CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Tax studies have become increasingly sophisticated especially during the past decade and have yielded conflicting results as regards the tax matter. Some studies focus on the cost and benefit of tax incentives while a few look at whether public funds could have been better spent or if tax incentives were economically justified. Tax studies offer little guidance to policy makers who are concerned about tax rates or tax offerings and the effectiveness of employing tax incentives as an economic and developmental tool.

The mode by which industrial development and economic growth can be effectively, efficiently, stimulated and developed is very demanding. As a result of this, the government charges less tax and gives tax holidays in order to encourage investments and economic activities in those areas which help to improve production capabilities, activate economic growth as well as the allocation of resources in a socially desirable manner.

Investors often emphasize on the relative importance of a good tax system in investment decisions compared with other considerations such as political and economic stability, availability of social infrastructure, security of the life and property and also the general cost of doing business and so on. To the prospective investor, the general feature of a tax system (tax base rate) is more important than the tax incentives in many developing countries. The tax laws are not clearly written and may be subject to frequent review which makes long-term planning difficult for businesses and add to the perceived risks of undertaking major capital intensive projects.

Taxation is a process or means through which communities or groups are made to contribute a part of their income for the sole purpose of societal administration while tax, is a compulsory levy levied on the people at a given place for the sole purpose of government revenue for government expenditure.

Tax incentive itself, is the use of government spending and tax policies to influence the level of national income. This measure encourages the springing up and gradual growth of new enterprises by the reduction of profit tax, which in turn encourages production, influences the production level and curbs unemployment. So, the government should provide such tax incentives in order to boost development which will bring about an increase in employment opportunities and also cause an improvement in the economy.

Amadiegwu (2008:74), a tax expert wrote that the objective of tax incentive is that by borrowing rather than taxing, the government has a better chance of expanding investment spending which is essential in enlarging production possibilities and attaining a sustainable improvement in the standard of living of the people.

Dotun and Sanni (2009:265), in their Nigerian companies taxation stated that these incentives can be targeted on the low income earners, local and developing industries, farmers, which will increase their savings and is necessary for higher investment. Tax incentives create employment opportunities for the people, helps to fight economic depression and inflation thereby increasing the equitable distribution of income and wealth.

A good economic development policy should contain the following elements.

a. GOALS AND OBJECTIVES

Goals and objectives create a context for accountability as regards the use of economic and developmental incentives. Common goals used in economic development include targeted economic sector growth, business retention and/or recruitment, geographic focus, job creation, light mitigation, improving on distressed areas and environmental improvements.

b. FINANCIAL INCENTIVES TOOLS AND LIMITATIONS

An economic development policy should define the type of incentives and the extent to which the government will use them. For example, the government may decide to grant an entitlement to any firm that meets the minimum required qualification or may choose to provide incentives based on the assessment of individual firms. Government may also establish maximum funding for a particular process.

c. EVALUATION PROCESS

A clearly defined evaluation process should be outlined in an economic development policy for the purpose of consultancy and transparency which include.

- How the purpose of the tax incentive measures up to establish development criteria.
- A cost benefit analysis
- An evaluation of a tax based impact both in terms of increase in taxable value.

Economic and industrial development incentives Act (2008) both financial and non-financial include a broad range of tools ranging from expected planning processes to direct or indirect funding. Government often use these incentives to pursue specific economic goals such as tax base diversification, job creation, business retention, and expansion that are usually set by the government which consists of both the federal, state and local practice. The use of financial incentives to benefit private parties introduces risk factors which are not generally present in other public financial management areas. For this reason, economic incentives must be based on a policy that establishes parameters for their appropriation in relation to the economic developmental goals of the government.

1.2 STATEMENT OF PROBLEM

Empirical studies have shown different views on tax incentives as a catalyst for economic growth and industrial development. A school of thought believes that a tax incentive encourages economic growth and industrial development while another believes that it reduces revenue accruable to the government. As a result of this, it does not stimulate the economy. The poverty alleviation programme aimed at reducing the rate of poverty among the masses, was introduced. This programme covered the provision of jobs for able and unemployed youths, provision of loans for small and medium scale enterprises at a minimum lending rate. With all these measures and policies taken so far, the economy has not shown any appreciable progress and Nigeria still remains one of the developing nations of the world. Given this gap, this study seeks to examine the nature of tax incentives that are extended to deserving companies and the interaction that exists between the tax incentives and the company.

Tax incentives as a catalyst for industrial development and economic growth in Nigeria using selected industries and firms in Portharcourt, Rivers state is that on which the basis are formed although, many advantages to tax incentives are that they are used for industrial development and economic growth. But, most tax experts, consultants, Individuals and economic analysts ignored or criticized the incentive for the following reasons:

1. That the impacts of the incentives are not effective in the economy.
2. That the exemption privilege not granted to al firms places some companies at a competitive advantage over others.
3. That the incentive granted are not adequate for developmental and industrial growth.
4. Most management of firms, companies and industries lack the awareness of the incentive.
5. The unwillingness of some companies and individuals to claim the incentive because they do not understand the role of such.

1.3 PURPOSE OF THE STUDY

Tax incentive is a strong fiscal measure or policy which can stimulate investment and savings leading to capital formation thereby enhancing industrial growth and economic development. This capital acquisition can be used positively in economic and industrial development of companies and could be of individual effective usage in self development. In deciding if these incentives can stimulate the companies and individuals to invest in the economy, one basic fact to be checked is if the company or industry concerned decided to go into business because of the incentive offered.

For this purpose, the researcher intends to examine the criteria for deserving tax incentives, unfold how the industries and firms have been responding to the provision of the incentives scheme, assess the implication of the tax incentives, ascertain how these incentives have been stimulating and motivating these bodies to establish industries and firms which will in turn create employment opportunities thereby stimulating industrial development and economic growth.

Furthermore, the researcher intends to examine how this scheme has helped existing industries and firms in expanding their areas of operation in Portharcourt, Rivers State.

RESEARCH QUESTIONS

1. Can these tax incentives attract foreign investors to Nigeria?
2. Are the existing tax incentives adequate for industrial development and economic growth?
3. Are these incentives claimable by companies?
4. Do these incentives stimulate individuals to establish new enterprises which will boost industrial development and economic growth?
5. Do these tax incentives induce the existing industries to pursue vigorous expansionary policies?

1.4 SIGNIFICANCE OF THE STUDY

Tax incentive scheme is an economic policy which exists among other competing alternatives. The scheme may be an inducement towards rightful investment and securing a proposal on private investors. This means that if the scheme achieves its aim of implementation, then, the benefits expected from these incentives should be able to justify the cost with the following results/benefits:

a. As a result of the creation of more industries and with the expansion of the existing ones, the standard of living of the populace will be positively affected.

b. Tax incentives will help the small scale industries to spring up and aid in the expansion of existing ones thereby improving the standard of living of the populace and its surrounding environs.

c. The tax incentive scheme leading to economic diversification will also result in increasing urban and rural development.

It is the intention of the researcher to look into ways and the extent to which the existing tax incentives are being used by the entrepreneurs, in setting up industries and establishments which aids industrial development and economic growth.

1.5 SCOPE OF THE STUDY

This study covers the tax incentives as a catalyst for industrial development and economic growth. The research study will be limited to the use of questionnaires and oral interviews when appropriate and to a review of related literature (review of relevant books and journals) that could provide an insight into the impact of tax incentives on industrial development and economic growth. Data collection will be restricted to four industries and firms in Port Harcourt, Rivers State which are Nest Oil Ltd, Abuloma, Paboard Breweries Nigeria Ltd, Rumumasi, Amsale Engineering

Ltd, Trans-Amadi, and Hallmark Mills Ltd Rumu-Kwurushi all in Portharcourt, Rivers State.

1.6 LIMITATION OF THE STUDY

The constraints of this study may be attributed to:

1. Inherent limitations of the analytical method of gathering information such as the un-cooperative attitude of the respondents.
2. Irrelevant or unreliable information obtained from oral interviews. This is based on the degree of the respondent’s truthfulness in answering the question’s raised during oral interviews. Some of the respondents thought that the research work is meant to expose their company and thus, were not ready to give relevant information.
3. The writer was also faced with time constraint which involved appropriating her time between writing the project work and performing her academic function as well as meeting her social needs.
4. Also encountered was the problem of getting an exact from the school authorities for the purpose of the research work.

1.7 HYPOTHESIS FORMULATED

Three hypothesis were formulated as shown below:

HYPOTHESIS ONE

H_o: Industries that benefit from tax incentives do not develop better than industries that do not benefit from tax incentives.

H_i: Industries that benefit from tax incentives develop better than industries that do not benefit from tax incentives.

HYPOTHESIS TWO

H_o: The tax incentives granted by the government to industries and firms is not considered as an economic booster.

H_i: The tax incentives granted by the government to industries and firms is considered as an economic booster.

HYPOTHESIS THREE

H_o: Tax incentives cannot be used to off-set other disadvantage that investors may face.

H_i: Tax incentives may be used to off-set other disadvantage that investors may face.

1.8 DEFINITION OF TERMS

1. **INCENTIVE-** An incentive is a form of tax relief, inform of a reduction in or an exemption from the tax which someone, a firm, or an industry would normally be liable.

2. **TAX INCENTIVES-**These are reliefs granted to tax payers or industries in form of an off-set from the total profit before tax liability is determined. In case of industries and firms, tax incentives are given inform of tax holidays which is established by the legislative authorities on such payment of taxes.

3. **DISPOSABLE INCOME-** This is the personal income available for consumer spending, savings, and investment consisting of all incomes less taxes and other payments to the government.

4. **INITIAL ALLOWNACE-** Initial allowance is defined as an allowance granted to companies who have incurred a qualifying capital expenditure during the basis period for a year of assessment in which the asset was first put into use for the purpose of the companies trade or business.

5. **ANNUAL ALLOWANCE-** This is provided/ granted to companies who have incurred a qualifying capital expenditure during every year of assessment in which the asset is in use at the end of the basis period

whether or not the initial allowance has been granted. It is granted each year of assessment in respect of any asset used wholly, exclusively, necessarily and reasonably till the end of the accounting year for the purpose of the trade.

6. **CAPITAL ALLOWANCE-** This is granted by the act on a qualifying capital expenditure incurred wholly, exclusively, for the purpose of trade or business.

7. **INVESTMENT ALLOWANCE-** Investment allowance is given as a tax incentive to a certain category of companies for incurring some qualifying capital expenditure on plant and equipment used for the business at the rate of 10% on cost.

8. **EXPORT PROCESSING ZONE ALLOWNACE-** This is granted to a company that has incurred expenditure on a qualified building, plant and equipment in an approved manufacturing activity in an export processing zone to a tone of 10% of it's capital allowance in any year of assessment.

9. **RURAL INVESTMENT ALLOWANCE-** This is granted to all capital expenditures incurred by companies established in rural areas in respect of providing a lacking infrastructural facility.

10. TAX OFF-SET- Section (17) of the act provides that custom duties on essential plants, royalties on domestic sale of crude oil and investment tax credit should be deducted in full before arriving at the chargeable tax to be paid by such company.

11. ROLL-OVER RELIEF- According to section (31) (CGT Cap C1, LFN, 2008, a roll-over relief arises where the proceeds from the disposal of an asset is re-invested into the acquisition of a new asset which is of the same class with the old asset disposed. It is also granted to the owner or disposer of an asset which is destroyed or lost.

12. LOSS RELIEF- A company under this Act may be elected to defer the set-off or loss incurred to another period.

13. EXPLORATION INCENTIVE- These are incentives granted to all expenditures which are wholly exclusively, necessarily and reasonably incurred for the purpose of petroleum operations.

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CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 INTRODUCTION

Many financial analyst, accountants, economist and academicians have talked about the various types of tax incentives scheme in existence which are usually based on the comparisim of the various standard for qualifying one as a beneficiary of the incentive.

In Nigeria, the benefit of the incentive development income tax relief Act of 1971 as amended to date, granted a period of up to five years relief period concession which is to attract and support the establishment of big industries. Again, import duties concession typically have a significant effect in their mission of duties, construction materials, machinery and equipment, and also to reduce the fixed cost of a new business and then place the enterprise on a more competitive advantage. To consider the chances of the scheme, there is usually an assessment of the adequacy of legislation and also a suitability of the administration. The costs of these incentives are determined by analyzing the opportunity cost of the foregone alternative.

2.1 CRITICISM OF THE TAX INCENTIVES SCHEME

The use of tax incentives to increase investment in developing countries in order to boost industrial development and economic growth has brought criticism among tax experts, consultants and economic analysts despite the fact that the government of these developing countries saw the policy as useful. In consideration, some areas of disagreement are stated below.

Regan (2008:19), on his contribution on why the state government generates less revenue said that "The exemption of low income earners from tax payment deplete the government purse."

Okafor (2007:68), an economist, on the inducement effect of tax incentives argued that "investment responds to a multiplicity of factors of which tax incentive only pay a less marginal significance. He also argued that removing the hindrance of investment rather than including investment through tax concession policy is the best option.

Aroh (2008:21), an accountant, said that "irrespective of the incentive given or offered to businessmen, the business environment is a great factor of consideration to them because they are not ready to do business where the environment is not orderly." He further stated that there is certain problem that exists in the proportion of treatment to be given to different types of business within an industry particularly between the new and growing/existing firms. The variation among firms in this respect tends to be a problem if the exemption privilege is not granted to all firms in an industry as some companies will be placed at a competitive advantage and some on a competitive disadvantage over others.

On the other hand, if tax concessions are extended to all firms, there is a tendency that the programme will degenerate into a general scheme instead of a method of encouraging new and growing investments. It is recognized that tax incentives has a legitimate place in an overall development program for the purpose of inducing resources into more desired areas of the economy.

Regan (2008:105), in a survey of fifty-five Jamaican firms concluded that there is no economic justification for having granted tax concession to most of the firms under the pioneer industrial law in Jamaica. Only two of the fifty-five industries interviewed mentioned tax incentives as an important factor of influencing investment in Jamaica.

Okafor (2009:1196), an analyst, on his own part cautioned that tax concession is a costly device and must be used with absolute care and diligence. The government of developing countries may be indirectly acknowledging their inability to collect tax effectively given the high evasion rate through generous use of tax incentives for private, domestic and foreign investment. It is also important to note that the incentive scheme provide a kind of atmosphere in which so many developing countries compete among themselves to attract foreign investors in their countries. The more incentive a country is able to offer the more potential investor it is able to attract.

2.2 ARGUMENT FOR TAX INCENTIVES

An Incentive is something that encourages you to do something. Hence, tax incentive is a generic term for all measures adopted by the government to deliberately manipulate the tax system to the advantage of the potential tax payer. Tax incentive is also a deliberate reduction or the total elimination of tax liability granted by the government in order to encourage a particular economic unit to act in some desirable manner which may be to invest more, produce more, generate employment, export more, sell more, import less and consume less.

Holland and Van (2006:986), maintained that many developing and transitional countries of the world offer tax incentives for investment purposes which are not often for direct investors. This relates to real investment and productive activities rather than investment in financial assets which are often directed at foreign investors on the ground that there is sufficient domestic capital for the desired level of economic development and that international investment brings with it modern technology and management techniques.

Kwewuni (2008:4-8), argued that tax incentives by their nature represent the revenue cost of the government and may be a drain on the revenue of the government if not well focused. This is because, the government would have deprived itself of the revenue that would have been generated. With this background, the government introduced a low tax regime which would help to develop priority sectors of the economy like agriculture, pioneer companies, export processing zone, petroleum industries, hoteliers and solid minerals.

Most tax experts agree that tax incentives are necessary in all circumstance as a stimulant for economic growth and industrial development despite its criticism.

Ola (2007:19), on the exemption of low paid workers from tax deplete the government purse wrote that the federal government had in 1998 budget exempted workers whose earnings was between N30,000 and below from tax deductions and by so doing, enhancing the purchasing power of the working class.

Okafor (2009:16), contributed in a seminar organized by the institute of chartered Accountants of Nigeria (ICAN) on the current issue of taxation contended that the nations economy can be healthy through generous tax incentives to incorporate the tax payers to invest scarce resources into valuable prospects, the profitability of which may not likely materialise until after about three (3) to five (5) years time. In his 2008 budget review, he noted that incentives will not only generate employment but will also motivate self employed persons to incorporate limited liability companies.

2.3 THE IMPACT OF TAX INCENTIVES

Many advantages are accruable to tax incentives as listed below.

1. It directs investment and developmental activities which improves the standard of living of the populace.
2. Tax incentives leading to diversification, increases urban and rural development.
3. Tax incentives stimulate and motivate companies, individuals and business firms to establish industries leading to industrial development.
4. It is a strong fiscal measure/policy which raises investment funds and can in turn bring about industrial growth and economic development.

5. Tax incentives attract investors to a given environment and with the presence of these potential investors, investments are made into the economy of the given environment thereby causing developmental changes leading to industrial and economic growth.

Taxation has been used to encourage savings, investment, and redistribute income. Also, priority sectors like export processing zone, (EPZ), solid minerals oil and gas has been encouraged. The manufacturing sectors have also received the right doze of tax incentives. Government also uses taxation to stimulate the economy by using tax policies to influence the purchasing power and production cost. Countries have introduced incentives for different reasons. In some cases, the incentives may be seen as a counter weight to the investment dis-incentives inherent to the general tax system. Holland and Van (2006:986).

Below are some considerations given to the relevant tax authorities/legislations that provide these incentives to companies, corporations and individuals.

1. Petroleum Profit Tax Act, 2004.
2. Capital Allowance , 2004.
3. Companies income Tax Act, 2007.
4. Industrial Development Income Tax Act, 2004.

5. Other Incentives in Nigeria CAP C 21, LFN, 2004.

2.4 PETROLEUM PROFIT TAX ACT 2004

The Petroleum Profit Tax Act cap p.13,LFN, 2004 as amended is an Act applicable only to companies engaged in petroleum operations and affects chargeable oil.

As defined by the act, petroleum is any mineral oil or relative hydrocarbon and natural gas, existing in it's normal or natural form/condition in Nigeria, but does not include liquefied gas, natural gas, coal or other stratified deposits from which oil can be extracted by destructive distillation petroleum operation means, the running and transportation of petroleum or chargeable oil in Nigeria by or on behalf of a company for its own account by drilling, mining, extraction or other like operations except refining at the refinery in the course of a business carried on by the company involved such as banks or companies manufacturing goods for export. Some incentives under this Act are;

- Personal Relief Act.
- Exploration incentives.
- Investment Tax Credit.
- Incentives for utilization.

- Petroleum capital and investment Allowance.
- Petroleum Annual Allowance.

These incentives came into effect from 1st April 1980 in the current budget package. All mass transport/transit firms with a fleet of not less than three buses are to benefit from an additional five percent (5%) initial capital allowance, firms in Agro-Allied Industries have been given an investment allowance of 10% on qualified expenditure on agricultural plants and machinery.

PERSONAL RELIEF ACT: These are relief acts available to tax payers and all operations incidental there to any sale or disposal of chargeable oil by or on behalf of a company. There are so many tax incentives granted to companies engaged in petroleum operations which to a large extent, form a basis for stimulating industrial and economic development. These incentives are as follows:

a. Loss relief.

b. Tax offsets.

c. Investment tax credit.

d. Annual allowance.

EXPLORATION INCENTIVES: These are incentives granted on all expenditures which are exclusively necessary and reasonably incurred for the purpose of petroleum operations and are considered for that period. These are incentives given an all operations carried out for the sole purpose of petroleum operations and drilling costs. Intangible drilling costs as explained in the act are expenditures which are for or incidental to drilling, clearing and completing of wells. These expenses incurred are in respect of:

a. Exploring and determining the geological and geophysical studies which are carried out to identify areas that may contain petroleum reserves.

b. Evasion of rigs, tankage assembling, installing of pipelines, other plants and equipments required in the preparation of drilling wells producing petroleum.

Investment tax credit is similar to the initial allowance in the sense that it is granted once during the life time of the asset. Under this provision, all capitalized expenditure made on or after the effective date (1st April, 1977) got incentives on capital investment tax credit in the year of expenditure. Such expenditures are as follows:

- Qualifying expenditure in respect of on-shore operations.
- Qualifying expenditure in respect of off-shore operations.

Prior to the 1999 tax year, it was called the investment tax credit which is granted in the year the relevant asset was first put to use. It availability is as follows:

a. Operations in territorial waters and continental shelf areas up to and including 100 meters of water depth is 70%.

b. Operations in territorial waters and continental shelf areas in water depth between 100 meters and 200 meters is 15%.

c. Operations in territorial waters and continental shelf area beyond 200 meters of water depth is 20%.

But the investment tax credit of the 1959 act which granted a tax off-set has now been changed to the petroleum investment allowance and no longer tax off- set but as an addition to annual allowance.

A new investment tax credit has now been introduced with a new section 20 of the Act which affects companies operating, producing and sharing contracts (PSC) with either the Nigerian National Petroleum Company (NNPC) or with the Federal Government of Nigeria (FGN).

The investment tax credit rate applicable to the contract areas shall be fifty percent (50%) flat rate of chargeable profits for the duration of the production sharing contract. petroleum companies that entered into such production contract with the federal government or the NNPC are permitted to claim investment tax credit allowance as a tax offset.

INCENTIVES FOR THE UTILIZATION OF ASSOCIATED AND NON- ASSIOCIATED GAS.

Section II of PPTA cap p.13, LFN, 2004 provides incentives for the utilization of associated gas. This is a special concession designed to encourage the productive disposal of associated gas and the development of gas wells. Subsection (1) provides:

a. Investment required to separate oil (crude) and gas from the reservoir into usable products shall be considered as part of the oil field development.

b. Capital investment on facilities and equipment to deliver associated gas in a usable form at utilization or designated custody transfer points shall be treated for tax purposes as part of the capital investment for oil purposes.

c. Capital allowances, operating expenses and the basis of tax assessment shall be subject to the provisions of PPTA and tax incentives under the revised memorandum of understanding.

The above incentives are subject to the following conditions stipulated in sub-section (2) viz:

i. Condensates extracted and re-injected into the crude oil stream shall be treated as oil. But, those not re-injected shall be treated under existing tax arrangement.

ii. The company shall pay the minimum amount charged by the minister of petroleum resources for any gas flared by the company.

iii. The company shall where practicable keep the expenses incurred in the utilization of associated gas separate from those incurred on crude operations and only expenses not able to be separated shall be allowable against crude oil income of the company under PTA.

iv. Expenses identified and incurred exclusively in the utilization of associated gas shall be regarded as gas expenses and be allowable against the gas income and profit arising there from is to be taxed under CITA.

v. Only companies which invest in natural gas liquid extraction, facilities to supply gas in usable form to downstream projects including aluminum smelter and methanol, methyl, butyl, either or other associated utilization projects shall benefit from the incentives.

vi. All capital investment related to the gas-to-liquids facilities shall be treated as chargeable capital allowances and recovered against the crude oil income.

vii. Gas transferred from natural Gas liquid facility to the gas-to-liquid facilities shall be at zero percent (0%) tax and Zero percent (0%) royalty

Section 12 of PPTA Cap p.13, LFN, 2004, States that all incentives granted in respect of investments in associated gas shall be applicable to investments in on-associated gas.

PETROLEUM CAPITAL ALLOWANCE

Section 20 provides that an allowance in lieu of depreciation be granted on a qualifying capital expenditure incurred by a petroleum company for the purposes of its operations in an accounting period. The qualifying capital expenditure is those expenditures incurred during the accounting period and they include:

i. Qualifying plant expenditure – expenditure incurred on plant, machinery, fixtures etc.

ii. Qualifying building expenditure- expenditure on the construction buildings, structures, or works of permanent nature.

iii. Qualifying Drilling Expenditure- Expenditure incurred in connection with or with a view to petroleum operations on:

   a. The acquisition of or of rights in or over petroleum deposits.
   b. Searching for or discovering and testing petroleum deposits or winning access thereto; or
   c. The construction of any structure which are likely to be of little or no value when the petroleum operations for which they were constructed ceased to be carried on.

iv. Qualifying pipeline and storage expenditure on pipeline and storage tanks.

PETROLEUM INVESTMENT ALLOWANCE

Paragraph 5(2) of the second schedule of PPTA stipulates that the petroleum investment allowance (P.I.A) calculated shall be added to the Annual Allowance computed to arrive at the total capital allowance in the relevant year of assessment subject however to any limitation provided for in PPTA. Its rate of computation is specified in table I of the second schedule of PPTA Cap p.13, LFN, 2004 as follows:

QUALIFYING EXPENDITURE IN RESPECT OF	RATE %
i. On shore operations	5%

ii.	Operations in territorial waters and continental shelf areas up to and including 100meters of water depth.	10%
iii.	Operations in territorial waters and continental shelf areas between 100 and 200 meters of water depth.	15%
iv.	Operations in territorial waters and continental shelf areas beyond 200 meters of water depths.	20%

PETROLEUM ANNUAL ALLOWANCE PARAGRAPH 6

SECOND SCHEDULE OF PPTA

With effect from 1st April 1977, annual allowance was granted in respect of all qualifying capital expenditure incurred and in use for petroleum operations by a company annually at a flat rate of 20% but subject to the retention in the books of 10% of the initial cost of each asset as residual value pending disposal. The rate as specified in table II of the second schedule of PPTA is shown below.

TABLE II- ANNUAL ALLOWANCE PARAGRAPH 6	RATE %
First year	20
Second year	20
Third year	20

Fourth year	20
Fifth year	19

THE IMPACT OF TAX INCENTIVES ON PETROLEUM COMPANIES

a. Through the incentive granted by the government more funds for capacity building are made available to the oil companies and investors.

b. These incentives encourage foreign investors who come and invest in the petroleum sector thereby increasing income for the government through taxes.

c. Social responsibilities such as the building of roads, provision of amenities, scholarships and grants are met sometimes from funds generated through the incentives thereby leading to economic development.

d. Tax incentives on petroleum operations has also boosted the employment of indigenous staff by the oil companies thereby having a positive effect on job creation in the economy.

e. Due to these incentives, both locals who have limited funds to venture into the petroleum business are now in one way or the other involved in it through capital formation gotten from savings.

f. The presence of these foreign investors increases the foreign exchange in the country, through their investments social amenities are provided thereby attracting other industries to be cited in such an area and when this occur, industrial growth is influenced and economic growth is guaranteed.

2.5 CAPITAL ALLOWANCE

The second schedule of CITA, Cap C p.21 LFN 2004 as amended, defined capital allowance as an allowance granted on a qualifying capital expenditure incurred during a year of assessment.

They are those allowances claimable by the tax payers and business organizations in respect of capital assets which they use in their business, trade, vocation or profession, in earning their income which has suffered diminishing values during an accounting period.

Again, this allowance has been described as a repayment of the cost of assets by the government to the traders in order to encourage automation in industries with a resultant decrease in the taxes paid by these asset owners. The higher the rate of capital allowance, the lower the tax rate.

On calculation of depreciation, subjective companies may arbitrarily choose one of the many methods for calculating depreciation each of which will affect the ultimate taxable profit.

CONDITIONS FOR GRANTING CAPITAL ALLOWNACE

The following conditions must be fulfilled for capital allowance to be granted to any claimant.

a. The ownership of the asset must not be in dispute or in doubt.

b. A claim in writing must be made to the relevant tax authority.

c. The asset representing such expenditure must be in use at the end of the period (basis) for the year of assessment.

d. The asset must be used for the purpose of the business. Any private use element must be prorated accordingly.

e. In practice, the relevant tax authority will require a certificate of acceptance issued by the industrial inspectorate division of the Federal Ministry of Mines and Industry for all expenditure in any year in excess of ₦50,000 with effect from the 1995 tax year. This is above ₦20,000 that it use to be. These are all dealt with by the federal Board of Inland Revenue (FBIR), are deemed to be resident in the Federal

Capital Territory of Abuja irrespective of their location and are liable to pay the tax.

TYPES OF CAPITAL ALLOWANCE

- Initial Allowance
- Annual Allowance
- Investment Allowance
- Export processing zone allowance
- Rural investment allowance
- Balancing allowance or charge.

a. INITIAL ALLOWANCE (IA)

This is an allowance which is granted to companies that have incurred a qualifying capital expenditure during the basis period for a year of assessment in which the asset was first put into use for the purpose of the companies trade or business. This is an allowance that gives immediate relief. It is not affect by the period of ownership nor the length of the basis period. This allowance is given if claimed in writing by the tax payer for the assessment based on the accounting period in which the qualified expenditure was incurred and the asset first used wholly or exclusively for the purpose of trade or business. Where the asset is used for both domestic and business purposes, the allowance is apportioned accordingly. It is arrived at by applying the rate of initial allowance on the cost of the asset.

b. ANNUAL ALLOWANCE (AA) This is an allowance granted to companies which have incurred a qualifying capital expenditure during every year of assessment that the asset is in use and at the end of the basis period whether or not the initial allowance has been granted. The annual allowance must be proportionately reduced if the length of the basis period to which it refers is less than one year and it is not however affected by the length of stay or use of the asset within the basis period.

In page two paragraph six of the Act, the tabulated rate of annual allowance applies as follow:

YEAR	RATE (%)
1st	20
2nd	20
3rd	20
4th	20
5th	20
6th	20

Though the Act extends the period to the 6th year, a fair observation may be made at the end of the 5th year and the cost of such asset would have been amortized in full leaving only one percent (1%) book retention.

Incentives provided for in the 1999 budget increased industrial and economic activities thereby increasing employment opportunities and export. In addition, a preferential tax rate of 20% for three (3) years was granted to small and medium scale enterprises with a turnover of N500,000 and below. Also, those engaged in either manufacturing, agriculture, production, or mining of solid minerals benefited from the allowance.

c. INVESTMENT ALLOWANCE (IA)

This is an allowance given as a tax incentive to certain category of companies for incurring some qualifying capital expenditure which is granted in addition to the annual allowance. It is given once in a year for first use of the asset by the company but it is not taken into account when determining the tax written down value of the asset.

In order to promote and encourage investments in the productive industry, the 1990 finance and miscellaneous Decree provides for 10% on qualifying expenditure incurred on a new production machinery and any company engaged in agricultural production that incurres a capital expenditure on new plant and equipment enjoys an additional allowance known as the investment allowance. Such allowance is given to companies which have incurred qualifying capital expenditure as follows:

i. Expenditure for the replacement of assets of companies destroyed during the period of the civil war from 16th July 1967 to 15th July 1970. The allowance is given at the rate of 25% on cost (now repealed)

ii. Expenditure for the acquisition of plant and equipment used in agricultural production and manufacturing by companies engaged in such trade. The rate of the allowance is at 10% with effect from 1st April, 1978 till date.

iii. The principal commercial banks which have been directed to establish a total of 184 branches throughout the country within 3 years were granted a special allowance of 20% with effect from 1st April 1980 (now repealed)

d. EXPORT PROCESSING ZONE ALLOWANCE (E.P.Z.A)

A company that has incurred expenditure in its qualifying building, plant and equipment in an approved manufacturing activity in an export processing zone shall be granted 100% capital allowance in any year of assessment. Such a company shall not be entitled to an investment allowance.

e. RURAL INVESTMENT ALLOWANCE

Rural investment allowance was introduced in 1992 for all capital expenditures incurred by companies established in rural areas in respect of providing lacking infrastructural facilities such as electricity, water supply and tarred road or communications for at least 20 kilometers away from facilities provided for by the government. The rate of rural investment allowance as provided in section 34(2) of CITA 2009 were as follows:

Areas where there are no facilities at all	100%
No Electricity	50%
No Water	30%
No tarred road	15%
No telephone	5%

It is granted once against the profits of the year in which the date of completion of such investment falls. It is claimable on the cost of providing the facilities. Companies who claim the rural investment allowance cannot claim investment allowance in the same year. Although, the lack of communication which claimed 5% was eliminated in the CITA (amendment) Act of 2007 probably because of the availability of GSM mobile phone.

f. BALANCING CHARGE OR ALLOWANCE

Where a qualifying asset which has been wholly and exclusively used in the business and capital allowances has been claimed thereon is disposed off, a balancing allowance or charge may result. If the disposal or sales value is greater than the written down value (WDV) of the asset on the day of the transaction, a balancing allowance is said to have occurred. Therefore, the balancing allowance or charge represents the final adjustment in the life of an asset in a particular trade or business. This adjustment is to ensure that the cost of the asset to the claimant less any proceed from sale and no more than this is allowed over the period of use of such asset in generating income for tax purposes.

There have been modifications from expenditures that qualify for capital allowance with recent amendment of the Act.

1. Capital expenditure (qualifying plant expenditure on plant, machinery and fixture).
2. Qualifying building expenditure incurred in the construction of a building structure or works of a permanent nature.
3. Qualifying mining expenditure incurred in connection with or in preparation for the working of a mine, oil well or other source of mineral deposits of a washing nature.
4. Qualifying plantation expenditure incurred in connection with a plantation on
   - i. The clearing of land for planting.
   - ii. Planting other than re-planting.
5. Qualifying industrial building or structure expenditure i.e. any expenditure incurred on the following types of structure on regular use/used.

i. As a mill, factory, mechanical workshop, or other similar building or as a structure used in connection with any such buildings.

ii. As a dock, port, wharf, jetty, or other similar building structure.

iii. For the operation of a railway for public consumption and for the running of a plantation or the working of a mine or other source of mineral deposit of a washing nature.

ROLL OVER RELIEF

The capital Gains Act grants a roll over relief to a disposer or loss provided that the capital sum received is applied within three (3) years to purchase another asset in order to replace the loss or destroyed one. Section 19 of the capital gains Act allows the owner or disposer to claim that at-

a. The consideration to be treated as though neither a loss or gain accrues on the disposal of the asset.

b. The consideration for the new asset be reduced by the excess of consideration received on the old asset.

LOSS RELIEF FOR INDIVIDUALS

Individuals in business are by the provision of the income tax management act entitled to relief their losses using two methods which are:

- The current year method.
- The carrying forward loss relief method.

a. THE CURRENT YEAR METHOD

i. In this, losses are treated on actual year basis

ii. The current year loss can be set-off or relieved against income from other sources derived by the individual in that relevant year of assessment.

b. THE CARRY FORWARD LOSS RELIEF METHOD

In this method, losses are treated on a preceding year basis. Losses for the accounting year ended 31/12/2011 will be reckoned as loss for the 2012 year of assessment. Therefore,

i. Any part of the current year loss not fully relieved would qualify for this relief.

ii. This method would be applied if no claim has been made for the current year loss.

iii. Very importantly, when losses are carried forward, the loss can only be relieved for the same source from which loss was originally incurred.

iv. Losses may be carried forward for a maximum period of four years. Tax-off-set section 17 of 1995 Act provides that the following shall be deducted from the assessable tax to arrive at the chargeable tax to be paid by such a company.

a. Royalties in respect of chargeable oil well and locally disposed off during that period to the extent those royalties are not deductible under section 10(1) (c) of the act in computing the adjusted profit of the company.

b. Non-productive rent expenditure.

c. Investment tax credit on qualifying expenditure.

d. Custom or excise duty of like charges levied in respect of items essential for use in the company's petroleum operations.

Moreover, there is a special relief on companies into oil production on or after the effective date. Such companies should pay tax at 65% ,75% until their pre-production cost are fully amortized less the 1% residual book retention.

LOSS RELIEF

This is one of the incentives available to business that have experienced dwindling fortune. The ultimate effect of loss relief is that when utilized, the taxable profit of the company is immensely reduced. A company under this Act may elect to defer the set-off-or a loss incurred to another accounting period. This election must be in writing and must be made within five (5) months after the end of any accounting period in which the loss should have been set-off. The board may in writing extend the period for making the elections.

THE IMPACT OF TAX INCENTIVES THROUGH CAPITAL ALLOWANCE

a. Through capital allowance, there is a repayment of the cost of assets by the government to the traders/business men which has encouraged automation in industries through the resultant decrease in the taxes paid by these assets owners and has in turn brought about industrial development through the increase of plant and machinery acquisition and the establishment of new factories/industries.

c. Through the initial allowance, an immediate relief is granted in the first year the asset is put into use. By so doing, has encouraged industrialists to go ahead and purchase assets and invest more in the industrial sector. Also it has encouraged intending investors to invest in the sector thereby keeping industrial development on the rise and economic growth on a boost.

d. Also, with the investment allowance, investment in the productive industry is encouraged and promoted. With this enhancement, industrial development and economic growth has been on a steady rise.

e. Again with the rural investment allowance, companies are encouraged to go into the rural areas to establish their industries. The movement of these industries to the rural areas has brought social amenities to such areas thereby leading to urban and rural development and contributing positively to industrial growth and economic development.

2.6 COMPANIES INCOME TAX (CITA 2007)

The Companies Income Tax (Amendment) Act No. 11 of 2007 defines company tax as a levy imposed by the federal government on the chargeable incomes generated by companies during the year of assessment. There are various tax incentives available to companies provided by section 20 of the act. This section allows corporate tax payers to deduct all expenses wholly, exclusively necessarily and reasonably to the tax. such expenses include interest on money borrowed and employed as capital in acquiring profit, repair of premises, plant, bad debts, contribution to pension fund and other incentives available for a tax payer.

THE IMPACT OF TAX INCENTIVES THROUGH COMPANIES INCOME TAX.

This income tax allows the company to save and have funds for re-investment after incurring costs/expenses. By so doing, industrial development has been influenced positively leading to economic growth.

2.7 INDUSTRIAL DEVELOPMENT INCOME TAX ACT 2004.

This act was founded on the need to attract and sustain industries where:-

a. Industries do not exist at all.
b. The scale of operations of an industry is less than what is suitable for the economic requirement of the country.
c. There are favourable prospects for further development of an industry.

This act was imposed as such but provided an incentive by way of exemption from tax on all companies that might be accorded a pioneer status, granted to manufacture certain products which are considered important in terms of being the first in the country or for the same important technology.

Section 16 of this legislation grants an initial allowance of three (3) years full exemption on companies provided that the company provides a pioneer product and has before or on the production day incurred a qualifying capital expenditure in excess of N50,000 in respect of any other company. While enjoying holidays, pioneer companies are not allowed to carry on any trade or business which is not within the provision of the pioneer certificate issued to it. But, if such is done any profit made thereby is subject to relief and subject to tax in full. If the pioneer company produces items which are not covered by it's certificate, the profits from the sale of these items are liable to tax in the normal way.

Tax relief period may however be extended to a maximum period of five (5) years on application which must not be later than one month after the expiration of the initial relief period of three (3) years. The extension of relief period is granted if the council is satisfied to.

a. The rate of expansion, standard of efficiency, and the level of development of the company.

b. The implementation of the scheme for:

i. The utilization of local raw materials in the process of the company and

ii. The training and development of Nigerian personnel in the relevant field or industry.

c. The relative importance of the industry in the economy and in industrial development and economic growth.

THE IMPACT OF TAX INCENTIVES AS REGARDS THE INDUSTRIAL DEVELOPMENT INCOME TAX ACT

This act has given strength to new/upcoming/pioneer industries by removing the fear of heavy taxation of income. By so doing, this has brought about an increase in the number of new industries springing up everywhere and through this, industrial development has been achieved thereby leading to economic growth.

2.8 OTHER TAX INCENTIVES IN NIGERIA –CAP C 21, LFN, 2004

Some tax incentives available in the Nigerian tax system are x-rayed below:

1a. TAX RELIEF TO EXPORT ORIENTED ENTERPRISES -section 35

The profit or gains of 100% of export oriented undertaking established within and outside an export free zone shall be exempted from company income tax for three consecutive assessment years provided that:

i. The undertaking is 100% export oriented.

ii. The undertaking is not formed by splitting or breaking up or reconstructing a business already in existence.

iii. It manufactures, produces and exports during the relevant years, and proceeds from goods exported during the year is not less than 75% of its turnover for the year.

iv. The undertaking is not formed by the transfer of machinery or plant previously used for any purpose to the new undertaking or here, the machinery or plant is transferred and the written down value does not exceed 25% of the total value of the plant and machinery.

v. That the undertaking repatriates at least 75% of the export earnings to Nigeria and places it in a domiciliary account in any bank in Nigeria.

vi. The undertaken qualifying expenditure on building and plant equipment shall attract 100% capital allowance in any year of assessment the expenditure is incurred.

b. **TAX INCENTIVE ON SOLD MINERALS-section 36**

Companies engaged in mining of solid minerals are entitled to claim initial and annual allowances as below.

Initial allowance	95%
Annual allowance	Nil

A new company going into the mining of solid minerals shall be exempted from tax for the first three years of its operation.

c. TAX INCENTIVE FOR THE REPLACEMENT OF INDUSTIRAL PLANT AND MACHINES (second schedule)

Small manufacturing companies are those with less than N1m turnovers.

i. They are to pay income tax at 20% for the first 5 years of commencing business.

ii. Dividends from small manufacturing companies are exempted from tax for the first 5 years of business operations.

iii. No tax is payable on interest charged by banks for manufacturing export goods.

iv. Dividend derived from manufacturing companies in the petro-chemical and liquefied natural gas sub-sectors are tax exempted.

v. There are no restrictions on capital allowances claimable by manufacturing companies.

2. **TAX INCENTIVES TO COMPANIES ENGAGED IN EXPORT TRADE SECTION 19(q) and (r)**

With effect from January 1, 1996:-

i. The profits of any Nigerian company in respect of goods exported from Nigeria, of which the proceeds from such exports are repatriated to Nigeria and/or used exclusively for the purchase of raw materials, plant and equipment and spare parts are exempted from tax.

ii. The profit of companies whose products are used exclusively as inputs for the manufacturing of products for export is tax exempted. For this purpose, the exporter must give a certificate of purchase of input of exportable goods to the seller before the profit can be eligible for tax exemption.

3. TAX INCENTIVES FOR THE GAS INDUSTRY SECTION 39.

According to section 39 of the CITA (Amendment) Act No. 11 of 2007, a company engaged in gas utilization (downstream operations) shall be granted the following incentives, that is:-

a. An initial tax free period of three years which may be subject to the satisfactory performance of the business and can be renewed for an additional period of two years.

b. As an alternative to the initial tax free period, granted under paragraph (a) of this subsection, an additional investment allowance of 35% which shall not reduce the value of the asset is granted. However, a company which claims the incentive provided under this paragraph shall not also claim the incentive provided under paragraph (b) (ii) of this section.

c. Accelerated capital allowances after the tax free period are as follows, this is:-

i. An annual allowance of 90% with 10% retention for investment in plant and machinery.

ii. An additional investment allowance of 15% which shall not reduce the value of the asset.

d. Tax free dividend during the tax free period where-

i. The investment for the business was in foreign currency or

ii. The introduction of imported plant and machinery during the period was not less than 30% of the equity share capital of the company

e. Interest payable on any loan obtained with the prior approval of the minister for a gas project shall be deductible.

4. RECONSTRUCTION INVESTMENT ALLOWANCE-SECTION 32

All companies that incurred an expenditure on plant and equipment shall be allowed an investment allowance at the rate of 10% in addition to the initial allowance in the year of first use. The investment allowance will however not be included when determining the residual or tax written down value for capital allowance purposes.

5. **TAX INCENTIVES FOR RESEARCH AND DEVELOPMENT -SECTION 26**

With effect from January 1, 1996, companies and other organizations that engage in research and development activities for commercialization are to enjoy investment tax credit on their qualifying capital expenditure.

6. TAX INCENTIVES FOR HOTELIERS AND TOURISM SERVICES-SEC. 37.

25% of income derived from tourism by hotels in convertible currencies will be exempted from tax with effect from 1996 provided such incomes are set aside and put in a reserve fund to be utilized within 5 years for the building expansion of new hotels, conference centers and new facilities for the purpose of tourism development.

7. TAX HOLIDAY FOR PIONEER COMPANIES.

All companies issued a pioneer certificate under the industrial development (income tax relief) Act Cap 179, LFN, 1990 enjoy three years holiday in the first instance and could be extended for another two years.

During this period, the company is totally exemplified from income tax. Tax -free interests-section 9.

i. Interests on loans granted by a bank with effect from 1st January 1997 to a company engaged in-

a. Agricultural trade or business or

b. The fabrication of any local plant and machinery or

c. Providing working capital for any cottage industry established by the company is exempted from tax – 100%.

ii. Interests on loan granted by a bank for the purpose of manufacturing goods for export is exempted from tax as prescribed in table ii of the third schedule of CITA.

8. TAX INCENTIVES TO DIVIDENDS (FIRS 2002).

According to FIRS, General Tax Guide for Administrators and Practitioners (2002), the following incentives are available to dividends.

a. **FINAL TAX RECEIPTS-** Withholding tax on dividends from any shareholding or investment is now a final tax in the hands of the recipient.

b. **FOREIGN DIVIDEND-** Dividend derived by a company from a country outside Nigeria and brought into Nigeria through government approved channels is exempted from tax.

c. **SMALL COMPANIES-** Dividends received from investments in wholly export oriented business are exempted from tax.

d. **PIONEER COMPANIES-** Dividends distributed by unit trust in Nigeria are exempted from tax to the extent that they are paid out of income exempted from tax under CAP 179, LFN, 1990.

e. **WHOLLY EXPORT BUSINESS-** Dividends received from investments in wholly export oriented businesses are exempted from tax.

f. **UNIT TRUST-**Dividends distributed to unit trust in Nigeria are free of tax and withholding tax is deducted there from since such incomes have already suffered tax deductions in the first instance.

g. **TAX CLEARANCE CERTIFICATE (TCC)-** not required in respect of certain dividends and interests- Tax clearance certificate (TCC) is no longer required by a bank when remitting the dividend on interest received by a non-resident provided that:

   i. Withholding tax has been deducted on such interest and dividend.

   ii. Such withholding tax has been paid over the revenue.

THE IMPACT OF THESE TAX INCENTIVES IN INDUSTRIAL DEVELOPMENT AND ECONOMIC GROWTH.

a. The tax relief granted to companies that are 100% export oriented has encouraged them to produce more which boosts their product for export purposes. As this is achieved, there is a rapid establishment and expansion of already existing industries leading to industrial development which raises funds for the government thereby leading to economic growth.

b. Also, the incentive granted for the replacement of industrial plant and machines to small companies with less than N1m turnover has gone a long way to increase the life span of the company and improve on the production capacity of such a company. Through this incentive, old, outdated, broken and malfunctioning machines are replaced with capacitated ones thereby increasing output. This has encouraged industrialist who put the tax on the cost of replacing the machines on the long run into consideration, to carry on with their business as little or no tax is involved.

c. With the incentives granted to companies that are engaged in the mining of solid minerals, more individuals/companies have been encouraged to go into it as no tax is paid for the first (3) three years of it’s operation and also an incentive of 95% initial allowance is granted therefore, causing the industries to grow and new ones to spring up in the sector. Solid minerals are economic resources. When the industries that engage in its mining spring up, more funds are generated for the government to meet its obligation and industrial development is achieved leading directly to economic growth.

d. Again, in the gas sector, the initial tax free period of three (3) years which is renewable for an additional two years based on satisfactory performance, the 90% allowance and 10% retention with and additional 15% investment allowance granted to this industry made it lucrative leading to the springing up of gas industries contributing positively to industrial development thereby creating more funds for the government to carry out its activities. As more industries are established, more funds are created for the government and economic growth is achieved.

e. Furthermore, the tax allowance granted to industries on investment funds for the purchase of plant and equipment and the investment allowance granted to the tone of 10% in addition to the initial allowance has helped them save more funds thereby increasing their capital for re-investment and re-construction. As these funds are re-invested, adequate plant and machines are put in place which creates room for expansion leading to industrial development.

f. With the incentive granted to organizations in research and development for commercialization on their qualifying capital expenditure, they have been encouraged to be involved in more researches. This has lead to the springing up of more research and development institutions/organization thereby putting industrial development on a steady increase. The outcome of the researches have created more awareness which saves the government some cost, and created avenue for more funds for the organization and the government. With the provision of such funds research and economic goals are met.

g. Hoteliers and tourism (hospitality) service providers have also enjoyed an incentive of 25% of their income form tax for utilization for up to five (5) years and this has helped them in expansion i.e. building of more facilities such as hotels, conference centers, improvement of tourist attraction centers. With a huge patronage of such services and the building of new ones, the hospitality industry is enlarged leading to industrial development and more revenue raised for the government to meet its obligations bringing about economic growth.

h. Pioneer companies have also benefited from these incentives through tax holidays for the first instance and can be extended for the next two (2) years on loans granted by banks on agricultural trade or business and the fabrication of any local plant or machinery. This tax holiday has enabled them to save more funds leading to capital creation/formation and increment, for more pioneer companies have sprung. With this occurrence, the aim of industrial development is achieved and the presence of such industrial development boosts the economy.

i. The tax incentives on dividends on fiscal tax receipts, foreign dividends, small companies, wholly export business, pioneer companies, unit trust and clearance certificate has helped the beneficiaries to save more funds for development and expansionary purposes. This incentive has created room for industrial development and when the industries are developed, the economy also grows.

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CHAPTER THREE

RESEARCH METHODOLOGY

INTRODUCTION

This chapter deals with the research design, sources of data, population of the study, sampling method, validity and reliability of the instrument, data analysis and technique. It is meant to establish the way or manner by which data is presented in this project work and also to prepare the preliminary plan or sketches with which the researcher will use in testing the research question and in interpreting the responses gotten from the questionnaire.

3.1 RESEARCH DESIGN

The design used for this study is the survey research method which according to Shuttleworth (2008) is a scientific non-experimental method which involves observing and describing the behavior of a subject without influencing it in anyway. This design is considered appropriate in this study to determine the behavior of the subjects as it exists at the time of this study which is Tax Incentive: A Catalyst For Industrial Development And Economic Growth.

3.2 SOURCES OF DATA

The sources of data in this study are the primary and secondary sources. The primary source is the questionnaire which serves as the main source of obtaining responses from individuals. The secondary source of data include those gotten from the income tax Acts, Newspapers, libraries and Journals.

In this study, the libraries visited were that of Caritas University, Enugu State University, the National library and the Central Bank of Nigeria all in Enugu state.

3.3 POPULATION OF THE STUDY

The population of this study consists four selected companies in Rivers state which have a population of about two thousand five hundred (2,500) staff. But the population put into consideration in this work are the top and middle management staff which consist four (4) CEO’s, six (6) internal auditors, twenty-five (25) managers and forty (40) accountants making a grand total of seventy-five (75) staff.

3.4 SAMPLE AND SAMPLING METHOD

Sampling involves the process by which the subject/object of observation is drawn from a large set and studied in order to make references about the characteristics of the large population. However, the sample consisted of sixty subjects (60) out of the seventy-five (75) CEO'S, auditors, managers and accountants that constitute the target population. In selecting the companies, simple random sampling method was used having considered the type of incentive being offered to them by the government and each member of the population had an equal chance of being selected. The selection of samples were independent of sex.

The sample size was statistically determined using the Taro yarmani's sampling method as illustrated below.

INDUSTRIES AND FIRMS	**NEST OIL**	**PABOARD BERWIES**	**AMSALE LTD**	**HALLMARK LTD**	**TOTAL**
POPULATION	25	15	17	18	75
SAMPLE	20	12	14	14	60

$$n = \frac{N}{1 + Ne^2}$$

Where N = Population size

n = Sample size

1 = Constant

e = error of significance 5%

Therefore: N = 75

$$n = 60$$

$$1 = 1$$

$$e = 5/100 \times 100/1 = 0.05$$

Then: $$n = \frac{75}{1+75 \times 0.05^2}$$

$$n = \frac{75}{1+75 \times 0.0025}$$

$$n = \frac{75}{1 + 0.1875}$$

$$n = \frac{75}{1.1875}$$

$$n = \underline{\underline{60}}$$

3.5 VALIDITY OF INSTRUMENTS

The face validity was carried out by giving the questionnaire to three lecturers in the department of accountancy, Institute of Management and Technology,(IMT)Enugu who made appropriate suggestions that helped meet the validity. This brought the items to fifteen (15) out of the initial twenty (20) items.

3.6 RELIABILITY OF INSTRUMENTS

For the reliability of the instruments, a pilot survey was carried out. Twenty (20) copies of the questionnaires were distributed on a similar sample selected from the industries and firms. The criteria for the selection of subject for the study were met by the subjects. In testing the reliability of the instruments, pearson product correlation co-efficience statistics was used to obtain a split-off reliability co-efficiency of 0.73 at $P<0.001$ level of significance.

3.7 DATA ANALYSIS

The data obtained in this study were analysed using frequency tables, chi-square and percentages.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

INTRODUCTION

This chapter deals with the presentation, analysis and interpretation of data collected during the research work, the information gathered from the questionnaire and interviews granted, then, presents the findings and relates such findings to previous studies.

A total number of seventy-five (75) questionnaires were prepared and distributed to the auditors, managers, accountants and Chief Executive Officers (CEO) of the companies examined. A total of sixty (60) copies were retrieved by case of non-compliance.

4.1.0 DATA PRESENTATION

TABLE 4.1.1

DEMOGRAPHIC VARIABLES OF THE RESPONDENTS

CLASSIFICATION	ITEMS	FREQUENCY	PERCENTAGE (%)	TOTAL (%)
Gender	Male	40	66.7	
	Female	20	33.3	100
Age	20-40	26	43.3	
	41-60	30	50.0	
	61 and above	4	6.7	100

Religious Affiliation	Christians Muslims Others specified	58 2 -	96.7 3.3 -	 100
Marital Status	 Married Single Divorced	50 10 -	83.3 16.7 -	 100
Educational Attainment	 HND/BSC MBA/MSC Professor Others	35 21 3 1	58.3 35.0 5.0 1.7	 100
Name of Company	Nest Oil Ltd Parboard Ltd Amsale Ltd Hallmark Ltd	20 15 15 10	33.3 25.0 25.0 16.7	 100
Working Experience (In years)	1-5 6-10 11-15 16 and above	10 15 10 25	16.7 25.0 16.7 41.6	 100
Post in the company	CEO Auditor Manager Accountant	4 - 20 36	6.7 - 33.3 60.0	 100

Source: Questionnaire Administered, Field Survey 2012.

As regards the frequency and percentages of the respondents, from the table above, 40(66.7%) are males while 20(33.3%) are within the ages of forty-one (41) to sixty (60), 4(6.7%) are within the ages sixty (60) and above. 58(96.7%) are Christians, 2(33%) are muslims and no record was gotten for any their religious practice. 50(83.3%) are married, 10(16.7%)

are single while non are divorced. 35(58.3%) have either HND or BSC, 21(35.0%) have either MBA or MSC, 3(5.0%) are professors while only 1(1.7%) has an ICAN qualification. 20(33.3%) are staffs of Nest Oil Ltd, 15(25.0%) are staffs of paboard Breweries, 15(25.0%) are staff of Amsale Engineering Ltd while 10(16.7%) are staffs of Hallmark Ltd.10(16.7%) have a working experience of one to five years, 15(25.0%) have six to ten years working experience, 10(16.7%) have a eleven to fifteen years working experience and 25(41.6%) have a working experience above fifteen years. As regards the position held by the respondents, 4(6.7%) are CEO'S, the auditors did not respond, 20(33.3%) are managers while 36 (60.0%) are accountants of the companies.

4.2 DATA ANALYSIS

1. **QUESTION ONE:** Are you filling this form as the CEO, a manager or as an accountant of your organization?

Table 4.2.1: Respondents View

Responses	**No of Respondents**	**Percentage (%)**
CEO	4	6.7
Auditors	-	-
Manager	20	33.3
Accountant	36	60.0
Total	60	100

Source: Questionnaire Administered, Field Survey 2012.

From the table above, 4(6.7%) of the respondents are the CEOs, 20(33.3%) are the managers, 36(60.0%) are the accountants of the organization.

QUESTION 2: Does your Company/organization pay tax?

Table 4.2.2: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	60	100
No	-	-
Total	60	100

Source: Questionnaire Administered, Field Survey 2012.

From the above table, the entire respondents agree to the fact that their organizations pay tax.

QUESTION 3: Are all the income/profit generated by your company assessable to tax?

Table 4.2.2: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	60	100
No	-	-
Total	60	100

Source: Questionnaire Administered, Field Survey 2012.

From the above table, it could be seen that the entire respondents responsible positively to the fact that the income/profit generated by their organization during a fiscal period is liable to tax.

Question 4: Is the level of income Considered before the tax are imposed?

Table 4.2.4: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	60	100
No	-	-
Total	60	100

Source: Questionnaire Administered, Field Survey 2012.

From the table above, the respondents were of the opinion that the level of tax are imposed based on a preferential rate and on the level/ amount of turnover.

Question 5: Does your organization benefit from tax incentives?

Table 4.2.5: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	60	100
No	-	-
Total	60	100

Source: Questionnaire Administered, Field Survey 2012.

As regards the above table, the analysis shows that the organizations under study benefit from tax incentives.

Question 6: If yes, which of the incentives do your organizations benefit from?

Table 4.2.6: Respondents View

Responses	**No of Respondents**	**Percentage (%)**
Incentive on petroleum and its operations	20	33.3
Capital allowance, roll over relief, tax holiday for pioneer companies	10	16.7
Incentive on dividends	15	25.0
Incentive for the replacement of plant and machine	15	25.0
TOTAL	60	100

Source: Questionnaire Administered, Field Survey 2012.

As regards the above table, it is the intention of the researcher to know the tax incentives these organizations benefit from and the respondents categorically stated the tax incentives that their organization benefit from as shown in their number and percentages.

Question 8: Do these tax incentives have a positive impact on your organization's investment decision?

Table 4.2.8: Respondents View

Responses	**No of Respondents**	**Percentage (%)**
Yes	60	100
No	-	-
Total	60	100

Source: Questionnaire Administered, Field Survey 2012.

As regards the above the 60(100%) of the respondents responded to the fact that the tax incentives granted has a positive impact on the organizations investment decision.

Question 11: Can full employment be achieved through the incentive Scheme if properly implemented and the aim achieved?

Table 4.2.11: Respondents View

Responses	**No of Respondents**	**Percentage (%)**
Yes	60	100
No	-	-
Total	60	100

Source: Questionnaire Administered, Field Survey 2012.

From the above table, the entire respondents were of the opinion that full employment can be achieved if the incentive scheme is properly implemented and it's aim achieved.

Question 12: Do these incentives have a positive impact on your company's working capital?

Table 4.2.12: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	60	100
No	-	-
Total	60	100

Source: Questionnaire Administered, Field Survey 2012.

From the respondents in the above table it could be seen that tax incentives has a positive impact on the company's working capital via its increment.

Question 13a: Is the tax incentive granted effective in meeting the set fiscal, social and economic objectives?

13b: If no, state your reasons.

Table 4.2.13a: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	20	33.3
No	40	66.7
Total	60	100

Source: Questionnaire Administer, Field Survey 2012

From the above table, 20(33.3%) responded "yes" while 40(66.7%) of the respondents responded "No" to the fact that the incentives granted are effective in meeting fiscal, social and economic objectives.

Table 4.2.13b: Respondents View

Responses	No of Respondents	Percentage (%)
Inadequate provision of the incentive for such purpose	30	50
Limitation of incentives to some class of industries and firms	15	25.0
High cost of acquiring plant and machinery	10	16.7
Little or no subsidy on importation of materials	5	8.3
Total	60	100

Source: Questionnaire Administered, Field Survey 2012.

As regards the above table the respondents gave various reasons for the ineffectiveness of the tax incentives in meeting fiscal, social and economic objectives.

Question 16: Do these incentives pave way for local industries to compete with their foreign counterpart if adequately provided and utilized?

Table 4.2.16: Respondents View

Responses	**No of Respondents**	**Percentage (%)**
Yes	60	100
No	-	-
Total	60	100

Source: Questionnaire Administered, Field Survey 2012.

As regards the above table, all the respondents were of the opinion that if these incentives are adequately provided and properly utilized by the beneficiaries, the local industries will be able to compete with their foreign counterparts.

Question 20: What recommendation would you make towards the effectiveness of tax incentives in meeting fiscal, social, economic objectives, and promoting industrial development and economic growth?

Table 4.2.40: Respondents View

Responses	**No of Respondents**	**Percentage (%)**
Adequate provision of the incentives should be provided to industries and firms in order to foaster greater productivity and expansion which will enhance such aim/desire of granting it.	20	33.3
The incentives should be extended to all industries and firms to the tone of their operations.	15	25.0
Plant and machines should be provided by the government to these industries at a subsidized rate and new but expensive technologies should be imported at a import free rate.	10	17.0
Special tax incentives should be granted to industries established in economically backward areas.	5	8.3
Research industries should be encouraged by removing import duties on their imports.	5	8.3
Infant industries benefitting from pioneer relief/waiver period should be required to send periodical progress report.	5	8.3
Total	60	100

Source: Questionnaire Administered, Field Survey 2012.

As regards the above table, the respondents made different recommendation towards the effectiveness of meeting/promoting fiscal, social economic objective, industrial development and economic growth by the tax incentives provided by the government. Also shown in the table is the number and percentage of the respondents who made different recommendations of which if adopted will be very beneficial to the economy.

4.3 RESEARCH QUESTION ANALYSIS

RESEARCH QUESTION ONE: Can these tax incentives attract foreign investors to Nigeria?

This was tested with question seventeen (17), can the level of tax incentive granted attract foreign investors/investment to Nigeria?

INTERPRETATION: It is the intention of the researcher to ascertain through the respondents if tax incentives can attract foreign investors/investments to Nigeria.

Table 4.3.1: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	45	75
No	15	25
Total	60	100

SOURCE: Question Seventeen (17) of the questionnaire administered, Field survey 2012.

ANALYSIS: From the above table, it can be seen that 45(75%) of the respondents believe that tax incentives can attract foreign investments to Nigeria while 15(25%) are of the opinion that tax incentives alone cannot attract foreign investment to Nigeria because there has to be an investment opportunity and a good investment environment before the tax incentive will be able to attract foreign investment.

RESEARCH QUESTION TWO: Are the existing incentives adequate for industrial development and economic growth?

This question was tested with question seven (7)- Are the present level of incentives granted adequate for industrial development and economic growth?

INTERPRETATION: With the above question, the researcher intends to ascertain the adequacy of the tax incentives granted towards industrial development and economic growth.

Table 4.3.2: Respondents View

Responses	**No of Respondents**	**Percentage (%)**
Yes	15	25
No	45	75
Total	60	100

SOURCE: Question Seven (7) of the questionnaire administered, Field survey 2012.

ANALYSIS: From the table above, it could be seen that 15(25%) of the respondents agreed to the fact that the present level of incentives they enjoy are adequately while 45(75%) were of the opinion that the incentives granted are not adequate and should be increased for industrial development and economic growth to be attained.

RESEARCH QUESTION THREE: Are these tax incentives claimable by companies?

This was tested with question nine (9). Does your organization claim the tax incentives due to it?

INTERPRETATION: As regards the above question it is the intention of the researcher to ascertain if these tax incentives granted are claimable/claimed by the companies or that they are just given by the government but the beneficiaries are not benefitting from it.

Table 4.3.3: Respondents View

Responses	**No of Respondents**	**Percentage (%)**
Yes	60	100
No	-	-
Total	60	100

SOURCE: Question Nine (9) of the questionnaire administered, Field survey 2012.

ANALYSIS: The table above shows that all the respondents 60(100%) agreed that the tax incentive granted are practically claimable by their organizations which shows that these tax incentives are claimable by all involved / beneficial in the incentive scheme.

RESEARCH QUESTION FOUR: Do these incentives stimulate individuals to establish new enterprises which will boost industrial development and economic growth?

This was tested with question ten (10). Can these tax incentives motivate self employed persons to incorporate their companies?

INTERPRETATION: With this question, it is the intension of the researcher to know if the tax incentives granted motivates the individuals to come together and incorporate new companies.

Table 4.3.4: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	40	66.7
No	20	33.3
Total	60	100

SOURCE: Question Fourteen (14) of the questionnaire administered, Field survey 2012.

ANALYSIS: As regards the above table 40(66.7%) of the respondents respond "yes" that with the tax incentives granted, self employed persons decides to incorporate companies so it could be beneficial to them while 20(33.3%) said "No" that the level of incentives granted is not adequate enough to encourage self employed persons to incorporate their companies except if more incentives is given.

RESEARCH QUESTION FIVE: Do these tax incentives induce the existing industries to pursue vigorous expansion policies?

This was tested with question fourteen (14) Do you invest these incentives towards the development and expansion of your company?

INTERPRETATION: With the above question, it is the intention of the researcher to know if these incentives induce it's beneficiaries to pursue expansionary and development policies through re-investment.

Table 4.3.5: Respondents View

Responses	No of Respondents	Percentage (%)
Yes	60	100
No	-	-
Total	60	100

SOURCE: Question Fourteen (14) of the questionnaire administered, Field survey 2012.

ANALYSIS: The table above shows that the entire respondents 60(100%) responded positively to the fact that they do re-invest the incentives gotten towards the expansion of their companies and its development.

4.4 TEST OF HYPOTHESIS

To carry out this study successfully, three (3) hypothesis formulated in the previous chapter (chapter one) of this research work shall be examined by subjecting them to statistical test with the aid of chi-square distribution at $P < 0.001$ level of significance to determine the validity or otherwise of the hypothesis. This is computed using the formular:

$$X^2 = \frac{(0 - E)^2}{E}$$

Where: H_o: Null hypothesis

H_i : Alternative hypothesis

O	=	Observed frequency from the respondents.
E	=	Expected Frequency.
X^2	=	Chi-square statistics.
P	=	Probability Ratio.

DECISION RULE: Decision rule has it that Ho (Null Hypothesis) should be rejected and H_1 (Alternative Hypothesis) accept if the calculated value is greater than or exceeds the critical value otherwise, do not reject the null hypothesis Ho.

HYPOTHESIS ONE

H_O: Industries that benefit from tax incentives not develop better than industries that do not benefit from tax incentives.

H_i: Industries that benefit from tax incentives will develop better than industries that do not benefit from tax incentives.

Using the chi-square (X^2) Method for Computation

RESPONSES	O	E	O-E	$(O-E)^2$	$\frac{(O-E)^2}{E}$	X^2	P
Yes	50	30	20	400	13.3	26 .6	<.001
No	10	30	-20	400	13.3		

SOURCE: Question Fifteen (15) of the questionnaire administered, Field survey 2012.

From the calculations above, chi-square (x^2) calculated value of 26.6 is greater than chi (X^2) critical value of 3.09 at $P < 0.001$ level of significance. Thus, Ho is rejected and Hi, is accepted. Therefore, industries that benefit from tax incentives will develop better than those industries that do not benefit from tax incentives.

HYPOTHESIS TWO

H_o: Tax incentives granted by the government to industries and firms is not considered as an economic booster.

H_o: Tax incentives granted by the government to industries and firms is considered as an economic booster.

Using the chi-square (X^2) method for computation

RESPONSES	**O**	**E**	**O-E**	**$(O-E)^2$**	**$\frac{(O-E)^2}{E}$**	**X^2**	**P**
Yes	55	30	25	625	13.3	41 .6	<.001
No	5	30	-25	625	13.3		

SOURCE: Question Nineteen (19) of the questionnaire administered, Field survey 2012.

From the calculations above chi(X^2) calculated value of 41.6 is greater than chi (X^2) critical value of 3.09 at $P < 0.001$ level of significance. Thus, Ho is rejected and Hi, accepted. Therefore, tax incentives granted by the government on industries and firms is considered as an industrial and economic booster.

HYPOTHESIS THREE

H_o: Tax incentives cannot be used to off-set other disadvantage that investors may face.

H_o: Tax incentives can be used to off-set other disadvantage that investors may face.

Using the chi-square (X^2)

RESPONSES	**O**	**E**	**O-E**	**$(O-E)^2$**	**$\frac{(O-E)^2}{E}$**	**X^2**	**P**
Yes	45	30	15	225	7.5	15 .6	<.001
No	15	30	-15	225	7.5		

SOURCE: Question Eighteen (18) of the questionnaire administered, Field survey 2012.

DECISION:

From the calculations above, chi (X^2), calculated value of 15.2 is greater than chi (X^2) critical value of 3.09 at $P < 0.001$ level of significance. Thus Ho is rejected and Hi is accepted. Therefore, tax incentives can be used to off-set other disadvantages that investors may face.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

INTRODUCTION

Findings of the research from previous chapters are discussed in this chapter and the discussions will be based on the presented and analyzed data from questionnaires administered and other information gathered.

This research work is meant to ascertain if the tax incentives granted by the government are adequate for development, to attract foreign investors/investments, induce existing industries to pursue vigorous expansionary policies, motivate individuals to establish new firms and to know if these incentives are claimable by the industries and firms for which they are provided.

SUMMARY OF FINDINGS

This study which is centered on ascertaining the impact of tax incentives on industrial development and economic growth, the research questions and hypothesis played a vital role in modeling the focus of the study. With the above background, the following findings were arrived at:

a. That tax incentives has a positive impact on the investment decision of an organization and that tax incentive coupled with political stability stimulate economic growth.

b. That tax incentives usually leads to a reduction in government's revenue but is compensated with economic development and successful companies.

c. That tax incentives brings about a sustainable working capital for industries and firms.

d. That most of the respondents proved that the incentives granted are not adequate.

e. That the incentives attract foreign investors/investments with the availability of the right environment for investment.

f. That the incentives can stimulate individuals to incorporate their companies

g. That full employment could be achieved through the incentive scheme if well implemented.

h. That with the tax incentives granted,local industries could be well equipped to complete with their foreign counterparts in technology and outputs.

CONCLUSION

After the consideration of the analyzed data, the researcher was able to conclude that most of the companies, industries and firms have benefited from and are benefitting from the provisions of tax incentives and that they re-invest the funds derived from the incentive scheme towards the expansion of their organization.

With Nigeria's quest for both local and foreign investments/investors, tax rate must not be an obstacle bearing in mind that the quest for global capital is highly competitive. The tax incentives will off set other disadvantages that investors may face such as the lack of infrastructure, complicated laws, bureaucratic complexities and weak administration in the tax area. The appropriate measure is now to reform the existing tax laws that create inadequacies and build on the necessary incentive administrative capacities and infrastructure to provide an enabling environment for investors.

RECOMMENDATIONS

In the course of this research study the researcher discovered certain factors that hinder the positive impact of tax incentives on industrial development and economic growth. However, the researcher also recommended ways of improving on these problems as outlined below:

a. The government should ensure that these firms, industries, and self employed persons keep a detailed, satisfactory record of the financial position of their business so as to be able to assess their performances after benefitting from the tax incentives. Any deviation from such should be liable to a standardized tax rate for each deviation in the year of assessment.

b. The tax incentives should be granted to all industries and firms and not to specific ones so as to record on all round developmental change in the industrial sector which will improve the economic growth level.

c. Special tax incentives should be granted to industries and firms established in an economically backward area e.g. investment and special development allowance.

d. Government should use tax incentives to encourage foreign exchange conservation i.e. tax incentives should move from capital accumulation to the utilization of local inputs such as raw materials labour and locally fabricated machinery against imported ones.

e. Research industries should be encouraged by removing import duties and through the employment of expertise from advanced countries.

f. Infant industries benefitting from pioneer relief/waiver period should be required to send a periodically progress report.

g. The government should clearly state what the incentives should be used for or what the incentive is meant for and closely monitor it.

Finally, for industrial development and economic growth to be achieved to a desired level through tax incentives, the tax incentive policies must consider the implication of any form of changes on the industrial sector of the economy at large.

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APPENDIX

RESEARCH QUESTIONNIARE

Department of Accountancy
Caritas University,
Amoji-Nike, Emene,
Enugu.
Enugu State.
17th July, 2012.

Dear Respondent,

The bearer is a final year student of the department of Accountancy in the above named institution. The information supplied in this questionnaire is intended to help the researcher get diverse opinion as regards the topic " Tax Incentives: A Catalyst for Industrial Development and Economic Growth."

Please kindly respond to the items below as it is applicable to you. Your co-operation in filling this questionnaire will be highly appreciated and information obtained is purely for academic purposes.

Yours faithfully,

Chukwu Ngozi .B.

SECTION A

Please indicate by ticking good √ where appropriate and a short sentence where necessary.

		Yes	No
1. Gender	Male	☐	☐
	Female	☐	☐
2. Age	20-40	☐	☐
	41-60	☐	☐
	61 and above	☐	☐
3. Religious Affiliation	Christian	☐	☐
	Muslim	☐	☐
	Other specify		
4. Educational Attainment	Professor	☐	☐
	MBA/MSC	☐	☐
	HND/BSC	☐	☐
	Others		
5. Name of company	Nest Oil Ltd	☐	☐
	Paboard Ltd	☐	☐
	Amsale Ltd	☐	☐
	Hallmark Ltd	☐	☐
6. Working Experience	1-5	☐	☐
	6-10	☐	☐
	11-15	☐	☐
	16 and above	☐	☐
7. Post in the company	CEO/Director	☐	☐
	Auditor	☐	☐
	Manager	☐	☐
	Accountant	☐	☐

1. Are you filling this form as a manager, Director or as an accountant of your organization?...

2. Does your company/organization pay tax?

3. Are all incomes/profit generated by your company assessable to tax?

4. Is the level of income considered before the tax are imposed?

5. Does your organization benefit from tax incentives?

6. If yes which tax incentive does your organization benefit from? ....

7. Are the present level of incentive granted adequate for industrial development and economic growth?

8. Do these tax incentives have a positive impact on your organisation's investment decision?

9. Does your organization claim the tax incentives due to it?

10. Can these incentives motivate self employed persons/individuals to incorporate their companies thereby aiding employment generation and economic growth?

11. Can full employment be achieved through the incentive scheme if properly implemented and the aim achieved?

12. Do these incentives have a positive

impact on your company's working capital? ☐ ☐

13. Is the tax incentive granted effective in meeting the set fiscal, social and economic objectives? If No, state your reasons.. ☐ ☐

14. Do you invest these incentives towards the development and expansion of your organisation? ☐ ☐

15. Do Industries that benefit from tax incentives develop better than industries that do not benefit from tax incentives. ☐ ☐

16. Do tax incentives pave way for local industries to compete with their foreign counterparts If adequately provided and utilized? ☐ ☐

17. Can the level of tax incentive granted attract foreign investors to Nigeria? ☐ ☐

18. Can the tax incentives be used to off-set other disadvantages that investors may face? ☐ ☐

19. Can these tax incentives granted by the government to industries and firms be considered as an economic booster? ☐ ☐

20. What recommendation will you make towards the effectiveness of the tax incentives in promoting/meeting fiscal, economic, social objectives industrial development and economic growth?...

....

....

....

....

TITLE PAGE

TAX INCENTIVES: CATALYST FOR INDUSTRIAL DEVELOPMENT AND ECONOMIC GROWTH IN NIGERIA.
(A STUDY OF SELECTED INDUSTRIES AND FIRMS IN PORTHARCOURT, RIVERS STATE)

A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTANCY, FACULTY OF MANAGEMENT AND SOCIAL SCIENCES CARITAS UNIVERSITY, AMORJI-NIKE, ENUGU, ENUGU STATE.

BY

CHUKWU NGOZI BLESSING
ACC/DE/2009/537

IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF BACHELOR OF SCIENCE (B.SC), DEGREE IN ACCOUNTANCY.

AUGUST, 2012

CERTIFICATION

This is to certify that the work embodied in this research project was carried out by Chukwu Ngozi Blessing of Accountancy Department with registration number ACC/DE/2009/537 and has not been submitted for any other degree purpose in this institution or any other university of higher learning.

Again, that it has been approved, read, graded, and met the requirements of the faculty of management and social sciences for the award of (B.Sc) Degree in Accountancy under strict supervision.

…………………………….	…………………………….
Mr. P.U. Nsoke	Date
Project Supervisor	
…………………………….	…………………………….
Dr. F.E. Ovute	Date
Head of Department	
…………………………….	…………………………….
Prof. Austin Uche Nwezeh	Date
External Examiner	

DEDICATION

This research project is specially dedicated to the Almighty God for the gift of life, protection, infinite love and mercy. He indeed made my academic pursuit a great success.

ACKNOWLEDGEMENTS

My sincere gratitude goes to the Almighty God for the opportunity to be among the living of which I am able to write this research work. He is indeed faithful.

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I thank you all.

ABSTRACT

This research work on tax incentive as a catalyst for industrial development and economic growth in Nigeria was primarily undertaken to evaluate the effectiveness of tax incentives in developing the Nigerian economy, the extent to which individuals and companies have been responding to the incentive scheme, and how these incentives have been stimulating and motivating these bodies on employment opportunities. The researcher also intends to examine how these incentives has helped the existing industries and firms in expanding their areas of operation and to know if the aim of granting these incentives are being achieved by the government and implemented by the beneficiaries. An empirical study using a well structured questionnaire to assess the relationship that exists between tax incentives, industrial development and economic growth using four different incorporated industries and firms in Portharcourt, Rivers state having considered the type of incentives offered to them by the government. A total number of seventy-five (75) questionnaires were specifically administered to the top and middle management staff (CEO's managers and Accountants) of these industries and firms and a total number of (60) sixty were retrieved. The hypothesis formulated were tested using the chi-square (X^2) method and it was discovered that the tax incentives granted were inadequate to sustain the desired development for which it was granted. Finally, recommendations were made as regards variables which will enhance tax incentives towards industrial development and economic growth.

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CHAPTER TWO

CHAPTER THREE

PROPOSAL

This research work intends to examine tax incentives as a catalyst for industrial development and economic growth in Nigeria. It also seek to evaluate the extent to which individuals and companies have been responding to the incentive scheme, show how these incentives have been helping existing industries and firms in expanding their areas of operation and to know if the expected result of these incentives are achieved by the industries and firms who benefit from these reliefs using four industries and firms located at Portharcourt, in Rivers state having considered the type of incentive being offered to them by the government.

In pursuance of this research study, data will be gathered from the income Tax Management Acts, Newspapers, Libraries, Journals and questionnaires.

Some challenges that will be faced by the researcher in the course of carrying out this study include financial and time constraint, unco-operative attitude of the respondents, irrelevant or unreliable information obtained from oral interviews and that of getting an exeat from the school authorities.

Finally, recommendations will be made from the summary of findings and conclusion of which if implemented by the tax experts, consultants, individuals, and economic analysts, will enhance the overall aim and performance of the tax incentive scheme towards industrial development and economic growth.