

Effect of Personal Reliefs and Allowances on Tax Liabilities and Tax Burdens of Individual Taxpayers in Nigeria

Ihendinihu, J. U

Professor of Accounting,
College of Management Sciences,
Michael Okpara University of Agriculture, Umudike, Abia State, Nigeria.
ihendinihu.john@gmail.com;

Alpheaus, O. E.,

Lecturer, Department of Accounting,
College of Management Sciences,
Michael Okpara University of Agriculture, Umudike, Abia State, Nigeria.
alpheausogechieberechi@gmail.com

Omodero, C. O.

Lecturer, Department of Accounting,
College of Management and Social Sciences,
Clifford University, Ihie Abia State, Nigeria.
cordeliaomodero@yahoo.com

Abstract

This paper examines the various statutory provisions for granting Consolidated Relief Allowance (CRA) and other tax-free allowances in Nigeria. The objective is to resolve existing disparities in the application of tax law provisions and thus harmonize the rules for granting tax-free reliefs under the Personal Income Tax (Amendment) Act, (PITAA), 2011. Hypothetical data of gross income and relevant domestic circumstances of individual taxpayers were generated. CRAs and other specified tax variables were computed based on provisions of S.33 and the sixth schedule to the Act. Data were analyzed using mean, t-test statistics and ANOVA. Results indicate that S.33(1) and the sixth schedule of the Act produced CRAs that differ significantly, and that the exclusion of tax-free reliefs in S.33(4) of the Act in practice has significant effect on tax liabilities and tax burdens of individual taxpayers in Nigeria. The paper concludes that observed disparities in statutory definitions for CRA and the use of practice guidelines that are inconsistent with clear provisions of tax laws could widen the gap between tax practice and tax statute, and eventually mar the goals for certainty and equity in tax administration. Consistent with judicial decisions, the paper posits that the provisions in paragraphs (1) and (3) of the sixth Schedule to PITAA, 2011 cannot override the clear and unambiguous provisions in S.33(1) of the Act, and therefore recommends among other policy adjustments, that the definitions of CRA in the 6th schedule should be reviewed to harmonize them with S.31(1) of the statute, and that the other tax-free allowances in S.33(4) should be adopted in practice since they were not repealed in the 2011 Act.

Keywords: Tax laws and practice, Gross Income, Consolidated Relief Allowance, Tax-free Allowances, Tax liabilities, Tax burdens, tax inequities.

Introduction

An essential ingredient of a good tax system hinges on its ability to ensure certainty and equity in the distribution of tax burden on taxpayers with regard to their economic and domestic circumstances. Certainty implies complete absence of confusion as to the amount to pay as tax; and that the method of computing the tax is clear to the understanding of both taxpayers and tax practitioners to minimize incidences of tax avoidance and corruption in tax administration. Where the provision in a section of a tax statute on a subject matter is inconsistent with provisions in other sections, parts or schedules of the same Act on the same subject matter, then this will result to confusion and disparity in the computed tax figure. Equity in tax administration considers the ability of the taxpayer such that taxpayers with equal taxable capacity should bear the same tax burden (Horizontal equity) while tax payers with higher taxable capacity should bear more tax burden (Vertical equity).

Taxable capacity of individual taxpayers differs by their income and domestic circumstances. To accommodate these two factors, the administration of personal income tax in Nigeria adopts the progressive tax system of imposing a higher tax rate per naira as income increases and makes provisions for a wide range of reliefs and allowances to minimize the gap in tax burden created by differences in income and domestic circumstances. The reliefs and allowances that reflect domestic circumstances of taxpayers include alimony, child allowance, dependent relative allowance, life assurance relief, and disabled person allowance. Also, the National Housing Fund Act, 1992, and the National Health Insurance Scheme Act, 1999 each provides for a contribution of 2½% of the basic salary of an employee to be made to the Fund/Scheme, while the Pension Reform Act, 2014 requires a contribution of a minimum of 8% of monthly emolument of the employee (ICAN, 2014). These contributions are tax deductible in the hand of individual taxpayers and therefore constitute part of Tax Exempt Deductions under Paragraph (2) of the 6th Schedule to PITAA, 2011.

These reliefs and allowances have been subject of legislative reviews and amendments since 1961 when the Income Tax Management Act (ITMA) was enacted in Nigeria. In particular, PITAA, 2011 amended thirty-five (35) sections of PITA, 2004 including Section 33 of the Principal Act on personal reliefs and allowances which, not only introduced conflicting definitions for Consolidated Relief Allowance (CRA) in Paragraphs (1) and (3) to the 6th Schedule, but equally generated implementation challenges as to whether the introduction of CRA under S.33(1) of the new Act replaced the old tax-free allowances for alimony, child, dependent relatives and disabled persons which were claimable under PITA, 2004. Could it be correct to presume that tax-free allowances clearly provided for in S.33(4) of PITAA, 2011 are inapplicable in practice simply because the Act amended S.33(1) of the Act by replacing the provision for Personal Allowance with Consolidated Relief Allowance (CRA)? This presumption resulted to divergent interpretation and applications of the provisions for granting personal reliefs and allowances in practice.

In providing clarification on the implementation of the CRA in the amended Personal Income Tax Act, FIRS (2012) stated that “CRA replaced the erstwhile personal allowance, children allowance, dependent relative allowance, leave allowance, etc in the amended law”. This position held by the FIRS has remained controversial with notable

tax practitioners disagreeing with the position of the Revenue Service. For instance, PWC (2019) in its explanatory notes on the proper treatment of reliefs/deductions in S.33 and Schedule 6 to PITAA 2011, included all the other tax-free reliefs in S.33(4)(a)-(e) as valid claims to be granted to individual taxpayers. This practice is understandable since S.33(3) of PITA, 2004 (containing these other tax-free reliefs) was merely renumbered as S.33(4) in PITAA, 2011 and not repealed. Reacting to the position held by the FIRS on the matter, Olugbenro (2013) noted that it is perhaps easy to predict the direction toward which the Tax Authorities may move, arguing that they would prefer that the controversies be resolved in favour of the provisions in the 6th Schedule as against taxpayers (especially, those with the current or anticipated annual income in excess of N20 million) who ordinarily will prefer to have the phrase “or 1% of gross income whichever is higher” as provided in S.33(1) retained.

According to ICAN (2014), the emerging controversy created two schools of thought. The first school is made up of persons who posit that since the relevant subsections of S.33(4) on the tax-free allowances were not deleted from the amended legislation, the allowances are still claimable under the new Act. The proponents of the second school, however, argue that the non-deletion of S.33(4) on the other tax-free allowances from the amended legislation was an omission by the National Assembly and should not be construed to mean their availability, and that the intention of the National Assembly in grating a Consolidated Allowance was to simplify the process of Personal Income Tax computation by deleting the subsections. ICAN (2014) further reported that as a result of the conflicting views on the claimability of the old tax-free allowances in S.33(4), and need to make the Act less cumbersome and enhance its implementation and effectiveness, the Joint Tax Board (JTB) issued a guideline for tax practice pending the time the law is amended (JTB, n.d.).

The JTB guideline, however favoured the second school of thought which focuses only on differences in the income of taxpayers, and neglected the big question of differences in taxable capacity resulting from variations in domestic circumstances of taxpayers. Thus, persons on the same income bracket but with different domestic circumstances (for alimony, child, dependent relatives and disabilities) are, by this JTB guideline, made to pay the same amount of tax per Naira. No doubt, the JTB guideline appears to have raised more unanswered questions/issues than the solutions that it sought to provide. First, could the provisions for computing tax-free allowances under S.33(4) be properly regarded as cumbersome or complex? Could it be right to sacrifice equity principle for a need to simply the tax computation process? To what extent does non recognition and exclusion of taxpayers' personal financial responsibilities for and commitments to domestic circumstances duly provided for in S.33(4) affect their tax burdens?

This paper, while resolving the conflicts and misconceptions in the provisions of PITAA, 2011 for computing CRA, determined whether the CRAs computed based on different definitions of CRA in the Act differ significantly. It further evaluated the effect of excluding the other tax-free reliefs in S.33(4) of the Act on tax liabilities and tax burdens of individual taxpayers in Nigeria. The major objective being to harmonize implementation and compliance challenges associated with granting tax-free reliefs to individual taxpayers in Nigeria.

The specific objectives are:

1. To determine if there is any significant difference in the computed CRAs based on the provisions in S.33(1) of PITAA, 2011 and the CRAs computed based on the provisions in Paragraphs (1) and (3) to the 6th Schedule of the Act.
2. To ascertain the effect of tax-free allowances provided in S.33(4)(a)-(e) of PITAA, 2011 on tax liabilities of individual taxpayers in Nigeria.
3. To determine the effect of tax-free reliefs provided under S.33(4)(a)-(e) of PITAA, 2011 on tax burdens of individual taxpayers in Nigeria.

Accordingly, the following three null hypotheses were tested:

HO₁: There is no significant difference in the value of CRAs computed based on the provisions in S.33(1) of PITAA, 2011 and the CRAs computed based on the provisions in Paragraphs (1) and (3) to the 6th Schedule of the Act.

HO₂: Tax Liabilities of individual taxpayers are not significantly affected by the exclusion of claims for tax-free reliefs provided in S.33(4)(a)-(e) of PITAA, 2011

HO₃: Exclusion of claims for tax-free reliefs provided in S.33(4)(a)-(e) of PITAA, 2011 does not have any significant effect on tax burdens of individual taxpayers in Nigeria.

Review of Related Literature

Personal Reliefs and Allowances

Tax reliefs and allowances are deductions available to individual taxpayers under personal income tax laws to reduce their chargeable /taxable income and lighten their tax burden (ICAN, 2014, and Ezejelue & Ihendinihu, 2006). They are granted in recognition of the taxpayers personal financial responsibilities in a year of assessment. Thus, individuals with the same assessable income may not pay the same amount of tax because of differences in their domestic circumstances.

Sections 32 to 35 of PITA 1993 as amended up to 2011 provide a wide range of reliefs to individual taxpayers to reflect differences in their income and domestic circumstances. Where these reliefs and allowances are claimed, they reduce the chargeable income of taxpayers as the relevant income covered are freed from tax. A historical review of each of the personal reliefs and allowances, which must be claimed in writing in the prescribed Form with proof of claims, are provided below:

a) Personal Relief

This relief is often referred to as Earned Income Allowance) and is claimable by every taxpayer who has earned income in a Year of Assessment (YOA). The claim for personal relief has continued to vary since the enactment of the Income Tax Management Act (ITMA) 1961 in Nigeria (Sotinwa, 1982). Up to 1984 YOA, personal relief was equal to N600 where Earned Income is less than N2,500, but where Earned Income is greater than or equal to N2,500, personal relief is the higher of ₦1,200 and 10% of earned income plus N600 (ITMA, 1961). The personal relief granted in 1985 and 1986 YOA was ₦1,200 plus 12½% of earned income in excess of N600; but from 1987 to 1989 tax year, the relief was changed to ₦1,000 plus 12½% of earned income. From 1990 to 1991

YOA, personal relief stood at ₦2,000 plus 15% of earned income, and this was raised to ₦3,000 plus 15% of earned income from 1992 to 1997. With effect from 1998 to 2010 tax years, claims for personal relief stood at ₦5,000 plus 20% of earned income (Ezejelue & Ihendinihu, 2006).

b) Consolidated Relief Allowance (CRA)

This was introduced in the PITAA, 2011 to replace personal reliefs (i.e. Earned Income Allowance) provided for under Section 33(1) of PITA, 2004. In amending S.33(1) of the Principal Act, the 2011 Act changed the basis for computing the variable component of the Personal Relief from Earned Income to Gross Income and generated a number of contentious issues with unintended consequences. For instance, the new Section 33(1) increased the fixed and variable components of personal reliefs and renamed it as Consolidated Relief Allowance (CRA). Also, the sixth Schedule to the Principal Act was substituted for a new 6th Schedule which however provided for CRA at rates and amounts which appear to many taxpayers and commentators to be in conflict with Section 33(1) of the same Act (Olugbenro, 2013).

The new Section 33(1) of PITAA, 2011 provides that CRA be computed *as N200,000 subject to a minimum of 1% of Gross Income whichever is higher, plus 20% of Gross Income*. This translates to the higher of N200,000 and 1% of Gross Income, plus 20% of Gross Income”. However, the 6th Schedule Paragraph (1) specifies that CRA be computed *at a Flat rate of N200,000 plus 20% of Gross Income*, while Paragraph (3) of the same Schedule provides that CRA be calculated *as ₦200,000 plus 20% of Gross Income, subject to a minimum tax of 1% of Gross Income, whichever is higher*. This, according to Olugbenro (2013), amounts to repeating the confusion of Paragraph (1) in Paragraph (3).

No doubt, the three definitions for CRA will not yield the same amount of CRA in any particular case and therefore creates implementation challenges. For instance, the choice on the first part of the definition of CRA in Section 33(1) will depend on whether Gross Income is greater than ₦20m or not. The choice will favour ₦200,000 in all cases in which Gross Income is at most ₦20m, but will not favour ₦200,000 when Gross Income is greater than N20m. For instance, if Gross Income is ₦25m, then:

$$\text{CRA} = \text{₦}250,000 + 20\% (25,000,000) = \text{₦}5,250,000$$

Paragraph (1) to the 6th Schedule of PITAA, 2011 provides basis for computing CRA “at a flat rate of N200,000 plus 20% of Gross Income”. This has no option of comparing the fixed component with 1% of Gross Income as in Section 33(1) of the Act. Consequently, Paragraph (1) of the 6th Schedule will only produce the same amount of CRA with S.33(1) when Gross Income is not more than N20 million; but will when Gross Income is greater than N 20 million. For instance, if Gross Income is N25 million, the computed value for CRA will be lower than the result obtained based on Section 33(1) of PITAA, 2011, viz:

$$\text{CRA} = \text{₦}200,000 + 20\% (25,000,000) = \text{₦}5,200,000.$$

Thus, in this instance, Paragraph (1) yielded CRA that is less than the value obtained based on Section 33(1) by N50,000.

Under Paragraph (3) to the 6th Schedule, CRA is computed as “N200,000 plus 20% of Gross Income, subject to a minimum tax of 1% of Gross Income, whichever is higher”. This also aligns with the definition in Paragraph (1) but conflicts with the provision in S.33(1) of PITAA, 2011. In aligning with the definition of CRA in Paragraph (1), the definition in Paragraph (3) to the 6th Schedule also alluded to the amendment to S. 37 of the Principal Act on Minimum tax payable which was increased from 0.5% of Total Income to 1% of Gross Income in the new Act. Minimum tax here means that when a person's taxable income (after all permissible deductions) is nil or lower than a certain percentage of his total income, such a person will be required to pay a minimum tax. The implication of this increase in minimum tax rate is that tax payable by low income earners who hitherto paid minimum tax at 0.5, would be doubled.

The definitions of CRA in the 6th Schedule conflict with the definition provided in the exacting Clause/Section, leading to different interpretations and applications and raising real questions for tax practice and tax education in Nigeria. To resolve this conflict, there is need to resort to court rulings in similar situations. A generally accepted principle in judicial interpretation is that Schedules, Tables, and Forms are useful in construing the provisions in the body of a statute, but they do not override the plain words of the statute. If there is any contradiction/conflict, the enacting clause (Section) will prevail. The decisions of the Courts in *Federal Civil Service Commission v. Laoye* (1989), *Afolayan v. Bamidele* (1999), and *Oputeh v. Ishida* (1993) are instructive. In these cases, the Court ruled that on no account should provisions in Schedules, Tables and Forms override, take away, or restrain the clear and unambiguous provisions in the Sections of a Statute. Consequently, the provisions in Paragraphs (1) and (3) of the 6th Schedule cannot override the provisions of Section 33(1) of PITAA, 2011 in respect of CRA. Accordingly, computation of CRA should be based on the provisions of Section 33(1) of PITAA, 2011.

The speculation/presumption that the introduction of S.33(1) of PITAA, 2011 covered the other tax-free allowances bothering on domestic circumstances of taxpayers which were claimable under PITA 2004 is objectionable. This presumption received administrative support of the Federal Inland Revenue Service (FIRS). Justifying the exclusion of the reliefs, the FIRS (2012) reported that:

before the amendment of the law, low income earners were only entitled to allowances that were far less than ₦200,000 on their income but now they are entitled to ₦200,000 + 20% of their gross income which is not taxable any longer.

The above report by FIRS is arguable. Before the amendment Act was enacted, individual taxpayers enjoyed the following reliefs/allowances and tax-free income:

a) Tax-free income on:	₦	
Rent allowance	150,000	per annum
Transport	20,000	„ „
Meal	5,000	„ „
Utility	10,000	„ „
Entertainment	6,000	„ „
Leave Grant of 10% of Basic Salary		191,000

- b) Personal reliefs and allowances based on S.33 of PITA, 2004:
- | | |
|--|--|
| Personal allowance (S.33(1)) | - N5,000 + 20% of earned income |
| Alimony (S.33(2)(a)) | - N300 maximum |
| Child allowance(S.33(2)(b)) | - N10,000 maximum for four qualifying children |
| Dependent Relatives(S.33(2)(c)) | - N4,000 maximum for two relatives |
| Life Assurance Premium(S.33(2)(d)) | - Actual premium paid |
| Disabled Person Allowance (S.33(2)(e)) | - Higher of N3,000 and 20% of earned income |

Under the amended Act, N191,000 non-taxable income listed in a) above are classified as taxable and included as Gross Emolument in S.3(b) and S.33(2) of PITAA, 2011. With a total fixed component of ₦210,300 as listed in a) and b) above, and additional tax-free allowances/deductions in the variable component for leave grant, personal allowance, and disabled person allowance, it remains doubtful whether low income earners were entitled to allowances that were far less than ₦200,000 on their income as reported. First, the fixed components of ₦213,300 before the amendment is higher than N200,000 under the new Act. Secondly, there is need for empirical evidence to be provided before we can safely conclude that 20% of Gross Income (the variable component of CRA in the new Act) is greater than the sum of the variable components for Personal Reliefs of 20% of Earned Income, Leave Grant of 10% of Basic Salary and Disabled Person Allowance of 20% of Earned Income that existed in the Principal Act. Therefore, the clarification given in FIRS (2012) needs to be empirically evaluated.

The fact remains that the old Subsections (2) and (3) of S.33 of PITA, 2004 covering claimable personal allowances for alimony, child, dependent relatives, life assurance premium, and disabled persons, were not repealed but respectively renumbered as Subsections (3) and (4) in PITAA, 2011. Thus, S.33(4)(a)–(e) of PITAA, 2011 expressly provides for these other tax-free allowances and the reliefs cannot be construed to have been repealed by implication. It is a generally accepted and settled legal dictum that Statutes cannot be repealed by implication, but the repeal of any Statute must be expressly stated in the legal instrument repealing the earlier Statute (*Olanrewaju v Oyeyemi*, 2001). Also, in *NIDB v. Fembo (Nig) Ltd.* (1997), the Court held that it would be highly improbable that the legislature would depart from the general system of law without expressing its intentions with irresistible clarity. Following from the above judicial positions, the other tax-free reliefs for alimony, child, dependent relatives, life assurance premium, and disabled persons are still valid claims under S.33(4)(a)-(e) of PITAA, 2011. To construe otherwise is a presumptuous error in legal interpretation and an aberration in tax practice.

c) Wife Allowance and Alimony

These allowances were alternately granted under S.20A(3)(a) of ITMA, 1961 and claimed by individual taxpayers who were deemed to be resident in Nigeria or exercised any employment the whole gains or profits of which were deemed to be derived from Nigeria or by a person liable to tax under the Income Tax (Armed Forces and Other Persons) Act, 1972. Although Wife Allowance became inapplicable from 1992 tax year, it was granted to every male taxpayer who ordinarily was deemed to be resident in

Nigeria and who, during the year preceding the year of assessment, had a wife living with and maintained by him.

The Act provided for a deduction of N300 to be claimed by a married man or a deduction of any alimony not in excess of N300 paid to a former spouse under an order of a court of competent jurisdiction in the case of an individual whose marriage has been dissolved. The claim for wife allowance was increased to N500 with effect from 1987 and remained so until 1991 tax year when it was abolished due to complaints of unfairness and inequity that surrounded it. First, the allowance discriminated against the female gender who in many Nigerian context, were the bread winners and even maintained their families (including the husband). If the operative/qualifying words for claiming this allowance is co-habitation and maintenance, the most appropriate name for the allowance would have been Spouse Maintenance Allowance to eschew the gender discriminatory nature of 'wife' allowance; particularly, wives who maintain and live with their husbands should have been entitled to make claims, and the agitations that led to its proscription in 1992 would not have arisen.

However, the condition for making relief for alimony has remained the same over time. Under S.33(4)(a) of PITAA, 2011, relief for alimony is the lower of N300 and actual amount paid to a former spouse under an order of a court of competent jurisdiction of a dissolved marriage. Needless to say that the amount to be claimed as alimony has become economically unrealistic/meaningless and this makes a call for urgent and upward review of this subsection expedient; more so as relief for alimony was not repealed in the new Act.

d) Child Allowance

This relief is claimable by every taxpayer who in the year preceding the year of assessment maintained a child. Like other tax-free personal allowances, the amount claimed on a child per annum has varied over the years. Up to and including 1986 tax year, child allowance was ₦250 per child per annum, and this was increased to N400 and granted in 1987 and up to 1991 years of assessment. From 1992 till 1994 years of assessment, ₦500 per child was claimable per annum, while ₦1,000 per child was granted in 1995. In 1996 and 1997 tax years, the allowance was ₦1,500 per child per annum, but with effect from 1998 year of assessment till date, ₦2,500 has remained the claim per child per annum. So, by the provision of S.33(4)(b) of PITAA, 2011, child allowance is claimable at the prevailing value of ₦2,500 per child per annum.

For child allowance to be granted, the Act specified the conditions which must be satisfied. S.33(4)(b) of PITA 2011 outlined that the child upon whom the claim is to be made must on the first day of that preceding year of assessment be:

- i) Less than 16 years of age, or
- ii) Unmarried and maintained by the taxpayer, and
- iii) Receiving full-time instruction in a recognized educational establishment, or
- iv) Was under articles or indentures in a trade or profession.

Thus, age, marital status, and maintenance are the key qualifying conditions for granting claims for child allowance to any taxpayer; receiving full-time instruction and being

under article or indenture are evidences that the child is under the maintenance of the taxpayer.

The Act, under S.33(4)(b)(i)-(iv), equally placed certain restrictions on the amount to be granted as child allowance. First, claims for child allowance must be restricted to four children, and husband and wife or wives (not separated by deed or court order) shall be treated as one individual taxpayer for purposes of the claim. Again, where the maintenance cost for a child is shared by two or more persons, the relief shall be equitably apportioned between them by the relevant tax authority. However, a widow who remarried is allowed under subsection 4(b)(iv) to claim reliefs for every child (up to a maximum of four) born by her to her deceased husband.

e) Dependent Relatives Allowance

This allowance is granted to every individual taxpayer who, during the year preceding the year of assessment, incurred costs in maintaining or assisting to maintain a close relative or the individual's spouse who was either incapacitated by old age or infirmity or the widowed mother of the individual's spouse. Again, the amount to be claimed has maintained upward trend over the years. Up to and including 1986 tax year, dependent relative allowance was limited to N400, and any excess cost was not considered as deductible relief. From 1987 till 1991 tax year, the claim for dependent relative allowance was limited to N600, but this was increased to ₦1,000 for the period 1995 to 1997. However, in 1998 tax year, dependent relative allowance was limited to ₦2,000 per relative per annum for a maximum of two relatives. This has remained in force till date.

By the provisions of S.33(4)(c)(i) &(ii) of PITA 2011, no deduction for dependent relative allowance shall be granted on any relative whose income in the year preceding the year of assessment exceeds ₦1,000, and that claims by two or more individual taxpayers in respect of anyone relative shall be restricted to ₦2,000, subject to a maximum of two relatives. Where the amount so incurred by them on the same relative is in excess of that sum, then the allowance to be granted to each of them shall be in the proportion of the cost so incurred by each of them. The aggregate amount to be granted as dependent relative allowance for any individual taxpayer for any tax year shall not exceed ₦4,000 – S.33(4)(c)(iii) of PITAA, 2011.

f) Life Assurance Premium

Life Assurance Premium is claimable by an individual taxpayer who, during the year preceding the year of assessment, paid premium to any insurance company in respect of insurance on the life of the taxpayer or the life of the spouse or of a contract for a deferred annuity on the life of the taxpayer or the life of the spouse – S.33(4)(d) of PITAA, 2011. For this claim to be allowed, the insurance policy in respect of which the premium is payable must secure a capital sum on death (Ezejelue and Ihendinihu, 2006).

The amount of life assurance relief granted up to and including 1995 year of assessment was the lower of premium paid and the lowest of:

- i) 10% of Capital Sum Assured,
- ii) 20% of Statutory Total Income,
- iii) An overriding maximum of N2,000 up to 1991, but from 1992 to 1995, the overriding maximum was increased to ₦5,000.

However, with effect from 1996 tax year, the limitations and restrictions were no longer applicable, hence life assurance relief is the annual amount of any premium paid by the individual taxpayer during the year preceding the tax year (Ezejelue & Ihendinihu, 2006).

It should be noted that Paragraph (2) to the 6th Schedule of PITAA, 2011 introduced Tax Exempt Deductions, and one of the five items listed is life assurance premium. This relief is also provided for in S.33(4)(d) of the same Act. Thus, including life assurance premium as one of the Tax Exempt Deductions in Paragraph (2) to the 6th Schedule tantamount to duplication. Also, the Schedule did not prescribe any conditions to be met by claimants as it previously existed under S.33(3)(d) of PITA 2004, and renumbered to S.33(4)(d) in PITAA, 2011. For instance, the Schedule was silent on whether claims for life assurance premium could extend beyond policies on the life of the tax payer and the spouse, a condition which was clearly spelt out in the enacting clause (Section). Based on judicial pronouncements in *Oputeh v. Ishida* (1993) and *Afolayan v Bamidele* (1999), the provision in S.33(4)(d) of PITAA, 2011 will supersede the provision in paragraph (2) of the 6th Schedule of the Act to avoid duplicating claims for the relief/deduction.

g) Disabled Person Allowance

This is additional personal allowance for a disabled person which was introduced in 1989 tax year. The law provided that a disabled person using special equipment *as well as* the services of an attendant in the course of a paid employment shall be entitled to additional personal allowance of ₦2,000 or 10% of his earned income *whichever is lower*. Note that the amount is restricted to ₦2,000 only and that the disabled person must satisfy the three conditions of using a *special equipment* and *the services of an attendant* in the *course of a paid employment*. The cost of the services of the attendant is, by implication, to be borne by the disabled person out of the merger relief.

These rules existed up to 1997 tax year but with effect from 1998 year of assessment and up till date, the conditions and the monetary value of the relief were changed to N3,000 or 20% of the earned income, *whichever is higher* for a disabled person who uses special equipment *or* the services of an attendant in the course of a paid employment. Accordingly, the disabled person is no longer required to use both special equipment and the services of an attendant before qualifying for the relief. Again, the fixed component of ₦3,000 becomes the minimum (rather than the maximum) relief claimable, depending on the amount of earned income of the disabled person. S.33(4)(e) of PITAA, 2011 however provides that the amount of deduction for disabled person under this relief shall not exceed 10% of the earned income of the person for that year. This provision, however restricts the upper limit to be claimed to 10% of earned income as against 20% of earned income provided as the variable component of the relief.

Again, the Act restricted this claim to disabled persons on paid employment, thereby leaving self-employed persons with disabilities disadvantaged. Considering the need to promote sustainable entrepreneurship ventures where most persons with disabilities operate, and coupled with the fact that persons with disabilities are scarcely offered paid employment in both private and public sector organizations, it would be most

appropriate to have all self-employed persons with disabilities included in the group to whom additional personal allowance should be granted.

Gross Income

It should be noted that the principal and the amended Personal Income Tax Acts have no definition for Gross Income which is the basis for calculating CRA claimable by taxpayers under the amended Act. However, ICAN, (2014) defined Gross Income to mean all income of a taxpayer, whether received in cash, in kind or in any form (excluding income specifically exempted). Alpheaus and Ihendinihu (2016) also noted that Gross Income of an individual during a YOA is the aggregate assessable income of that individual from all sources after adjusting for general charges, balancing adjustment on disposed qualifying expenditures, reliefs for losses incurred by the individual in business, and capital allowances granted to the individual on qualifying expenditures, as well as tax exempt income including income that suffered withholding tax at source. While clarifying the meaning of Gross Income, ICAN (2014) further noted that, for purposes of computing CRA, Gross Income shall be defined as the total income (excluding Franked Investment Income) of a taxpayer; that is, Earned Income plus Unearned Income (excluding Franked Investment Income).

This clarification for Gross Income however raises questions on whether general charges (such as interest paid on loan taken to build owner occupier residential accommodation), capital allowances, balancing adjustments on disposed qualifying expenditures, and loss reliefs should not form part of what should be deducted from aggregate income of an individual before arriving at Gross Income. Since these items do not fit into what could be deducted after obtaining Gross Income, and consistent with the procedure for calculating Total Income under PITA, 2004, this paper adopted the definition provided in Alpheaus and Ihendinihu (2016), the framework of which is represented viz:

$$GI = (GE + BTI + UI) - GC + BC - (BA + CA + LR) - TEI$$

Where:

- GI = Gross Income
- GE = Gross Emoluments
- BTI = Business/Trade Income (adjusted for tax purposes)
- UI = Unearned Income
- GC = General Charges such as interest on loan for building owner occupier residential accommodation.
- BC = Balancing Charge on disposal of qualifying expenditures
- BA = Balancing Allowance on disposal of qualifying expenditures
- CA = Capital Allowances claimed for the tax year
- LR = Loss Reliefs
- TEI = Tax Exempt Income (such as Franked Investment Income and interests on government bonds and securities).

Chargeable Income

This is the income that is used as the base for calculating the amount an individual owes the government as tax for a specified tax period/year. The term is used interchangeably with Taxable Income to mean the balance of Gross Income after deducting the reliefs and allowances specified in S.33 and Tax Exempt Deductions provided under Paragraph (2) to the 6th Schedule of PITAA, 2011.

Tax Liability

Tax Liability is the amount of tax that is legally due from or owed by an individual to a taxing authority for a specified tax year. It is the proportion of a taxpayer's Gross Income that is due under the law (and as such, legally binding debt of a taxpayer) to government for funding social programmes and the costs of governance.

The tax liability of an individual in Nigeria is currently calculated by applying the tax rates as prescribed in Paragraph (3) to the 6th Schedule of PITAA, 2011, on the tax base (chargeable Income). The income tax rates in Paragraph (3) to PITA, 2004 were amended by PITAA, 2011 for more equitable tax band in the new Act, viz:

PITA, 2004	PITAA, 2011
Paragraph (3) to the 6 th Schedule	Paragraph (3) to the 6 th Schedule
First N30,000 at 5%	First N300,000 at 7%
Next N30,000 at 10%	Next N300,000 at 11%
Next N50,000 at 15%	Next N500,000 at 15%
Next N50,000 at 20%	Next N500,000 at 19%
Above N160,000 at 25%	Next N1,600,000 at 21%
	Above N3,200,000 at 24%

Source: Paragraphs (3) to the 6th Schedule to PITA, 2004 and PITAA, 2011

Tax Burden

Tax burden is the amount of tax paid by a person or company in a specified period considered as a proportion of the total income in that period. Kagan (2019) used the term 'effective tax rate' as a measure of tax burden and described it as the average rate at which their earned income and unearned income are taxed.

Tax burden is an indicator of how well tax policy meets one of its primary goals – equitably raising the revenues needed to run government. Equity has two dimensions – Vertical equity and horizontal equity. In an attempt to raise revenue for government, consideration should be given to tax burden such that taxpayers with equal taxable capacity (in terms of both income and domestic circumstances) should bear the same tax burden (Horizontal equity) while taxpayers with higher taxable capacity should bear more tax burden (vertical equity). Since payment of tax reduces a taxpayer's real income, tax burden measure is an attempt to quantify this decrease in utility and evaluate the

decrease against a measure of ability-to-pay. This is because taxes may impose an excess burden on the taxpayer beyond the amount of tax payment if the burdens induce distortions in the economic system by altering relative prices and disadvantaging taxpayers with heavy tax burdens.

Based on the amendments introduced in PITAA, 2011, and consistent with specifications for tax burden in Alpheaus and Ihendinihu (2016), the calculation for tax burden in this study was determined as the amount of tax liability of an individual taxpayer in a specified period expressed as a percentage of the Gross Income in that period.

Theoretical Framework

This work is anchored on the ability-to-pay theory. The ability-to-pay theory is a dominant progressive taxation theory which says that money for public expenditure should come from “him that hath” instead of from “him that hath not” Kendrick (1939). The theory is built on the fairness and equity principles of taxation, which treats individuals with the same characteristics/circumstances similarly for them to pay the same taxes (horizontal equity), while individuals with higher ability-to-pay or those who receive more from the government services should be taxed more (vertical equity). Applying this principle to determine when equal sacrifice implies progressive taxation, Young (1987) noted that equality of sacrifice means apportioning the contribution of each person towards the expenses of government (taxes) so that he shall feel neither more nor less inconvenience from his share of the payment than every other person experiences.

This theory underpins the present study as it incorporates the dimensions of income and domestic circumstances upon which the taxable capacity of individual taxpayers are based. Thus inclusion or exclusion of certain tax-free reliefs affects computed tax liability and tax burden, and ultimately distorts the goal for equity and equality in tax administration. To an individual taxpayer therefore, sacrifice is synonymous with tax and any application of tax law provisions must be driven by the taxpayers’ ability-to-pay and weighed against both vertical and horizontal equities with full consideration of differences arising from both income and domestic circumstances of taxpayers.

Empirical Review

Empirical studies on the effects of changes in tax laws on a number of macro and micro economic variables exist in literature and an exhaustive review of such works is thus beyond the scope of the present study. Consequently, selected works on the response of tax payment, tax burden and other economic variables to changes in tax laws were reviewed.

In the United States of America, Steindel (2001) investigated how income tax changes affected consumer spending and personal savings rate. The study evaluated how actual consumer responses to income tax changes compared with those predicted by the life cycle permanent income theory. The work tracked the effects of three major federal

income tax changes (the 1968 Tax Surcharge, the 1975 Tax Rebate and the 1982 Tax cut) on the personal savings rate and consumer spending. Using hypothetical case study approach, the paper observed the behaviour of the personal savings rates around the time a tax change becomes effective and noted that, while the tax and benefit changes examined prompted changes in consumer spending, the magnitude of the responses varied greatly. The spending effect was larger when the tax change was legislated to have a permanent effect on tax liabilities. It was therefore concluded that consumer spending changes when a tax change affects take-home pay and that consumers measure the size of a tax change by its immediate effect on tax payment.

Yew, Milanov & McGee (2015) explored the impact of a major tax reform on individual tax morale in a transition economy. The study was carried out in Russia following the implementation of a flat tax system in 2001 using survey data from WVS (World Values Survey, 2014) for 2006 and 2011, and from EVS (European Values Survey, 2014) for 1999. An Ordered Probit Regression Model was used to investigate the effects of income level, sector of employment, demographic and institutional variables on tax morale index. Results from the study revealed significant coefficient for income scale and employment sector variables with negative marginal effects on tax morale. Socio-demographic variables had varying effects on tax morale while institutional variables were reported to have positive correlation to individual tax morale for the three years. Linear trend associations were detected and it was concluded that individual tax morale for Russia did not change in the years before and after the flat tax reform.

In Nigeria, Dabo, Aimuyedo & Muhammad (2014) investigated the effect of Personal Income Tax (Amendment) Act on Revenue Generation. Chi-square and t- test statistics were used to evaluate data collected from Kaduna Board of Internal Revenue Service. The paper reported that the new tax law has not encouraged taxpayers to voluntarily comply with self-assessment and has not driven the force of change that will minimize the incidence of tax avoidance and evasion. It concluded that the 2011 Personal Income Tax (Amendment) Act has not improved revenue generation in Kaduna State and called for further review of the Act to address inherent loopholes that offer opportunities for undue manipulations by taxpayers.

Onyekwelu & Ugwuanyi (2014) conducted an opinion poll of 80 respondents on the effect of PITAA, 2011 on revenue generation in Nigeria. The paper had as part of its specific objectives the intention to determine the effect of the changes in the Act on taxpayer's income and relevant tax authority. Descriptive statistics were used to capture the socio-economic characteristics of the respondents and the effect of PITAA, 2011 on revenue generation, taxpayer revenue and the tax authorities. The Chi-square technique was used in testing the three hypotheses set for the study and the test results formed the basis for rejecting all the three null hypotheses.

In another study, Alpheaus, Ihendinihu & Azubike (2015) measured the effect of changes in Personal Income Tax Act on chargeable income of individual taxpayers in Nigeria. The main objective was to resolve speculations that chargeable income under

the amended Act is higher than previously existed among taxpayers of different income brackets. Data on income and domestic circumstances of sampled taxpayers in 2014 tax year were collected from Abia State Board of Internal Revenue and analyzed using descriptive statistics, paired sample t-test, and Analysis of Covariance (ANCOVA). Results indicated that PITAA 2011 produces a significantly lower chargeable income than PITA 2004, and that this difference cuts across taxpayers in the identified income groups.

In a related study, Alpheaus, Ihendinihu, and Akpu, (2016) investigated the effect of changes in PITAA, 2011 on tax liabilities of taxpayers on different income levels using causal comparative research design. The study made use of a sample of 319 individual taxpayers categorized into low, moderate, high and very high income groups. Results obtained using descriptive means, paired sample t-test and pairwise comparison of means indicate the existence of significant differences in tax liabilities of taxpayers based on the provisions of PITA, 2004 and PITAA, 2011, and that the effects differ significantly among the four groups of income earners. The paper concludes that the changes in the tax law narrowed the income gap between the rich and the poor and recommended further amendments to stimulate voluntary compliance level and growth in government tax revenue in Nigeria.

Following the outcome of this study, Alpheaus and Ihendinihu (2016) carried out a comparative study of tax burdens of salaried and self-employed taxpayers under Personal Income Tax Act, 2004 and the amendment Act in 2011 using ex-post facto research design. A sample of 259 income levels/points available on the Unified Salary Structure in Nigerian Federal Universities and 60 self-employed taxpayers registered with Abia State Board of Internal Revenue were selected. Data on the gross income and domestic circumstances for the two groups of taxpayers were collated based on provisions in the two tax laws. Results obtained using t-test indicate no significant difference between the tax burdens of salaried and self-employed taxpayers under PITA 2004, while significant differences exist between the two groups under PITAA, 2011. The study concludes that the changes made in the 2011 amendment Act resulted to significant difference between the tax burdens of salaried and self-employed taxpayers in Nigeria and recommends the introduction of Entrepreneurship Relief Allowance in favour of self-employed taxpayers to adjust the observed inequity in tax borne between the two groups under the new Act.

The present study extends the investigation by evaluating the effect of Personal Reliefs and Allowances on Chargeable Income and Tax Burdens of taxpayers in Nigeria. The paper is probably a pioneering study that provided empirical evidence on the difference in CRAs computed based on conflicting provisions in the Section and Schedule of PITAA, 2011, as well as on the effects of exclusion or otherwise of the tax-free reliefs in S.33(4) of the Act on the tax liability and tax burden of taxpayers. The investigation is driven with the target objective of narrowing the knowledge and application gap created by existing disparities in, and misconceptions about, the statutory provisions for computing and granting CRAs and other tax-free reliefs under the amended Act.

Methodology

The study adopted a combination of comparative research design and case study methodology. The comparative research design was considered necessary in determining the effect of different definitions and applications for computing CRAs in S.33(1) and the 6th Schedule of PITAA, 2011. The case study approach was needful in resolving conflicts in, and misconceptions about, the applicability or otherwise of tax-free reliefs provided in S.33(4) of the Act based on established judicial pronouncements. Two sets of hypothetical/simulated data on gross emolument, earned income, gross income, and relevant domestic circumstances of individual taxpayers were generated. The first set comprised 30 gross income items for demonstrating differences in computed CRAs based on definitions provided in S.33(1) and the 6th Schedule with the computed values for CRAs shown in Appendix 1. The second comprised 21 data points on the identified tax variables for determining the effect of *Exclusion* or *Inclusion* of other tax-free reliefs in S.33(4) of PITAA, 2011 on the identified tax variables. Two scenarios were investigated: first is the determination of taxable income, tax liability and tax burden with the presumption that the other tax-free reliefs for domestic circumstances of taxpayers are granted in addition to CRA following the specifications in equations (1), (5), and (7) as shown in the analytical procedures for this study. The second is the computation of taxable income, tax liability and tax burden assuming that the other tax-free reliefs are subsumed into CRA and therefore not claimable (using specifications in equations (2), (6) and (8) as depicted in the analytical procedure adopted. The resulting tax variables under the two scenarios are presented in Appendix 2.

Analytical Procedures and Variable Specifications

The analytical procedures used in computing Gross Income, Taxable Income, Tax Liability, and Tax Burden for the study was adapted from Alpheaus and Ihendinihu (2016) with slight modifications. The modifications were the incorporation of Alimony among the tax-free relief and the adoption of constant amounts of claims in each of the tax years for alimony, child allowance, dependent relative allowance, life assurance premium, and gratuity as specified under each of the two scenarios - *with inclusion* ($_{WI}$) and *with exclusion* ($_{WE}$) viz:

Taxable Income

Taxable Income was computed using the specifications in equations (1) and (2) below:

$$TI_{WI} = GI - (CRA + A + CA + DRA + DPA + NHF + NHIS + LAP + NPS + G) \quad (1)$$

$$TI_{WE} = GI - (CRA + NHF + NHIS + NPS + G) \quad (2)$$

Where:

TI_{WI} = Taxable Income *with Inclusion* of S.33(4) of PITAA, 2011

TI_{WE} = Taxable Income *with Exclusion* of S.33(4) of PITAA, 2011

GI = Gross Income (computed following procedures adopted in Alpheaus & Ihendinihu, 2016)

CRA = Consolidated Relief Allowance - higher of N200,000 or 1% of gross income + 20% of gross income - Section 33(1).

- A = Alimony granted at N300 for each taxpayer per annum
 CA = Child allowance of N2,500 per qualified child up to a maximum of four (Section 33(4)(b). Maximum claim of N10,000 was granted to each taxpayer.
 DRA = Dependent Relative Allowance (limited to N2,000 for each relative, subject to a maximum of any two relatives (Section 33(4)(c). Maximum claim of N4,000 was granted to each taxpayer.
 DPA = Disabled Person Allowance: Higher of N3,000 or 20% of earned income for a qualified disabled person (Section 33(4)(e)
 NHF = National Housing Fund Contribution at 2.5% of (GE+ BTI)
 NHIS = National Health Insurance Scheme at 2.5% of (GE+ BTI)
 LAP = Life Assurance Premium at actual premium paid (in line with Section 33(4) (d). Total Actual Premium of N25,000 was used.
 NPS = National Pension Scheme at 7.5% of (GE)
 G = Gratuities at actual amount received of N40,000.
 GE = Gross Emoluments
 BTI = Business/Trade Income (adjusted for tax purposes)

Tax liabilities

Tax liabilities were conceptualized by the authors based on two scenarios: *with Exclusion* (w_E) and *with Inclusion* (w_I) of S.33(4) of PITAA, 2011 and computed as follows:

$$TL_{w_I} = \sum_{i=1}^n ITR_i (TBI_i) \quad (3)$$

$$TL_{w_E} = \sum_{i=1}^n ITR_i (TBI_i) \quad (4)$$

Where:

TL_{w_I} = Tax Liability of an individual taxpayer with inclusion of S.33(4).

TL_{w_E} = Tax Liability of an individual taxpayer with exclusion of S.33(4).

ITR_i = Income Tax Rates specified in Paragraph (3) of the 6th schedule with $i = 1, 2, \dots, 6$ under PITAA, 2011.

TBI_i = Tax Band Income i.e. the proportion of taxable income applicable to a specified tax band.

Equations 3 and 4 can respectively be expanded to give:

$$TL_{w_I} = ITR_1 (TBI_1) + ITR_2 (TBI_2) + \dots + ITR_n (TBI_n) \quad (5)$$

$$TL_{w_E} = ITR_1 (TBI_1) + ITR_2 (TBI_2) + \dots + ITR_n (TBI_n) \quad (6)$$

Where

n = number of tax bands in the 6th schedule of the personal income tax law under which the tax liability is computed.

Tax burden

Tax burden was computed as:

$$TBt_{w_I} = \frac{TTPt_{w_I}}{GIt} \times 100 \quad (7)$$

$$TBt_{w_E} = \frac{TTPt_{w_E}}{GIt} \times 100 \quad (8)$$

Where:

- TBt_{WI} = The Tax Burden of an individual in year t *with Inclusion* of S.33(4).
- TBt_{WE} = The Tax Burden of an individual in year t *with Exclusion* of S.33(4).
- TTPt_{WI} = Total Tax Paid by the individual in year t *with Inclusion* of S.33(4);
(assuming that all computed tax liabilities are paid to the tax authority on assessment)
- TTPt_{WE} = Total Tax Paid by the individual in year t *with Exclusion* of S.33(4);
(assuming that all computed tax liabilities are paid to the tax authority on assessment)
- GIt = Gross Income of the individual in year t

Data collated were analyzed using descriptive statistics, t-test and the Analysis of Variance (ANOVA) with the aid of SPSS version 20.0.

Results and Discussions

The results of the data analyzed and discussions of findings are presented in two subheadings.

1. Difference in CRAs Computed Based on Provisions in Section and Schedule of PITAA, 2011.

The data in Appendix 1 indicates differences in computed CRAs based on definitions provided in S.33(1) and Paragraphs (1) and (3) to the 6th Schedule and the descriptive statistics is shown in Appendix 2. The results indicate that the two definitions of CRA in the Section and Schedule produced the same amount of CRA only when Gross Income is less than or equal to N20 million (see serial numbers 1 to 3 in Appendix 1. However, CRAs increasingly differed as Gross Income increased, with the definition in S.33(1) yielding higher values of CRA than the Schedule.

The first hypothesis which sought to determine whether the observed differences in value of the CRAs are statistically significant is restated thus:

HO₁: *There is no significant difference in the value of CRAs computed based on the provisions in S.33(1) and the provisions in Paragraphs (1) and (3) to the 6th Schedule of PITAA, 2011.*

The result of the test of significant difference in the observed value of CRAs based on the two conflicting definitions in the provisions of the Act is presented in Table 1.

Table 1: Test of Significant Difference in Computed CRAs based on Conflicting Definitions in the Section and the Schedule of PITAA, 2011

One-Sample Test						
	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
CRA	3.529	29	.001	426,350	179269.7010	673430.2990

Source: Authors' Computation based on data in Appendix 1.

The results indicate that the mean CRA based on S.33(1) is greater than the value obtained based on the definition in the 6th Schedule by N426,350. The t-value is 3.529 with a probability index of .001. Since the significant level is less than the set alpha level of 0.05, we reject the Null Hypothesis and conclude that there is significant difference in the value of CRAs computed based on the definition provided in the Section and that provided in the Schedule to PITAA, 2011. Consequently, the definition of CRA in S.33(1) tilts more favourably towards the taxpayer in the value of CRA claimable than the definition in the 6th Schedule of the Act. This accords with Olugbenro (2013) who reported that taxpayers with current or anticipated annual income in excess of N20 million will prefer S.33(1) to be retained.

This result raises questions on the usefulness of a Schedule in statutes and how conflicts between a Schedule and the Section should be treated. It should be noted that Schedules, Tables and Forms in a statute are useful in construing the provisions in the body of a statute, but they do not override the plain words of the statute. If there is any contradiction, the enacting clause (Section) will prevail. This is the decision of the court in *Federal Civil Service Commission v. Laoye* (1989), *Afolayan v Bamidele* (1999) and *Oputeh v Ishida* (1993). In these decided cases, the Courts consistently ruled that on no account should provisions in Schedules, Tables and Forms override, take away, or restrain the clear and unambiguous provisions in the Section of a Statute. Consequently, the provisions in Paragraphs (1) and (3) to the 6th Schedule cannot override the provisions of S.33(1) of PITAA, 2011 on the definition of CRA, hence CRA should be granted/claimed based on the provisions in the enacting Clause/Section.

2. Effect of Exclusion of Tax-Free Reliefs in S.33(4) of PITAA, 2011 on the Tax Liabilities and Tax Burdens of individual taxpayers.

The study further investigates whether the exclusion or otherwise of tax-free allowances provided in S.33(4) of PITAA, 2011 significantly alter the value of chargeable income, and consequently affect tax liabilities and tax burdens of individual taxpayers in Nigeria. The results of the descriptive statistics are shown in Appendix 3 and the comparative mean figures on the tax variables are summarized in Table 2.

Table 2: Comparison of Mean Tax Variables Based on Inclusion or Exclusion of Tax-free Reliefs in S.33(4)(a)-(e) of PITAA, 2011.

Tax Variable	Mean		Change in Value	% Change in Value as a result of inclusion
	Reliefs in S.33(4) Excluded	Reliefs in S.33(4) Included		
Personal Reliefs & Allowances	2,328,000.00	3,794,966.67	1,466,966.67	63.0 (Increase)
Taxable Income	9,826,119.05	6,031,152.38	3,794,966.67	38.6 (Decrease)
Tax Liability	2,150,268.57	1,239,476.57	2,150,268.57	42.4 (Decrease)
Tax Burden	18.99	9.97	9.02	47.5 (Decrease)

Source: Authors' Computations based on results in Appendix 3.

Results in Table 2 revealed two important information. First, the inclusion of the other tax-free reliefs provided for in S.33(4)(a)-(e) increased the total claims for personal reliefs and allowances from N2.33million to N3.8 million (63.0%). Secondly, the inclusion of the reliefs had the effect of reducing the taxable Income from N9,8 million to N6.0 million (38.6%), tax liability from N2.2 million to N1.2 million (42.4%), and tax burden from 19% to 10% (47.5%). Thus, recognizing both income and domestic circumstances of taxpayers in granting tax-free reliefs minimizes tax burden of taxpayers and enhances voluntary compliance more than when differences in income is the only consideration for granting such reliefs.

The paper further investigated whether the observed differences in tax liabilities and tax burdens based on the inclusion or otherwise of the other tax-free reliefs are significant, and the results are shown in Table 3.

Table 3: Test of Significant Difference in Mean Tax Liability and Tax Burden based on Inclusion or Exclusion of tax-free reliefs in S.33(4) of PITAA, 2011.

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Tax Liability	Between Groups	8710191706272.000	1	8710191706272.000	7.983	.007
	Within Groups	43644725029714.290	40	1091118125742.857		
	Total	52354916735986.290	41			
Tax Burden	Between Groups	854.020	1	854.020	75.453	.000
	Within Groups	452.744	40	11.319		
	Total	1306.764	41			

Source: Authors' Computations based on data in Appendix 2.

The following two hypotheses were tested:

HO₂: *Tax Liabilities of individual taxpayers are not significantly affected by the exclusion of claims for tax-free reliefs provided in S.33(4)(a)-(e) of PITAA, 2011.*

HO₃: *Exclusion of claims for tax-free reliefs provided in S.33(4)(a)-(e) of PITAA, 2011 does not have any significant effect on tax burdens of individual taxpayers in Nigeria.*

From table 3, the F-value of the mean tax liabilities is 7.983 with a probability index of .007. Since this significant level is less than the set alpha level of 0.05, the null hypothesis (HO₂) is rejected and we conclude that tax liabilities of individual taxpayers are significantly affected by the exclusion of claims for tax-free reliefs provided in S.33(4)(a)-(e) of PITAA, 2011.

Similarly, the F-value of the mean tax burden is 75.453 (P = .000 < 0.05). Accordingly, we reject the null hypothesis (HO₃) and conclude that excluding tax-free reliefs provided in S.33(4)(a)-(e) of PITAA, 2011 has significant effect on the tax burden of individual taxpayers in Nigeria.

Consequently, not granting tax-free allowances provided in S.33(4) with the presumption that they are covered under CRA alters the tax liability and tax burden profile of taxpayers and this practice fails to consider and accommodate the domestic idiosyncrasies of taxpayers. Differences in domestic circumstances are key issues in addressing problems of tax inequalities, inequities, and imbalances in tax burdens among individual taxpayers in Nigeria. Besides, this practice amounts to repealing an existing legislation by implication, a complete departure from the general system of law as expressed in *Olanrewaju v Oyeyemi* (2001) and *NIDB v Fembo (Nig.) Ltd* (1997).

Conclusion and Recommendations

The paper confirms the existence of conflicts in the legal provisions for determining CRA under PITAA, 2011 and concludes that the definition of CRA in Paragraphs (1) and (3) of the 6th Schedule to PITAA, 2011 cannot override the plain and unambiguous words provided in S.33(1) of the Act. Evidence from this study has shown that the application of the two conflicting definitions resulted to significant differences in computed values for CRA. Again, presumptions for *exclusion* of tax-free allowances on the domestic circumstances of taxpayers tantamount to misconception of the clear letters of the Act, and any application of the presumption in practice is illegal and represents serious challenge in tax education in Nigeria. It is an established legal dictum that the repeal of a Section, Schedule, Table or Form in a Statute cannot be adduced or construed by implication, but must be expressly stated in the new statute. Consequently, claims of allowances for alimony, child, dependent relatives, life assurance premiums, and disabilities are still valid and grantable under S.33(4)(a)-(e) of PITAA, 2011. This becomes imperative as results from this study have shown that excluding these tax-free reliefs has significant effect on tax liabilities and tax burdens of individual taxpayers in Nigeria.

Recommendations

1. The definition for CRA under S.33(1) of PITAA, 2011 (ie. Higher of N200,000 and 1% of Gross Income, plus 20% of Gross Income) should be uniformly adopted by tax administrators in granting personal reliefs to individual taxpayers, and by tax instructors/educators in teaching taxation in all institutions of learning in Nigeria.
2. The conflicting definitions for CRA in Paragraphs (1) and (3) to the 6th Schedule should urgently be reviewed to synchronize and align the provisions of the Paragraphs (Schedule) with the provisions in S.33(1) of the Act.
3. Tax educators, administrators, practitioners, and taxpayers should no longer presume that CRA has covered claimable allowances for alimony, child, dependent relatives, life assurance premium, and disabled persons, but should treat them as valid under PITAA, 2011, since the reliefs were not (and cannot be presumed to have been) repealed by the Act.
4. The government, particularly the legislative arm, and government bodies/institutions with mandate to regulate and manage tax matters in Nigeria should initiate early processes for amending conflicting provisions in tax Statutes soon after amendments to existing laws are made public. It is hardly commendable that the Nigerian tax system has existed with these conflicts and misconceptions since 2011 when the amendment to the Principal Act was made without any visible efforts to correct the anomalies by the authorities/legislature. Timely response to

- defects in Statutes should be the hallmark of legislative activities in the area of taxation.
5. CITN, JTB, and professional accountancy bodies in Nigeria are requested to stimulate regular dialogues based on sponsored research works in critical areas of taxation. This will further help in identifying imbalances in tax statutes and other critical areas for greater efficiency in fiscal administration in Nigeria.
 6. Including Life Assurance Premium as one of the Tax Exempt Deductions in Paragraph (2) to the 6th Schedule amounts to duplication as the same relief has been provided for under S.33(4)(d) of the Act. The provision for this item in the Schedule cannot override that in the enacting Clause, and should accordingly be deleted by the Legislature.
 7. Spouse Maintenance Allowance should be introduced to function in the stead of the repealed Wife Allowance to provide a tax shield against the additional burden of maintaining a spouse. This new relief will be granted to either the wife or the husband to eschew the gender discriminatory nature of the repealed Wife allowance.
 8. Restriction of additional personal allowance for disabled taxpayers to persons on paid employment should be removed to accommodate self-employed persons with disabilities.

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Appendix 1:

Simulated Data of Gross Income and CRA of 30 Taxpayers

Gross Income	CRA = S.33(1): Higher of 200,000 & 1%(GI) + 20%(GI)	CRA = 6th Schedule, Para (1) & (3): 200,000 + 20%(GI)	Difference in CRA
18,000,000	3800000	3800000	0
19,500,000	4100000	4100000	0
<u>20,000,000</u>	<u>4200000</u>	<u>4200000</u>	<u>0</u>
22,600,000	4746000	4720000	26000
24,500,000	5145000	5100000	45000
25,000,000	5250000	5200000	50000
25,400,000	5334000	5280000	54000
27,000,000	5670000	5600000	70000
27,800,000	5838000	5760000	78000
28,500,000	5985000	5900000	85000
30,700,000	6447000	6340000	107000
32,000,000	6720000	6600000	120000
38,300,000	8043000	7860000	183000
41,050,000	8620500	8410000	210500
42,400,000	8904000	8680000	224000
45,700,000	9597000	9340000	257000
48,000,000	10080000	9800000	280000
52,500,000	11025000	10700000	325000
56,500,000	11865000	11500000	365000
59,000,000	12390000	12000000	390000
64,300,000	13503000	13060000	443000
65,700,000	13797000	13340000	457000
66,000,000	13860000	13400000	460000
71,600,000	15036000	14520000	516000
74,500,000	15645000	15100000	545000
75,000,000	15750000	15200000	550000
80,000,000	16800000	16200000	600000
120,000,000	25200000	24200000	1000000
250,000,000	52500000	50200000	2300000
325,000,000	68250000	65200000	3050000

Appendix 2:
Hypothetical Data of Income, Tax-free Reliefs and other Tax Variables of 21 Taxpayers

Gross income	Gross Emolument	Earned Income	CRA section	ACDAs	DPA	TTFRaor	TTFED	TInclu	TInclu	TInclu	TInclu	TTFExclu	TTFExclu	TTFExclu
5,500,000	6,600,000	8,000,000	3500000	14,300	1600000	5,114,300	18,228,600	10425700	2294168	13.9	15540000	3521600	21.34	
5,000,000	9,000,000	12,000,000	3200000	14,300	2400000	5,614,300	23,228,600	8045700	1722968	11.49	13660000	3070400	20.47	
4,120,000	5,600,000	9,800,000	3024000	14,300	1960000	4,998,300	19,796,600	8146700	1747208	12.37	13145000	2946800	20.87	
2,400,000	4,600,000	10,750,000	2680000	14,300	2150000	4,844,300	20,438,600	6608200	1377968	11.11	11452500	2540600	20.49	
5,450,000	7,050,000	9,440,000	3490000	14,300	1888000	5,392,300	20,224,600	9991950	2190068	13.31	15384250	3484220	21.18	
4,500,000	2,100,000	3,500,000	1100000	14,300	700000	1,814,300	7,128,600	2288200	341168	7.58	4102500	776600	17.26	
3,900,000	4,900,000	6,600,000	2980000	14,300	1320000	4,314,300	15,228,600	8823200	1909568	13.74	13137500	2945000	21.19	
9,600,000	9,900,000	10,500,000	4120000	14,300	2100000	6,234,300	22,968,600	12033200	2679968	13.67	18267500	4176200	21.31	
3,000,000	7,000,000	9,500,000	2800000	14,300	1900000	4,714,300	18,928,600	7220700	1524968	11.73	11935000	2656400	20.43	
5,000,000	8,000,000	10,000,000	3200000	14,300	2000000	5,214,300	20,428,600	8620700	1860968	12.41	13835000	3112400	20.75	
8,500,000	5,000,000	6,500,000	1900000	14,300	1300000	3,214,300	12,928,600	4520700	876968	10.32	7735000	1648400	19.39	
4,800,000	2,500,000	3,000,000	1160000	14,300	600000	1,774,300	6,548,600	2623200	421568	8.78	4397500	847400	17.65	
2,700,000	1,600,000	2,500,000	740000	14,300	500000	1,254,300	5,008,600	1135700	64568	2.39	2390000	365600	13.54	
4,520,000	5,600,000	9,800,000	3104000	14,300	1960000	5,078,300	19,956,600	8466700	1824008	12.56	13545000	3042800	20.96	
5,000,000	2,200,000	4,800,000	1400000	14,300	960000	2,374,300	9,548,600	3155700	549368	9.16	5530000	1119200	18.65	
2,300,000	1,600,000	1,900,000	660000	14,300	380000	1,054,300	4,008,600	965700	23768	1.03	2020000	276800	12.03	
4,500,000	2,100,000	3,500,000	1100000	14,300	700000	1,814,300	7,128,600	2288200	341168	7.58	4102500	776600	17.26	
8,500,000	5,000,000	6,500,000	1900000	14,300	1300000	3,214,300	12,928,600	4520700	876968	10.32	7735000	1648400	19.39	
5,000,000	9,000,000	12,000,000	3200000	14,300	2400000	5,614,300	23,228,600	8045700	1722968	11.49	13660000	3070400	20.47	
2,700,000	1,600,000	2,500,000	740000	14,300	500000	1,254,300	5,008,600	1135700	64568	2.39	2390000	365600	13.54	
3,450,000	7,050,000	9,440,000	2890000	14,300	1888000	4,792,300	19,024,600	7591950	1614068	12	12384250	2764220	20.55	

Source: Authors' Computation using Equations (1) to (8) based on hypothetical data of Gross Income, Gross Emolument, Earned Income.

**Appendix 3:
Descriptive Statistics of Taxable Income, Tax Liability and Tax Burden based on Inclusion or Exclusion of S.33(4) of PITAA, 2011**

Tax Variables	N	Minimum	Maximum	Mean	Std. Deviation
Consolidated Relief Allowance - S.33(1) of PITA, 2011	21	660000	4120000	2328000.00	1091419.443
Total Tax Free Reliefs including reliefs in S.33(4) of PITAM	21	1054300	6234300	3794966.67	1735303.585
Taxable Income <u>INCLUDING</u> Other Tax Free Reliefs in S.33(4) of PITAM	21	965700	12033200	6031152.38	3422634.682
Tax Liability <u>INCLUDING</u> Other Tax Free Reliefs in S.33(4) of PITAM	21	23768	2679968	1239476.57	821432.324
Tax Burden <u>INCLUDING</u> Other Tax Free Reliefs in S.33(4) of PITAM	21	1.03	13.90	9.9686	3.83787
Taxable Income <u>EXCLUDING</u> Other Tax Free Reliefs in S.33(4) of PITAM	21	2020000	18267500	9826119.05	5115820.351
Tax Liability <u>EXCLUDING</u> Other Tax Free Reliefs in S.33(4) of PITAM	21	276800	4176200	2150268.57	1227796.884
Tax Burden <u>EXCLUDING</u> Other Tax Free Reliefs in S.33(4) of PITAM	21	12.03	21.34	18.9872	2.81211
Valid N (listwise)	21				

Source: Authors' Computation based on data in Appendix 2.