst the way, is outright neglect of the agricultural sector which before the discovery of oil accounted for the larger part of the Nations export earnings in the 60's.²⁷

What benefit is oil economy now to Nigeria when though we are blessed with vast quantities of oil but same has not translated into an improved welfare condition for the people? Instead, through inefficiencies, corruption, abuse of natural monopoly powers, management, smuggling, bureaucratic bottlenecks and excessive subsidizing, the supply of refined crude oil products in the country has virtually collapsed.²⁸ The aftermaths of all these are declining growth rates, declining Gross National Product and as fluctuating receipts from crude oil sales.²⁹

True to the shareholders prediction, revenue generation from crude oil has been on the decrease especially in the later part of 2010 and first half of 2011 and partly in 2012; and there was no significant sign of improvement, instead what we witnessed was reduction in US oil imports from Nigerian³⁰ - which is another danger signal because losing US exportation is tantamount to losing a major buyer of Nigerian crude oil.

Furthermore, the magnitude of problems associated with over-reliance on crude oil economy is unimaginable because, it breeds corruption, tribalism, nepotism and series of economically-induced conflicts. The urge to have total control of oil is one of the major reasons why Nigerians see the post of Nigerian President as a do or die affairs and that also accounted for why most of the Nigerian past heads of states except few ones enjoyed stayed in power and not willing to relinquish same until when they were either forced out of office through *coup detat*, or disgraced out of office through civil unrest.

Despite the amnesty programme, frequent attack of the oil pipes though reduced but continued unabated. The percentage of attack was so rampant in 2008/2009 to the extent that, Nigeria lost her position as the Africa's largest producer of crude oil to Angola. The production then, went down by approximately 25-40%.³¹ In fact, the problem in the oil sector

27. Okongwu, op. cit 21

28. Balouha J "The Political Economy of oil subsidy in Nigeria "[http://www.google.ca/search?q = reduction tintnigerian+nigerian+oil+production & client=firefox-a&rls=org.mozilla](http://www.google.ca/search?q=reduction+tintnigerian+nigerian+oil+production&client=firefox-a&rls=org.mozilla), accessed on 4/1/2013.

29. Okongwu, CS.P, op. cit. P:6

30. Debo Adejugbe "When the Oil Dries off, <http://www.ekekere.com/when-the-oil-dries-off-by-debo-adejugbe>, accessed 27/12/12

31. www.nigeriancuriosity.com/.../no.longer-king.of-africa-crude-oil/.html, accessed 3/1/2013

in 2007 made the then late president, Umar Yar'Adua to request through the UN secretarial General Ban Ki Moon for United Nations assistance in finding remedy.

The sustainability of Nigerian oil economy is open to question because many underlying problems like poverty, unemployment oil bunkering environmental degradation still remains social vices in this country. Ministry of finance estimates suggest that bunkering takes a staggering 400,000 b/d of Nigeria's oil production-a fifth of the national total. Similarly, it is on record that, illegal refineries across the delta sell the stolen product at half the normal price.³²

The degrading and sorry state of the Niger Delta area due to the lifting of oil from their locality is another problem. Despite frequent lifting of oil, no physical improvement greeted the environment.

According to Omenikolo et al,³³ despite over fifty years “... of oil production in Nigeria, we have seen degradation of our environment, destabilization of our policy, absence of cohesion arising from jostling for a slice of the oil resource, education sector and power supply has become a national embarrassment.”

The deductible fact from all the aforesaid is that, the reliance on crude oil economy by Nigeria has done more harm than good. The subsidisation of the product has never been a blessing either. Apart from the fact that, there were confusions among social activists, economists, and politicians on the actual benefit of fuel subsidy in Nigeria, subsidising itself is economic drain in nature. The annual government expenditures on fuel subsidies have been enormous and it had generated economic problems ranging from artificial scarcity of petroleum products to loss of man-hours due to labour unrest and related problems.³⁴

Other associated problem is the drop in revenue accrued from oil due to the discovery of oil in Alaska and the North Sea couple with constant destruction of oil pipes by the Niger Delta militants. Uncontrolled government expenditure, high cost of maintenance of refineries and bad management of resources from crude oil also accounted for the dwindling in the benefit of oil base economy in Nigeria. The last straw that broke the camel's back is the prediction that the Nigerian oil in a couple of years will be no more.

32. Andrew Bowman “Challenges ahead for Nigeria's Oil and gas Industry “<http://blogs.ft.com/beyond-brics/2012/07/24/challenges-ahead-for-Nigerias-oil-and-gas-industry/> accessed on 4/1/2013

33. Omenikolo I.A. et al, op. cit, p:17

34. Onyemaechi, op. cit, p:70

Taxation as the Noah's Ark in the Event Nigerian Crude Oil Dries off

Tax which Oliver Wendel Holmes called “the Price of Civilisation”³⁵ is a convenient and effective means of revenue generation devoid of most natural as well as manmade disaster associated with crude oil. Unlike crude oil that can dry off due to continuous exploration, as long as human being leaves on earth, revenue generation through tax will never dry off. However to achieve this, such tax should be well planned with policy that can aid its implementation. A practical example of the effectiveness of tax revenue in economic development is what is happening in countries like United Kingdom, United States of America and Germany where though not endowed with natural resources as Nigeria yet with their perfect and good tax system they generate adequate revenue from tax to sustain their economy; and today, they are world powers.

Another advantage and benefit of tax-based economy over oil economy is that its collection is less stressful especially now that the Tax Payer Identification Number (TIN) is in use. Since the number of payer can easily be collated and physically called upon if necessary, this makes it quantifiable and aid to accurate data gathering.

Tax-based economy will also facilitate equitable job creation. This is so because since the product will be at the immediate environment of all Nigerians, the issue of sectional ownership will not arise. The federal government can employ the central administrative staff while the state through the local government employs the taxmen for easy and effective collection.

Furthermore, tax-based economy will facilitate low-cost economic sustainability because; the major problematic issues in the current oil economy-subsidy and oil pipe vandals by militants will not be there. Since nothing will be subsidized, government will also be able to use the generated revenue in providing essential and immediate socio-economic needs of Nigerians.

Further still, higher incentive will accrue to the investors in the tax-based economy and since tax incentive encourages investment, more investment will also lead to tax revenue through company taxation.

However, for a strong and efficient tax system to exist according Adam Smith in the *Wealth of Nations*,³⁶ such a system must imbibe “maxims of a good tax system to wit: equity,

35. Abdulrazaq M.T, *Principles and Practice of Nigerian Tax planning and Management*, (Ilorin: Batay Publication,p.1), Nlerum, F.E., “Tax Planning in Commercial Transactions”(2010), 1 Apogee Journal of Busines, Property and Constitutional Law, No 3, p.1

36. Smith A., *Wealth of Nations*, (New York: Bantam Dell, 2003, p. 1043)

certainly and convenience.³⁷ In short, such tax system should be structured to eliminate multiplicity or double taxation which is one of the major tax problem in Nigeria.³⁸ When necessary on the issue of double taxation, the President of Federal Republic of Nigeria should invoke and use his powers contained in Section 23 (2) and (3) of the Companies Income Tax Act (CITA) to avert the incidence of double taxation when the statutory provisions are not enough.³⁹

Furthermore, for effective replacement of oil-based economy with tax-based economy, any revenue generated should be administered with highest level of transparency. Nigerian taxpayers must demand judicious use of tax revenue by ensuring that those in authority are held accountable.⁴⁰ A good tax administration helps in the attainment of the benefits of the law.⁴¹ Tax policy must be generally accepted by the people if it must gain compliance.⁴²

Mr. Foluso⁴³ the former president of the Chartered Institute of Taxation of Nigeria, while arguing that tax remains most sustainable source of revenue rhetorically asked and observed:

with the country's reserves declining do you think most states with inefficient tax system can survive the looming financial crisis? It is not possible for the states to survive on continuous reliance on their sharing from the excess crude oil...

This observation is never an exaggeration. Today the way and manner Lagos state survives on money generated (from tax) independent of oil money it receives from the Federal government is a living testimony. Even in 2007 when the federal government of

37. Nlerum F.E. "Taxation in Nigeria: Matters Arising" in Ikenna Okoli. (ed.) Apogee Journal of Business, Property and Constitutional Law, (2010) IAJBPCL No 4, 1-2.

38. See, *Mobile Producing (Nig) Unlimited vs Tai Local Government Council and 2 ors*, (2004) 10 NCLR 99 (2004) 10 NCLR 99, see also *Etiosa Local Government Area vs Jegede* (2007) 10 NWLR (pt. 1043) 537 where it was held that Local Government cannot impose tax outside items in Part 111 of Decree No 21 of 1998. Now Cap T2 LFN, 2007.

39. Umenweke M.N "Checking Incidence of Double Taxation in the Nigerian Tax Regime" in Ikenna Okoli (ed.) Apogee Journal of Business, Property and Constructional law (2009) AJPCL, No 2, p'79, see also, *Nigerian Breweries PLC v Lagos Atate Internal Revenue Board* (2001), FWLR (pt.72)1974

40. Longe, J., "Obasanjo Asks Citizens to Monitor Use of Tax Revenue" *The Guardian Newspaper* 23/8/2005, p:1

41. Per Lord Dunedin in *Whitney V Inland Revenue Commissioners* (1926) A.C. 37 see also Nlerum F.Ea *Tax Planning in Commercial Transactions* AJPCL Vol. 1 No 3, 2010, 4.

42. Nightingale K "Taxation theory and practices, 4th ed. England pearson Education Ltd, 2002

43. <http://www.vanguardngr.com/2010/05/taxation-remains-most-sustainable-source-of-revenue-for-govt-fasoto/> accessed 24/12/12

Nigeria was shouting of economic crises, Lagos State achieved a GDP of #3.68 trillion (\$ 29.028 billion)⁴⁴ from internally generated revenue substantially from tax.

In the Advent of Replacing Oil-Based Economy with Tax-Based Economy, What Type of Tax is a Sure Measure?

According to Professor Emmanuel Ogezi, the chairman of Petroleum Technology Development Fund Professional Chair of the University of Jos, the only way to increase the country's oil reserve is through extensive research to discover more oil deposits. Though, a good suggestion, but the issue is, will the discovery of more oil deposits debar or prevent the “drying up” that the respected professor himself predicted? The answer is no considering the rate at which oil is continuously explored and exploited in Nigeria⁴⁵ and if that is the case what then will be the Noah's Ark to safe land?

In providing further solution, Mr. Guy Maurice's position was that the country should make reserves replacement a priority.⁴⁶ The problem with this suggestion is that, replacement can only be possible if the product is available, but in the advent of drying off, what can we replace? Nothing! Other suggestions are attempt in “gas reserve”⁴⁷ and “full deregulation”⁴⁸ The problem with these positions, is that, deregulation or gas reserve does not mean the stoppage of exploration and once exploration continues unabated, the ultimate is for the products to finish, if this occur, what next?

A more practical solution in form of economic diversification was proffered by President Jonathan Goodluck⁴⁹ and Professor Bicardo Hausmann. In their suggestions, both advised Nigeria to diversify into non-oil economy, rather than wholly depending on crude oil products.⁵⁰ What both of them fail to say is the mode and which area of the economy to diversify.

44. <http://www.nigeriacuriosity.com/2009/08/overreliance-on-oil-leads-to.html>, accessed 18/12/12

45. Owuamanam J., “Nigeria's oil Deposits may dry up in 2054-expert” <http://www.punching.com/new/nigerias-oil-deposits-may-dry-up-in-2054-experts> accessed 18/12/2012

46. Adeoye Y., “Nigeria's oil to dry up in 37 years, except...” [http://www.vanguardngr.com/2011/11/nigeria % E2% 80% A6](http://www.vanguardngr.com/2011/11/nigeria-%E2%80%A6), accessed 9/1/2013

47. <http://www.nigeriancuriosity.com/2009/07/nigerias-oil-cut-in-half.html> accessed on the 10/1/2013

48. Jean B., “The Political Economy of Oil subsidy in Nigeria” [http://www.google.ca/search?q= reduction+in +nigerian+nigerian+oil/+production & client = firefox-a&rls=org.mozilla% 3Aen GB%3A official & channel = s &hl =en-CA&bih=&gsl=firefox-hp](http://www.google.ca/search?q=reduction+in+nigerian+nigerian+oil/+production&client=firefox-a&rls=org.mozilla%3AenGB%3Aofficial&channel=s&hl=en-CA&bih=&gsl=firefox-hp). accessed 4/1/2013.

49. Ogbu A., Crusoe Osagie et al “Jonathan: Nigeria's Oil Reserve May Dry up in 35 Years” <http://www.thisdaylive.com/articles/jonathan-nigerias-oil-reserve-may-dry-up-in-35-years/105510/> accessed on 9/1/2013

50. Anumihe I., “Nigeria's Crude to dry up in 41 Years-Expert” <http://sunnews online.com/new/business/nigerias-crude-to-dry-up-in-41-years-expert/> accessed on the 9/1/2013

Borrowing from the experience of the countries that today rely on tax as major source of revenue, and taking into cognisance the peculiar nature of Nigeria as a country, Company Income Tax, Indirect Taxes, and adoption of Progressive Tax System for individuals are the major tax system that can develop Nigerian economy to the level of replacing it with the present dwindling oil base economy.

Under the Nigerian tax law, Companies Income Tax are payable upon such company's profits accruing in, derived from, brought into, or received in Nigeria in respect of amongst others, any trade or business for whatever period of time the trade or business may have been carried out.⁵¹ The current rate of company's income tax is 30% of assessable income. With the number of companies spread across this Nation, if tax evasion is adequately checked, 30% derivation from companies can go a long way in solving the economic upheaval in this country.

Presently, the constituents of indirect taxes in Nigeria are, Excise Duties, Import and Export Duties and Value Added Tax. The indirect ways of collecting these types of taxes aid its collection to be easy, fast and convenient. Excise Duties, Import and Export Duties can adequately be used to check the influx of unwanted goods. Presently, VAT is paid at 5% of the total purchase price of goods bought. VAT is used by most of the advanced countries to generate substantial revenue. Amongst the advantages of indirect tax system are:

- a) It is paid in small amount (5% in VAT)
- b) It reduces tax evasion thereby fight tax criminality
- c) It is a means to check the consumption of unwanted goods in the society
- d) It can be used to protect infant industries
- e) It can be used to encourage locally produced goods.

On using progressive tax system for the collection of personal income tax, this will ensure equitable tax payment since the whole thing will be based on the higher you earn, the higher you pay principle. Progressive tax system is taking an increasing proportion as income rises based on the idea of vertical equity which means redistribution of income from well-to-do to the less privileged.

Conclusions

It is almost certain that either now or later, Nigerian crude oil may dry off; therefore, there can't be a more appropriate time for the Nigerian government to benefit from the

51. See Section 9(1)(a)(b), Companies Income Tax Act, Cap C21, LFN, 2007

power of foresight than now.⁵² For this, this paper has revolved around the danger in Nigerian continuous reliance on revenue generation based solely on oil production. Even if the oil did not dry off, this paper has exposed the danger in Nigerian been a mono-cultural economic country. Therefore, with the rate at which every country is struggling to diversify their economy, Nigeria as a country must not stay akimbo. In fact the decrease in Nigeria's oil exportation to the United State of America by 125% between July 2011 and 2012 is a signal to the fact that, petroleum may not remain a highly sought after source of energy forever.

This paper recommends that the next thing for this country is to find better alternative. An alternative devoid of sectional ownership claiming as it is being done by the Niger Deltan who is claiming the ownership of crude oil. An alternative devoid of natural or artificial termination like crude oil that is predicted to dry off in a couple of years to come should be looked into. Therefore the apt alternative is a tax-based economy. An economy based majorly on revenue generation from Company Taxation, Indirect Taxation like Value Added Tax, Excise, Import and Export Duties and Progressive Tax system. However, to guide against mono-culturalism, revenue generation from agriculture which used to be the mainstay of Nigerian economy before the advent of oil can be a good combination.

52. Japheth J.O “VOCA: Nigeria's Depleting Oil and the Need to Reunite to Evolve-Lanre Olagunju <http://www.africanliberty.org/content/vola-nigeria-%E2%80%9995-depleting-oil-and-need-reunite-evolve-%E2%98lanre-Olagunju>, accessed 28/12/12