DIRECT TAX AND INCOME REDISTRIBUTION: A REVIEW OF LITERATURE

OSARIEMEN MAYOWA IMONITIE
Department of Accounting
Faculty of Management Sciences
University of Benin

&

OSASU OBARETIN PhD.
Department of Accounting
Faculty of Management Sciences
University of Benin

Abstract

This study was motivated by the need to understand the relationship between direct tax and income redistribution in Nigeria. To achieve this objective, a library research design was employed to review relevant concepts, theories and literatures on direct taxes and income redistribution from the perspective of both developed nations and developing nations.It was concluded from the study that direct tax play a vital role in redistributing income in the economy, it was also observed that direct tax was still the main tax in term of contribution to total tax revenue in Nigeria and a key factor in income redistribution in economy. Premised on the conclusion the study recommends that an empirical study be carried out to test these assertions within the Nigerian context.

Keywords: taxes, taxation, direct tax, Income redistribution

Introduction

The payment of taxes by citizens of a country is considered to be an important factor in economic development. Tax is a way of generating revenue in running the affairs of government, and the affairs of government involves raising funds and using the funds for providing necessary infrastructures, amenities to citizens in terms of education, health care as well as pension for elderly people, suffice it to say that the goal of taxation is in line with those of the government. Tax can be referred to as a compulsory levy imposed on the citizens of a country by the government for generating revenue, providing public infrastructure for the citizens and in Nigeria, tax can be divided into two, direct and indirect tax (Angahar& Alfred, 2012).

Tax in the opinion of Azubike (2009) is one of the main players in every society globally. Tax affords government the opportunity to collect additional revenue it needs to carry out its activities, it offers a nation the utmost medium it can use to mobilize its internal resources and fashion out an environment where the growth of the nation is facilitated. Nzotta (2007) also reiterated that taxation is a major source of funds to the federation account from which funds are allocated to the federal, state and local government. Nigeria as a country aims to become one of the largest economies in the worldand this has steered the country to focus more on developing necessary infrastructures essential for such growth and achieving this requires a lot of effort to be put into the economy to stimulate investment, therefore, tax becomes an important tool that can be used to achieve this objective. Obaretin, Akhor and Oseghale (2017) stated that the major reason for imposing taxes is the generation of revenue to meet the various expenditures of government as well as redistributing income which is vital for economic growth of a nation. The studies of Akpere (2003); Wanbai and Hanga (2013) have also stressed the importance of tax as a policy instrument that can be used in transferring resources from the private to public sector help the government in measuring, accessing and controlling the informal sector in an attempt to accomplish the economic as well as social goals of the country.

According to Awe and Olawumi (2012) "Income distribution is central to the development of any

nation". The issue of generating income and its redistribution in Nigeria has been problematic overtime, with the nation depending on a single source in generating income, that is to say in the 1960's to mid-70's the country depended on agriculture and oil from the 1970s till date with little consideration placed on other sources of income such as tax (Obaretin, et al, 2017). Studies on the relevance of tax as a tool for generating and redistributing income (Clements, 1997; Meadowcroft, 2007;Martinez-Vazquez, Moreno-Dodson, & Vulovic, 2012;Olusanya, Peter, &Oyebo, 2012;Obaretin et al, 2017) have been sparse which constitutes a gap that needs to be filled.

It is against this backdrop that the study seeks to ascertain the role of direct taxes on income redistribution in Nigeria.

Literature Review

This section addresess the relevant literature on direct taxes and income redistribution. This section starts by reviewing the concept of income redistribution, gini coefficient, direct taxes, empirical review of literature on the link between direct tax and income redistribution and finally the theoretical review.

Income redistribution

Income redistribution can be referred to as the distribution of income in the society from the rich to the poor in the economy (Awe & Olawumi, 2012). Obaretin, et al (2017, p.189) defined income re-distribution as an "unequal distribution of the income of individual, household over the different participates in an economy". The differences in income (income disparity) can be referred to as the differences in the rate of income attributable to the citizens. Among the causes of income disparity are religion, sex, social status and education (Libabatu, 2014). The issue of income disparity can be combated through the adoption of strategies by the government and these strategies can be in form of policies like taxation and public expenditure. Public expenditure talks about expenses incurred in the following sectors of health, housing and education among others. Taxation is another policy tool that can be used to address income disparity, the extent to which this can be done has continued to be a serious issue that has been the bone of contention not just in developing nations but advanced nations as well.

Awe and Olawumi (2012) opine that the continued increase in income disparity and poverty continues to be a major challenge in developing nations such as Nigeria. They went further to opine that equal distribution of income is vital for the development of any nation .Researchers such as Awoyemi (2005), Dodson (2005), Jones (2007), Oguntuase (2007), has also opined that apart from employment, inflation rate, public expenditure, taxation has been found to be factor that leads to adequate redistribution of income.

Gini Coefficient

A common measure of income redistribution is Gini coefficient. This is also used to proxy income inequality in literature (Awe &Olawumi, 2012; Awoyemi, 2005; Bakare, (2012)De Mello, & Tiongson, 2006; Obaretin et al. 2017). In the opinion of Bakare (2012) "Gini coefficient is derived from the Lorenz curve, which sorts the population from poorest to richest, and shows the cumulative proportion of the population on the horizontal axis and the cumulative proportion of expenditure (or income) on the vertical axis". While he further stated "Gini coefficient has many desirable properties of mean, independence, population size, independence, symmetry, and Pigou-Dalton Transfer sensitivity – it cannot easily be decomposed to show the sources of income disparity".

Income disparity is derived by computing the ratio of the area between the diagonal and the Lorenz curve divided by the total area of the half-square in which the curve lies. (That is,Gini- coefficient= A /A + B). This ratio is known as the Gini concentration ratio or more simply as the Gini-coefficient; this was named after the italian who first formulated it in the 1912. Gini- coefficient are aggregate inequality measure and can vary anywhere from 0 (perfect equality) to 1 (perfect

inequality). If income is totally equally redistributed so that the Lorenz curve follows the 45degree line, the Gini- coefficient is zero. As inequality increases, so does the area A, the Gini- co-efficient rises. In the extreme case of total inequality where one person earns the whole national income, area B would disappear and the Gini -Coefficient would be 1. The Lorenz curve shows the actual quantitative relationship between the percentage of income recipients and the percentage of the total income they did in fact receive during, say, a given year (Saez, 2004; De Mello &Tiongson, 2006).

Concept of Tax

Tax can be defined as a compulsory levy imposed on individuals, institutions and groups by the government for the provision of basic amenities such production of certain goods, security and infrastructures (Anyanwu, 1997). Taxes can be used to address alot of economic issues; it can be used to raise funds for government, stimulate economic activities in certain preferred sector, discourage wasteful spending, and curb excess taste for foreign products. In addition, of importance to this work, taxes can serve to redistribute income and wealth and further help to address the problem of income inequality. Basically, a good tax system is an all important indicator of a country's priorities, political and ideological choices (Naren, 2008). Naren (2008) explained "taxation as playing various roles which include: stabilization, allocation, and distribution. Stabilization refers to counter-cyclic roles that governments engage in to smooth economic activity and consumption. Allocation refers to the provision of public goods and distribution refers to transferring income from the rich to the poor for a more equitable society". Theories on taxation has evolved over time. During the 1950s and 1960s the distributive and developmental role of the state was widely recognised. Fiscal policy was considered an internal affair (Mahler, & Jesuit, 2006).It was asserted by Gemmell and Morrissey (2005) that the "best tax system was one which had progressive income tax and high corporate tax". Although other consumption taxes were necessary, they were thought to be replaced by income taxes in the long run. Starting from the 1970s, high taxes were perceived to discourage and distort economic activity. It is now acknowledged that high taxes do not promote effective distribution of wealth. During this period, the international context of taxation became more important due to increased trade liberalization and increased competition for foreign investment. As a result, earlier perceptions about high income and corporate taxes were questioned, while new attention was given to tax levels relative to other countries and their impact on competitiveness (Naren, 2008).

It has been observed that relying on indirect tax relates to a country's level of development and this is evident by developing countries relying more on indirect tax as opposed to what prevails in developed countries that rely more on direct tax than indirect tax. The opposite correlation to development is observed with direct taxes. For example, direct taxes constitute on average 30 per cent of tax revenue in developed countries, 20 per cent in middle-income countries and 17 per cent in low-income countries (Prasad, 2008). There are four major reasons why some developing countries such as Nigeria rely more on direct taxes than indirect taxes. First, given their low income levels, the tax base is relatively small, and therefore direct taxes represent an easier way to collect government revenue. Second, the efficiency of tax collection in developing countries is often poor. Third, tax evasion is high. And fourth, developing countries have a large informal sector which does not pay income taxes. Together these reasons often make direct tax more attractive for developing countries as opposed to indirect tax (Afuberoh & Okoye, 2014).

Direct Tax

A direct tax is a kind of charge which is imposed directly on the tax payer (Afuberoh&Okoye, 2014). Direct tax as opposed to indirect tax is observed as being regressive due to the fact that irrespective of an individual's status, high or low earners pay the same tax rate on consumption. The low income earners pay more leading to

increased disparity in income disparity and the wellbeing of society. However, direct tax is seen as more equitable, the reason being that they are progressive (tax rise as income rise) despite some sub components are stated to have adverse effects on entrepreneurial activities (Ilaboya&Ohonba, 2013).

Companies income tax (CIT) being a type of direct tax in Nigeria deals with the collection of taxes from companies in the country that have made a profit during their operation except petroleum companies. The tax payable within each year of assessment of profits of any company is thirty percent. The act governing company's income tax is the companies' income tax act of 2004 as amended. Libabatu (2014) who carried out a study looking at the relation between taxes and the role they play in the nation concluded that CIT is a vital source of revenue to the economy, and that it can be used to carry out other important function in the economy ranging from generating income to redistributing it.

Personal income tax (PIT) is a direct tax imposed on income of a person (Okoli, Njoku, & kaka, 2014). A person as described here involves an individual, a partnership and an undivided estate. An individual who is liable to pay PIT computes his tax liability himself then files the tax return and then pays tax. (Egbon & Mgbame, 2015; 228). Furthermore, personal income tax is a reliable source of government revenue for development purposes.

Personal income tax in Nigeria is governed by the personal income tax act of 2004, with some part of it revised in 2011. The major issue faced being how to determine a tax payer liability, i.e. designing procedures to outline how gross income is determined, allowable as well as disallowable deductions in determining taxable, non-taxable income. Income as defined under the act includes "all income received by a taxable person such as employment-related income including benefits-in-kind, income from self-employment as well as income derived from investment (dividend and interest)" (Egbon & Mgbame, 2015).

Petroleum profit tax is another type of direct tax; the petroleum sector is a major sector in the country due to the fact that it constitutes a bulk of the nation's revenue distributable to the various levels of government for operational efficiency. Its contribution to the economy is felt directly and indirectly. Directly in terms of increasing the national income, output, and indirectly in terms of generating employment and human resource development. Though, the main source of revenue from petroleum in Nigeria is from the sale of crude oil (Appah, 2010).

Odusola (2006) stated that Petroleum Profit Tax is that which applies to firms operating in the upstream sector in the oil and gas industry. It relates to margins, rents, royalties and profit sharing elements associated with oil mining, prospecting and exploration leases. It is the most vital tax in Nigeria in that it contributes a major portion of the nation's total revenue, i.e. it contributes 95% of earnings from foreign exchange and 70% of government revenue. Nwezeaku (2005) notes that the continued importance of the petroleum sector to a nation led to the enactment of different laws which regulate the taxation of incomes from petroleum operations. Ariwodola (2005) has argued that as a result of the high level of significance attached to oil and gas activities by government results in subjecting profit or gains of companies in the upstream sector to tax which is spelt out under the petroleum profit tax act of 2004 as amended.

Education tax is another form of direct tax and can be referred to as a "tax of 2% of assessable profits is imposed on all companies incorporated in Nigeria. This tax is viewed as a social obligation placed on companies ensuring they contribute their own quota in developing educational facilities in the country" (NgEX, 2017). Education tax has no specific filing requirement. However," in practice, the tax is self-assessed and filed together with company income tax, Based on the Education Tax Act, the FIRS is required to issue assessments for the tax which must be paid within 60 days of the service of notice of assessment. In

practice, the tax is self-assessed and paid 6 months after the accounting year end of the company" (Price Waterhouse Coopers, 2009). Direct tax has been advocated in by researchers to be a veritable tool for redistributing income in a society (Naren, 2008: Obaretin et al. 2017; Usman & Bilyaminu, 2013), these are examples of studies that have investigated the link between direct tax and income redistribution. The next section addresses this relationship.

Direct Taxes and Income Redistribution

Redistribution can be facilitated through the use of taxes. Each tax has its unique impacts on income re-distribution. Basically, personal income taxes are progressive (increasing equality), corporate taxes are U-shaped (regressive for small and large companies and progressive for medium-sized companies), and indirect taxes are regressive (Naren, 2008). The reliance on direct taxes combines to define the extent of progressivity in the overall tax system. Of note, the overall tax system in developing countries is regressive (Gemmell & Morrissey, 2005). It should be taken seriously particularly when using the tax as an instrument for redistribution. It is vital that taxes should not affect the incentives to work, invest and create wealth. Any recourse to tax reform to reduce income inequalities should therefore take into account the possible impact on economic growth and employment.

Income taxes has been thought to have two differing effect, one known as the substitution effect which deals with taxes that diminish the returns of people they earn from their labour, therefore the reward for working reduces and people tend not to reduce their wok also. The second effect is known as the income effect, people become poorer which leads them to work longer and harder in order to meet the required standard of living (Akhor & Ekundayo, 2016). Therefore, the two effects above move in different directions. Among the purposes of taxation, Usman and Bilyaminu (2013) it's a resource redistribution mechanism in the economy to reduce the gap between rich and poor. In other words, tax can be used to bridge the income inequality gap.

The relative disparity between the low income earner and the rich in advanced and under develop nations is high, however, the under develop nations have a large poor population compared to the advanced nations (Bird & Zolt, 2005). "Consequently, the need for income redistribution to reduce income inequality normatively becomes a top policy issue for the government. Theoretically, tax policy apparently supports a direct relationship between pre-tax income inequality and income redistribution" (Ilaboya & Ohonba, 2013).

In the word of Gough and Wood (2004) "one way to increase progressivity of indirect taxes is to target taxation on goods and services consumed at different rates by the rich and the poor. For instance, one could lower or eliminate value added tax on products which make up a large proportion of the poor household's consumption, such as basic food items, while increasing taxes on products generally consumed by the rich, such as luxury goods". Taxes are becoming vital in bringing down the level of poverty and inequality in many developing countries, although getting data in Africa has proved troublesome. There have been researches in few countries in Africa (Nigeria, South Africa and Cameroon) on tax and its redistributive role.

Chu, Davoodi and Gupta, (2000) investigated the effect of income distribution, tax and government social spending policies in underdeveloped countries, between 1980 to 1990 (10 years),the study showed that unlike industrialized countries, underdeveloped countries have not been able to channel taxation and transfer policy to adequately reduce the gap of income disparity. strongly stated that tax proportion and urbanization were factors majorly relevant and the level of relevance was found to be robust.

Saez, (2004) examined the efficacy of indirect tax and direct tax instrument in term of income re-distribution from both the perspective of long run and short run. Findings from the study revealed

that indirect taxes are "favoured in the short run as a tool for income redistribution in a situation where skills are exogenous and individual taxpayers are constrained from moving from job to job. It also revealed that in the long run, it is more reasonable to say that people pick their occupation in view of the relative after-tax benefits". He concludes that in the long run, direct taxes should be preferred to indirect tax as a tool to raise revenue and to address the issue of income redistribution.

In the study of James and Robert, (2007) on the effect of the structure tax on economic growth and income disparity, data were gathered from 65 countries over a period of 36 years (1970 to 2006). The study applied the Ordinary Least Square, random effect and fixed effect estimations. The study revealed that statutory corporate income tax rates are negatively correlated with income disparity after taking into consideration other determinants of economic growth and income re-distribution. The study also showed that personal income tax has no effect on income inequality. The study also found that high company income tax rate of over 40% correspond with lower income disparity. Further review by James and Robert (2007) found that company income tax rate lower than 40% are not significant in reducing income inequality.

Weller and Rao, (2008) evaluated the advantages of progressive taxes to economic growth utilizing cross country data covering a time of 21 years (from 1981 to 2002). The study also uncovered that progressive income tax could lead to higher equitable distribution of income, higher revenue, reduce financial and economic volatility and rapid growth of the economic.

Rodrigo and Ivanna, (2010) examined equity and fiscal policy, focusing on the distributional impact of taxes and social spending of Central America countries. The study revealed that the income distributional effect of taxes are regressive but in an insignificant manner. They further stated that increasing taxes and channeling the revenue to social spending would undoubtedly enhance the income of even the poorest family units. Claus, Martinez-Vazquez, and Vulovic (2012) examined the role of taxation and government expenditures using multiple companies as sample size and discovered that personal income tax are progressive over time and is an effective tool for income redistribution.

Olusanya, Peter, and Oyebo (2012) investigated taxation as a fiscal policy instrument for income redistribution among Lagos state civil servants using spearman's rank correlation coefficient, the study found a positive relationship between tax as a fiscal policy instrument and income redistribution. Saez, (2004) also studied direct or indirect tax instruments for redistribution: short-run versus long-run, the findings reveals that in a long-run context individuals respond to tax incentives through the occupational margin, which is in contrast to a short-run situation where individuals are stuck into their occupations and can only adjust labour supply on the job.

Duncan and Sabirianova (2008) examined if income inequality was affected by the structural progressivity of national income tax systems. They used a detailed personal income tax schedules for a large panel of countries. They developed an estimate comprehensive time varying measures of structural progressivity of national income tax systems over 1981 to 2005. The study found that while progressivity reduced observed disparity in reported gross and net income, it had a statistically significant smaller effect on the correct inequality estimated by consumer based measures of Gini coefficient. They discovered that under some certain conditions, tax productivity may improve actual income inequality mostly in countries with weak law and order and large informal non-taxable sector.

Martinez-Vazquez, Vulovic and Liu (2010) investigated the impact of direct versus indirect taxes on income inequality for 116 developed, developing and transitional countries from 1972 to 2005. The two stage least square procedure was employed in the data estimation to control for potential reverse causality of some of the variables. The results suggested that the effect of tax ratio to

income inequality is a function of the size of the taxation system. In countries with small tax system, there was positive effect on income inequality. But the effect was negative in countries with larger size taxation system. For the full sample studied, the tax mix had negative effect on the Gini coefficient thereby reducing income inequality in countries with share of total tax to GDP larger than (0.29). For the sub-sample of developing countries, there was no statistically significant effect of tax mix on income inequality. The result according to them conformed to existing evidence of low impact of tax systems on distribution of income for developing countries.

Obaretin, et al (2017) carried out a study looking at the relation between taxation and its use for income re-distribution in Nigeria. The data used for this study were taken from secondary sources, from the Federal Inland Revenue service office as well as from the World Bank. The data retrieved was for 35 years, from 1981 to 2014. Ordinary least square technique was utilized to analyze the data gathered. From the analysis, the conclusion drawn from it was that the various alternatives to tax have no significant influence on income disparity with GINI being at five percent level. Also, it was found out that taxation has been utilized to the fullest, its role in re-distributing income in Nigeria.

There have also been arguments put forward that tax is not an effective tool for income redistribution, the other alternative argument has advocated in favour of government spending instead. De Mello & Tiongson (2006) contend that the empirical relationship between inequality and government spending is inconclusive. They also find that although income redistribution spending is more needed in developing countries, it is ineffective due to market imperfections (asymmetric information) which inhibit the poor from taking advantage of the capital markets. It is apparent from experience that information asymmetry plays only insignificant role in the poor investing in the capital market to up their income which is hardly sufficient to meet subsistence Two important arguments by De Mello & Tiongson(2006) on why government spending in developing countries with high income inequality will not work are: first, the unwillingness of government to spend on redistributive programmes, and second, the public spending may be hijacked by the non-poor. This is similar with Baer and Galvao (2013) who discovered that Brazilian tax burden and government spending have low redistribution impacts apparently favouring the high income groups, which suggests that effective income redistribution will only emanate from radical fiscal policy change both in tax structure and government spending pattern. Moreover, Bird & Zolt (2005) suggest that government spending could be a good instrument for income redistribution in developing countries in addition to spending tax, albeit with a caveat that this may not be effective where the government is corrupt and not pro-poor.

Bird & Zolt (2005) examine the role of personal income tax in redistribution of income in developing countries. However, they provide three arguments against the dependence on PIT as an effective instrument for redistributing income in developing countries namely, smallness of income base, efficiency consideration and opportunity costs. According to Hagopian (2011, p. 22), "the most compelling argument against the use of the progressive income tax to redistribute income is simply that it is inequitable". Empirical evidence provided by Meadowcroft (2007) in the UK suggests that highly disproportional (progressive) tax produces high income distributional effect. For example, he shows that 10% of the highest income earners had a pre-tax income that was 28 times larger than the pre-tax income of the 10% lowest income earners, which was reduced to 5 times post-tax. However, Meadowcroft (2007) considers this form of tax as inappropriate as it produces adverse consequences for the economy and the highly-taxed individual.

Review of Theories

Faculty Theory

This theory was propounded by Prof. Martin Seligman. The faculty theory states that the collection of taxes should be based on the payers ability in terms of the income received. Ayanfo (1996) expounded this theory to explain this assertion in his paper stating that an individual should be taxed based on the individuals capacity to pay. This theory can be used to explain the re-distributional effect of income through the use of taxes by maximizing explicit value judgment. Furthermore, taxes can be used to redistribute income from those whose income are high and used by the government to provide basic amenities to those areas that are in need of such services. In another study, Bhartia (2009) argued that for individuals or business organizations to pay tax, the amount to be remitted by them should be based on their ability to pay and this can serve as a tool which the government can use to

redistribute income in the economy to areas lacking adequate funding.

Conclusion

This study investigated the role of direct taxes in income redistribution; this was achieved by the review of extant literature. It was observed that despite the ever increasing inequality in terms of income, direct taxes can play a major role in redistributing income, although the redistributive impact of these taxes has generally not been able to reverse this raising trend. One reason for this inabilities is that taxation has become less progressive and therefore less likely to address growing income inequality found in many countries. Generally speaking, indirect taxes which are typically regressive have become a more important source of government revenue and this has hindered the ability of the nation to redistribute income as well as reduce the ever increasing inequality in the country. However, from the review it was agreed that direct taxes could have significant impact on income redistribution in Nigeria as evidenced by developed countries that rely more on direct taxes.

References

Afuberoh, D., & Okoye, E. (2014).The impact of taxation on revenue generation in Nigeria: A study of Federal Capital Territory and selected states. *International Journal of Public Administration and Management Research, 2*(2),22-47.

Akhor, S. O., & Ekundayo, O. U. (2016).The impact of indirect tax revenue on economic growth: The Nigeria experience. *Igbinedion University Journal of Accounting, 2*(1), 62-86.

Angahar, P. A., & Alfred, S. I. (2012). Personal income tax administration in Nigeria: challenges and prospects for increased revenue generation from self-employed persons in the society. *Global Business and Economics Research Journal, 1*(1), 1-11.

Anyanfo, A. M. O. (1996). Public finance in a developing economy: The Nigerian case. Department of Banking and Finance, University of Nigeria, Enugu Campus, Enugu.

Anyanwu, J. C.(1997). *Nigerian Public Finance*. Joanne Educational Publishers, Onitsha.

Apere, T. O. (2003). *Basic Public Finance for Economics and Business Students*, Port Harcourt: Outreach Publication.

Appah, E. (2010). *Accounting for oil and gas business*. Port Harcourt. Ezevin Minting, Printing and Publishing Enterprises

Ariwodola, J. A. (2005).*Companies' taxation in Nigeria including petroleum profit tax*. Lagos, NG: JAA Nigeria Limited.

Awe, A. A., & Olawumi, O. R. (2012). Determinants of income distribution in the Nigerian economy: 1977-2005. *International Business and Management, 5*(1), 126-137.

Awoyemi, B. T. (2005). Explaining income inequality in Nigeria: A regression based approach. *Journal of Economics and Rural Development, 4*(6), 45-59.

Azubike, J. U. B. (2009). Challenges of tax authorizes, tax payers in the management of tax reform process. *Nigerian Accountant, 42*(2), 36-42.

Baer, W. & Galvao, A. F. (2008).Tax burden, government expenditures and income distribution in Brazil. *The Quarterly Review of Economics and Finance*, *48*(1), 345-358.

Bakare, A. S. (2012). Measuring the income inequality in Nigeria: The Lorenz curve and gini co-efficient approach. *American Journal of Economics, 2*(1): 47-52.

Bhartia, H. L. (2009). *Public finance*. 14th ed, New Delhi, Vikas Publishing House PVT Ltd.

Bird, R. M. & Zolt, E. M. (2005).The limited role of the personal income tax in developing

countries. *Journal of Asian Economics*, *16*(1), 928-946

Chu, K., Davoodi, H., & Gupta, S. (2000). Income distribution and tax and government social spending policies in developing countries. *IMF Working Paper,* 00/62 (Washington: International Monetary Fund).

Claus, I, Martinez-Vazquez, J., &Vulovic, V. (2012).Government fiscal policies and redistribution in Asian Countries.*Asian Development Bank Economic Working Paper.*

De Mello, L., & Tiongson, E. R. (2006).Income inequality and redistributive government spending. *Public Finance Review, 34*(3), 282-305.

Duncan, D., & Sabririanova, K. (2008).Tax progressivity and income inequality. Andrew Young School of Policy Studies Research Paper Series, 2008-26 Atlanta: Georgia State University.

Egbon, O., & Mgbame, C. O. (2015).What is progressive about Nigerian personal income tax? *JORIND, 13*(1), 228-239.

Gemmell, N., & Morrissey, O. (2005). Distribution and poverty impacts of tax structure reform in developing countries: How little we know. *Development Policy Review, 23*(2), 131- 144.

Gough, I., & Wood, G. (2004).*Insecurity and welfare regimes in Asia, Africa and Latin America: Social policy in development contexts.* Cambridge, Cambridge University Press.

Hagopian, K. (2011). The inequality of the progressive income tax.*Policy Review*, *1*(4), 3-27.

Ilaboya, O. J., & Ohonba, N. (2013).Direct Versus Indirect Taxation and Income Inequality. *European Journal of Accounting Auditing and Finance Research, 1*(1), 1-15

Jones, R. (2007). Income inequality, poverty and social spending in Japan. *European Journal of Political Economy, 18*(4).Retrieved from http://www.olisoecd org/olis doc-list 43 bb 61 30e5eb.

Libabatu, S. G. (2014). Tax revenue and economic growth. An unpublished Thesis submitted to the school of post graduate studies of Ahmadu Bello University, Zaria.

Mahler, V. A., & Jesuit, D. K. (2006). Fiscal redistribution in the developed countries: New insights from the Luxembourg income study in *Socio-Economic Review, 4*(3), 483-511.

Martinez-Vazquez, J., Moreno-Dodson, B., & Vulovic, V. (2012). The impact of tax and expenditure policies on income distribution: Evidence from a large panel of countries. International Center for Public Policy, Working Paper 12-25.

Meadowcroft, J. (2007). Tax, equity and redistribution. Journal Compilation, Institute of Economic Affairs, Blackwell Publishing

Moreno-Dodson, B. (2008). Assessing the impact of public spending on growth - an empirical analysis for seven fast growing countries. The World Bank, Policy Research Working Paper Series: 4663.

Naren, P. (2008). Policies for redistribution: The use of taxes and social transfers. Discussion paper, International Institute for Labour Studies, Geneva.

NgEX (2017).Taxes in Nigeria. Retrieved from http://ngex.com/business/legal-taxes/taxes-in-nigeria on 07/09/2017.

Nwezeaku, N. C. (2005). *Taxation in Nigeria: Principles and practice*. Owerri, Springfield Publishers Limited.

Nzotta, S. M. (2007). Tax evasion problems in Nigeria: A critique. *The Nigerian. Accountant, 40*(2), 40-43.

Obaretin, O., Akhor, S. O., & Oseghale, O. E. (2017).Taxation an effective tool for income redistribution in Nigeria. *Mediterranean Journal of Social Sciences, 8*(4), 197-196.

Odusola, A., (2006). Tax policy reforms in Nigeria. World Institute for Development Economics and Research, Research Paper No. 2006/03.Retrieved from http://www.wider,unu.edu.

Oguntuase, A. (2007). *An Empirical Investigation into the Determinants of Income Distribution in the Nigerian Manufacturing Sector* (Unpublished M.Sc Thesis).Ekiti State University.

Okoli, M. N., Njoku, C. O., & Kaka, G. N. (2014).Taxation and economic growth in Nigeria; A granger causality approach. *International Journal of Research in Management, Science & Technology, 2*(3), 64-80.

Olusanya, S. O., Peter, M., & Oyebo, A. F. (2012). Taxation as a fiscal policy instrument for income redistribution among Lagos state civil servants.*IOSR Journal of Humanities and Social Sciences, 5*(X), 60-70.

Prasad, N. (2008). Policies for redistribution: The use of taxes and social transfers. Discussion paper. International Institute for Labour Studies.

PwC (2009).Nigeria tax data card. Retrieved from http://www.papers.ssrn.com/sol3/papers.cfm ?_e_pi_.html on 07/09/2017

Rodrigo, C., & Ivanna, V. H. (2010). Equity and fiscal policy: The income distribution effect of taxation and social spending in Central America. *IMF working paper WP/10/112*

Saez, E. (2004). Direct or indirect tax instruments for redistribution: Short-run versus long-run. *Journal of Public Economics*, *58*(2), 503-518.

Usman, S. K., & Bilyaminu, Y. H. (2013).Taxation and societal development in Nigeria: Tackling Kano's hidden economy. *International Journal of Academic Research in Business and Social Sciences, 3*(3), 113-125.

Wambai, U. S. K., & Hanga, B.Y. (2013).Taxation and societal development in Nigeria: Tackling Kano's hidden economy. *International Journal of Academic Research in Business and SocialScience,3*(3), 113-125.

Weller, C. E., & Rao, M. (2008). Can progressive taxation contribute to economic development? *Political Economy Research Institute Working Paper* 176.