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INHERITANCE TAX AND WEALTH REDISTRIBUTION IN NIGERIA

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Abstract: This study looked into the interplay between the inheritance tax and wealth redistribution in Nigeria. In view of this, it investigated the effect of inheritance tax on wealth inequality between the haves and haves-nots in Nigeria. It determined the influence of inheritance tax on the illegal acquisition of wealth in Nigeria. Finally, the study examined the impact of inheritance tax on the productivity of taxpayers in Nigeria. All of these are to provide information on the relationship between the inheritance tax framework and the redistribution of wealth between the haves and haves-nots in Nigeria.

This research work employed a field survey. The primary data were collected and converted to quantitative data through coding. The population of the study was the entire staff of Federal Inland Revenue Services (FIRS) of Nigeria resident in Abuja and are members of the Institute of Chartered Accountants of Nigeria (ICAN) or Chartered Institute of Taxation of Nigeria (CITN) totalled 549. A sample size of 55 was selected through the convenient sampling technique. The data were analysed descriptively while a correlation matrix was used to establish the coefficient of relationship among the variables. The regression analysis was used to achieve the specific objectives of the study.

The study found that inheritance tax significantly affected wealth inequality between the haves and haves-nots in Nigeria ($t = -2.130$; $p < 0.05$). The study further revealed that inheritance tax had statistical significance on illegal acquisition of wealth ($t = -3.152$; $p < 0.05$). It was finally found that inheritance tax had a negative and insignificant impact on the productivity of taxpayers ($t = -1.121$; $p > 0.05$).

Above all, the study concluded that inheritance tax had a negative relationship with wealth redistribution in Nigeria. In addition, it had a statistically significant effect on wealth redistribution in Nigeria. This emphasized that the gap between the rich and the poor can be affected if effective inheritance tax administration is instituted in Nigeria.

Keywords: Economy, Estate tax, Government, Property law, Taxpayers.

1.0 INTRODUCTION

Undoubtedly, one of the objectives of taxation is wealth redistribution. Aside for revenue generation, governments all over the world impose taxes to collect from the rich and redistribute to the poor through the provision of public goods, subsidies, and transfer payments. To what extent has taxation achieved the objective of wealth redistribution, especially in developing countries, is a debatable topic among the concerned citizens. In Nigeria, it is being argued that tax revenue is being mismanaged by the government given the high costs of governance in the country. Nigeria is said to have multiple levels of government with a high number of political officeholders. Some people hold the view that taxes being collected are being enjoyed by the few people in government and those in public service. Notwithstanding the above criticisms, it is obvious that the government is using the revenue from taxation to provide social services. The government still funds public schools, public hospitals, and security personnel. All of these are mostly being accessed by the masses.

Another major argument against the utilisation of tax revenue in Nigeria is the ravaging cases of corruption and embezzlement in the government and the public service. While political officeholders are being accused of diversion/misappropriation of public resources, public servants are being accused of bribery and fraud while carrying out their duties. It is public information that public servants are being tried for contract inflations, forgery, and misappropriation. Recently, the accountant general of the federation was accused of a financial crime of about ₦100bn. How he got the money and what he intended to use the money for is not known.

Impliedly, some private individuals are also beneficiaries of the lopsided distribution of the tax revenue. Aside from the bail out of banks out of the private sector's debts, most of the big players in the private sector made their fortunes from contracts with the government for which some of them are accused of under delivery and/or poor delivery. Contracts will be partly or poorly executed so that they can make huge profits that will be enough to share between them and some interested civil servants. Another way private sector players are indicted is tax compliance. Most of the private sector players tend to evade tax as evidenced in low tax collection in the country relative to the Gross Domestic Product (GDP).

In Nigeria, there is currently no specific tax law on inheritance. Before now there used to be a Capital Transfer Tax Act of 1979 a federal legislation that imposed tax on the devolution or transfer of assets upon the death of the owner of the property (Oladele, 2018). The law became effective on 1 April 1979 but was later repealed. Unlike most of the developed countries where there is close gap between the rich and the poor citizens, the gap is wide in Nigeria (with Gini coefficient of 35.1% in 2022). Despite the close gap in these developed countries, some of these countries (especially the OECD countries) have laws on inheritance/wealth or estate tax (OECD 2021). With the recent high cases of increase in gaps between the rich and the poor on one hand and the rampant cases of alleged acquisition of illegal wealth, the authors hold the view that there is a need to reintroduce the law on inheritance tax or estate tax in Nigeria. The reintroduction of inheritance tax is expected to enable redistribution of wealth (legally or illegally acquired); closing of gap between the rich and the poor; disincentive to illegal wealth acquisition; and motivation to productivity.

There is a need to devise means of curbing this ugly trend of inequality and illicit/illegal wealth in Nigeria. The tax system being the major tool used for wealth distribution currently does not impose tax on wealth in Nigeria. This adds (and may continue) to widening the wealth inequality index in Nigeria. Wealth are being transferred from one person to another, either during the lifetime or after the death of the donor without tax implication. One of the rationales for wealth taxation is to redistribute wealth to close the gap (Paseda, 2020). It seems the Nigerian government does not consider wealth tax as a useful tool to reduce income inequality. The only tax law on wealth transfer was abolished a long time ago. With this situation, it is expected that there would have been many research studies on the potential impacts of the introduction (or reintroduction) of wealth tax in Nigeria. However, there are few or no research studies in this area. The dearth of research studies in this area motivates this study.

Currently, it appears little or no research studies have been carried out on the potential impact of inheritance tax on wealth redistribution in Nigeria. This paper, therefore, seeks to close this gap by examining the potential impacts of inheritance tax especially on wealth redistribution in Nigeria, and making recommendations for possible reintroduction of inheritance tax with suggested models.

1.2 Objective of the Study

The aim of this study is to examine the potential impact of inheritance tax on the wealth redistribution in Nigeria with a view to attracting the attention of policymakers to the attendant benefits consequent to possible introduction of inheritance/estate tax in Nigeria. To achieve this aim, the study seeks the following objectives specifically:

i. to investigate the effect of inheritance tax on wealth inequality in Nigeria;
ii. to examine the influence of inheritance tax on illegal acquisition of wealth in Nigeria; and
iii. to determine the impact of inheritance tax on productivity.

2.0 REVIEW OF LITERATURE

2.1 Conceptual Review

2.1.1 Wealth Distribution

According to Britannica (2023), "wealth is an accumulated stock of possessions and financial claims. It may be given a monetary value if prices can be determined for each of the possessions". ("distribution of wealth and income - Encyclopedia Britannica"). In economics term, wealth is a stock variable that is measured at a particular point in time to determine its current value which has accumulated over a period through inflows of streams of income from labour and investments. Wealth can be measured at individual and society level. At a society level, it will be the totality of wealth of each individual members of the society and commonwealth of the society. An individual wealth can increase and decrease through consumption or inflow of economic benefits making the wealth. A decrease in an individual wealth of one member of the society, other things being equal, may not reduce the wealth of the society provided the decrease leads to an increase in individual wealth of another member of the society.

Wealth of the society can increase with joint increased productivity of the members. The productivity of each member of the society is partly a function of wealth (resources) at each member's disposal and other factors. To enable optimal productivity, and ultimately increase in wealth of the society, each member should have sufficient wealth at their disposal. This brings in the issue of wealth distribution. The wealth of the society is not only in terms of economics resources achieved through the productivity of its member but also the health and the standard of living of its members. To ensure an optimum standard of living, which also affects productivity, there is a need to ensure individual member of the society has sufficient economic resources to meet each member's basic social and economic needs. To achieve this, the society needs that the wealth of the society is distributed optimally.

The distribution of wealth and income refers to "the way in which the wealth and income of a nation are divided among its population, or the way in which the wealth and income of the world are divided among nations" (Britannica, 2021). Owing to varying resources at each member's disposal to increase productivity and individual wealth, there is often income and wealth inequality among members of the society such that more and excessive wealth is concentrated in the hands of some members while others are excessively deprived. This disparity may not be due to the actions of wealthy members but little resources available to the poor members at a particular point in time. As noted earlier, the wealth of the society may not be affected by disparities in the individual's wealth. However, to achieve a healthy society and to increase the wealth of the society, the wealth needs to be redistributed.

2.1.2 Taxation of wealth: Wealth Tax and Inheritance Tax/Estate Tax

There are two major ways of imposing tax on wealth. Tax can be imposed on personal net wealth and on wealth transferred through gifts, inheritances, trusts, etc (Kessler & Pestieau 1991; Rudnick & Gordon 1996). According to Kessler & Pestieau (1991), wealth taxes apply to stocks of wealth rather flows of income. Personal wealth taxes are imposed on the net worth (total assets fewer total liabilities) of an individual at the time of assessment. According to Rudnick &Gordon (1996), personal wealth tax can be assessed either annually or sporadically. The timing of assessment depends on the tax system of the concerned jurisdiction. Also, personal wealth tax can be imposed on the whole wealth or on the gains (increase in value) at the time of assessment. In Nigeria, example of personal wealth tax is capital gains tax.

The capital gain tax is imposed at the rate of 10% on capital gains arising when chargeable assets of the taxpayer (individual or corporations) are disposed, and the net proceed is higher than the costs of acquisition. In other words, the wealth is not subjected to tax until the wealth are realised in cash at a price above its acquisition value. Another form of wealth tax in Nigeria is tenement rate and land use charge. These are capital levy based on the value of property (building) and the land at a particular time. Wealth transfer tax on the other hand is imposed on the wealth transfer from one person to another either during the lifetime of transferor or at death. The transfer during the lifetime takes the form of gift, and the gift is subjected to tax either in the hand of the transferee and/or the transferor in form of capital gain tax (CGT) and transfer tax respectively (BPP, 2012). Some countries give different reliefs and exemption for lifetime transfers of wealth such that the tax is reduced. For example, in UK, some of these exemptions include gifts between spouses and relatives, potentially exempt transfer such as if the donor survives for at least seven years after making the gift (BPP, 2012). Transfer of wealth at death takes the form of inheritance or estate. While estate taxes are based on the net value of the entire estate, inheritance taxes are calculated on the respective share of each individual heir (Kessler & Pestieau, 1991)

2.2 Review of Empirical

Having carried out a conceptual review of wealth taxation and wealth distribution, this section briefly presents a few recent studies on wealth taxes and wealth distribution around the globe, including Nigeria.

Denis and Pierre (1991) reviewed the taxation of wealth in the European Community countries with particular emphasis on net wealth taxes and wealth transfer taxes at death. The main finding is that the contribution of these taxes to total tax revenue is minute and their effect on wealth distribution is negligible.

In another dimension, Gale and Perozek (2000) examined the effects of estate tax on savings. The study is a departure from most related studies on inheritance/estate tax on wealth distribution in that it focused on various motives why parents leave estate for their children and posited that the widely held belief that estate tax reduces saving is not general. Gale and Perozek (2000) found that the effect of estate tax on savings depends on the motive (accidental, exchange, altruism) why the donor bequests.

Alstott (2007) examined the equality of opportunity and inheritance taxation. The study aimed to x-ray the justification of equality of opportunity for inheritance taxation. According to the study, pursuing equality of opportunity implies taking counterintuitive policy such as supporting inheritance taxation in combination with a social inheritance, taxing the transfer of wealth between close relatives and exempting those from others, no penalty on "generation-skipping transfers," (which occur when a grandparent leaves her wealth to her grandchildren rather than to her children), and higher rates on younger individuals than on those received by older individuals.

Commenting on past studies, Alstott (2007) argued that the findings of previous studies on the substitution and income effects of inheritance taxation are less definitive and contradicting.

One of the few studies that reported negative relationship between estate tax and wealth inequality is Cagetti, M., & De Nardi, M. (2009). According to the study, abolishing estate taxation will not increase wealth inequality rather may lead to increased productivity and wealth. To arrive at its conclusion, Cagetti, M., & De Nardi, M. (2009) employed life-cycle model of the young and old and, the two steady states-before estate tax abolition and after the abolition of estate tax using facts and figures from United States.

Conversely, the study also posited that the abolition may lead to greater welfare gain for the rich and greater welfare loss to the majority should effort is made to recover the revenue loss to the abolition of estate tax through income and consumption tax.

Similar to Nekoei and Seim (2023), Cowel et.al (2017), Guo (2023), and in contrast to Cagetti, M., & De Nardi, M. (2009), De Nardi & Yang (2015) documented that inheritance tax reduces wealth concentration and economic advantage of being born to rich families. Using data on distribution of wealth in United States (since 2013), the study reported that estate taxation can generate a significant increased welfare to under privilidge at the high costs to the rich (De Nardi & Yang 2015).

In their study of 2017, Cowel et.al argues that inheritance tax helps in "long-run distribution of wealth, reducing equilibrium inequality by a much larger amount than what is apparent in terms of the immediate impact of the tax" (Cowel et.al 2017). This suggests that the effect of inheritance may be lower in the short run (redistribution effects), but immediately after the tax is collected, it has a larger effect in the long run to reduce wealth inequality. The study further argues that the presence of the tax will affect intergenerational wealth transfers and distribution. According to Cowel et.al (2017), this is the pre-distribution effect.

Elinder, Erixson and Waldenstrom (2018) examined the impacts of inheritances on wealth inequality. The study used population register data on inheritances and wealth in Sweden. The data included individual-level information about the estates and bequests of all Swedes who passed away during the 2002–2004 period. A total of 168,000 decedents (with extended family heirs to comprising 475,000 individuals). The study employed descriptive statistics to analyse the panel data about the heirs and their marketable net worth (wealth) for several years-both before and after they inherit. The study found out that inheritances reduce wealth inequality, as measured by the Gini coefficient or top wealth shares but increase absolute dispersion.

The distributional effects of wealth tax under different income concepts were examined by Halvorsen, E., & Thoresen, T. O. (2020) using Norwegian administrative data. The study confirmed that wealth tax is distributive and highly felt by high-income taxpayers when measured against lifetime income and lifetime income in dynasties (Halvoren, et.al. 2020).

The study examined the effect of inheritance taxation on wealth and the labour supply of heirs using the life-cycle labour supply model of heirs and data from German Socio-Economic Panel (GSOEP) data from 2000-2014. It found out that inheritance tax leads to increases in labour income tax revenue through higher labour supply. Impliedly, inheritance tax pushes the heirs to increase his/her labour supply, earn more income and therefore pay more taxes. (Kindermanna, et.al 2020). According to the study, "for each Euro of bequest tax revenue the government mechanically generates, it obtains an additional 9 cents of labour income tax revenue (in net present value) through higher labour supply of (non-) heirs" (Kindermanna, et.al 2020).

OECD (2021) carried a study on comparative assessment of inheritance taxation across OECD countries. The study explored the role that inheritance, estate, and gift taxes could play in raising revenues, addressing inequalities, and improving efficiency in the future. The report of the study provides understanding of the acquisition and distribution of wealth and inheritances as well as arguments for and against inheritance taxation, especially in OECD countries. According to the study, there has been persistently increase in wealth inequality across some countries in the recent decades. According to the study, while inheritance tax could play an important role in raising revenue; address inequality and address inefficiency in the future, there are certain redesign and reform necessary to achieve the objective of the inheritance taxation. According to OECD (2021) "while inheritance taxes might negatively affect family business successions (depending on tax design), they might at the same time reduce risks of misallocating capital to less skilled heirs". This relates to one of the objectives of this study to examine the relationship between inheritance tax and productivity. The study concluded with some recommendations which includes adoption of recipient-based inheritance tax system. According to the study, a recipient-based inheritance tax may be more equitable than an estate tax on the total wealth transferred by donors in that the tax is imposed on the share of each heir based on personal circumstances.

Genschel et.al (2023) examined why inheritance tax, despite its redistributive effects, is being repealed. It found that the probability of inheritance tax repeal depends on its revenue potential and the availability of more buoyant tax alternatives. It also found that, ceteris paribus, repeal is more likely in autocracies than in democracies (Genschel et.al 2023)

Guo (2023) examined the impact of inheritance and estate taxation on wealth distribution using data from the United States. Whilst the study acknowledges a high degree of wealth inequality in the United States, it found that the impact of estate taxation on wealth redistribution and welfare is small (Saez and Zucman 2016, Guo 2023). It also found that with a 100% estate tax rate, only a 3% decrease in wealth concentration is observed but a greater disproportionate decrease in productivity (output). The paper's central finding lies in the assumption that wealth is not inherited but self-made. The paper thus concluded that estate taxation does have a very little insignificant effect on wealth redistribution, and it is less effective than any other tax type (such as progressive income tax) in wealth redistribution (Guo 2023). Though the study made notable findings, its findings are limited in generalisation due to its use of only the top 1% percent wealthy and richer heirs.

According to Nekoei and Seim (2023) inheritances increase wealth inequality, which can be reduced by inheritance tax. Nekoei and Seim carried out a study on how inheritances shape wealth inequality using data from top 1% of Sweden. The study used quasi-experimental study and found out though inheritances reduce wealth inequality in the short run, they increase wealth inequality because of different depletion rates of inherited wealth among the heirs in the long run. The study therefore suggests that, with the inheritance tax on the wealthy heirs, the inequality can be reduced in the long run. Based on their study, the inheritance tax should be only on wealthy heirs.

In Nigeria, few studies are available on the impact of taxation (including inheritance/estate tax) on wealth distribution and income inequality (Anyaduba & Otulugbu, 2019; Appah & Iweias 2023).

Anyaduba and Otulugbu (2019) examined taxation and income inequality in Nigeria. The study evaluated the relationship between various tax types and Gini Coefficient as a measure of income inequality in Nigeria. The study employed secondary data extracted from publications of Federal Inland Revenue Service (FIRS), Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS) for the period from 1990-2016. The Cointegration and Error Correction Models (ECMs) were used to analyse the data. Based on the results of the analysis, the study found out that while there is a significant negative relationship between Companies Income Tax (CIT) and Gini Coefficient (GINI), other tax types had a positive relationship with Gini Coefficient. These imply that only CIT has impact on income inequality in Nigeria. The study concluded that only CIT was able to reduce income inequality and therefore recommended that tax authority should optimize collection from CIT. Other recommendations made include the imposition of Value Added Tax (VAT) on goods and services consumed by high-income earners and, a review of Customs and Excise Duty (CED).

Appah and Iweias (2023) conducted a study on taxes and income inequality in Nigeria. Their study appears to be in furtherance of the study by Anyaduba & Otulugbu in 2019. Unlike that of Anyaduba & Otulugbu in 2019, the study extends the scope to cover the period from 1980-2020. The study aimed at investigating the relationship between taxes (personal income tax, company income tax, value added tax, capital gain tax, and custom & exercise duties) and Gini coefficient (to proxy income inequality). The study adopted ex post facto and correlational research design using secondary data source from publications of Federal Inland Revenue Service (FIRS), Central Bank of Nigeria (CBN), and National Bureau of Statistics (NBS). The study found that there is a positive and insignificant relationship between personal income tax company’s income tax (CIT), petroleum profit tax (PPT), capital gain tax (CGT), value-added tax (VAT), custom excise duties (CED) and Gini coefficient for the period under study. The study concluded with the recommendation that while efforts should be made to ensure compliance with tax payments because of the ability of tax to cure social ills, the tax system should be fair to encourage investments.

2.2.1 Rationale for Wealth Taxes

Although there are few papers (Greatz (1983; Donaldson, 1993) that are not in support of wealth taxes, a sizeable number of studies have revealed the positive impacts of wealth taxes. Part of these positive impacts are contribution to progressive taxation, providing equality of opportunity, assisting in the administration of other taxes, and reducing concentrations of wealth, corruption, and tax minimization. (Graetz 1983; Donaldson 1993; Rudnick &Gordon 1996; Alstott 2007; Brumby 2021).

2.3 Theoretical Framework

Many theories of taxation have been used to examine the effects of taxation on different economic indicators including income and wealth distribution. However, this study is hinged on the ability to pay theory and the utilitarianism theory. While the ability to pay theory is a theory of taxation specifically, utilitarianism is one of the theories of ethics.

The ability to pay theory holds the view that tax should be imposed on the taxpayer based on the ability of the taxpayer to make tax payments with equitable burden. The rich should pay more than the poor: those with higher income/wealth should pay higher taxes while those with lower income/wealth should pay lower taxes. The ability-to-pay theory is one of the justifications for progressive taxation. Graduated income and inheritance taxes are common examples of the application of the ability to pay theory (Kendrick 1939). Inheritance taxation as tax imposed on the inherited wealth is perceived to be less burden on the taxpayer (heirs) as the wealth is like a windfall with little or no effort from the heirs. Hence, the inheritors should be able to pay the tax at the specified rate without evasion tendency unlike when the tax is to be paid from the personal wealth of the heir.

From the utilitarianism perspective, society should aim at maximizing benefits to more individuals than few individuals. Hence, an action that brings more benefits to a large group of people should be sanctioned at the expense of an action that confers benefits to a small group of people. Imposing a tax on inheritance to generate revenue/income that will be redistributed to a large group of people is an action that brings benefits to a large group of people, even though there may be little resistance from the heirs paying the taxes, and should be encouraged.

3.0 METHODOLOGY

This section explains the procedures adopted in the conduct of this study to achieve its objectives. It provides information about the research design, population, sampling techniques, data collection method, and the technique of data analysis.

3.1 Research Design

In this study, a cross-sectional field survey was employed. This design enabled the verification of data to be carried out.

3.2 Population of Study

The study population were members of staff of the Federal Inland Revenue Service (FIRS) Abuja, who are members of the Institute of Chartered Accountants of Nigeria (ICAN) and /or Chartered Institute of Taxation of Nigeria (CITN), totalled 549. This is because all the regions in Nigeria are represented in the FCT and FIRS staff in Abuja has a national spread.

3.3 Sampling Technique and Sample Size

In this study, a convenient sampling technique was used. A convenient sample size of 55 respondents, which represented 10% of the study population was determined for the study.

3.4 Data Collection Method

The study employed the use of primary data. A structured questionnaire was developed to elicit the opinions of the respondents on the potential impact of inheritance tax on the wealth redistribution in Nigeria.

3.5 Validity and Reliability of Measuring Instruments

To ensure validity of the questionnaire, the questionnaire was exposed to experienced researchers for their input and corrections. Finally, the respondents were literate enough to understand the questions asked in the questionnaires. This enables reliance on their responses.

3.6 Data Analysis Method

Data were analysed using descriptive and inferential statistics. Descriptive statistics tools of frequencies tables, mean, and percentage were used. Furthermore, an inferential statistical tool of correlation coefficient was applied.

3.7 Specification of Model

$y = f(x)$ ……………………………………………………………Eq. (3.7.1)

$y = f(x) + \varepsilon$ ……………………………………………………………Eq. (3.7.2)

Effect of Inheritance Tax on Wealth Inequality

$WI = f(IT)$ ……………………………………………………………Eq. (3.7.3)

$WI_i = ƛ_0 + ƛ_1 IT_i + \varepsilon$ ……………………………………………………Eq. (3.7.4)

WI_i = Wealth Inequality, IT_i = Inheritance Tax.

$ƛ_0$ = intercept

$ƛ_1$ = slope of inheritance tax

ε_i = error term

A priori expectation of the slope is given as: $ƛ_1 < 0$

Influence of Inheritance tax on Illegal Acquisition of Wealth.

$IAW = f(IT)$ ……………………………………………………………Eq. (3.7.5)

$IAW_i = \delta_0 + \delta_1 IT_i + \varepsilon$ ……………………………………………………Eq. (3.7.6)

IAW_i = Illegal Acquisition of Wealth, IT_i = Inheritance Tax.

δ_0 = intercept

δ_1 = slope of inheritance tax

ε_i = residual

A priori expectation of the slope is given as: $\delta_1 < 0$

Impact of Inheritance tax on Productivity.

$PR = f(IT)$ ………………………………………………………………………Eq. (3.7.7)

$PR_i = \mu_0 + \mu_1 IT_i + \varepsilon$…………………………………………………………Eq. (3.7.8)

PR_i = Productivityμ, IT_i = Inheritance Tax.

μ_0 = intercept

μ_1 = slope of inheritance tax

ε_i = stochastic error term

A priori expectation of the slope is given as: $\mu_1 < 0$

4.0 DATA ANALYSIS AND DISCUSSION

This section contains analysis and interpretation of responses obtained from the distribution of online questionnaire to members of staff of FIRS. Also, in this section, the hypotheses of this research work were tested using an interpretation of descriptive statistics, correlation, and regression coefficients.

4.1 Socio-Demographic Characteristics of Respondents

Table 4.1.1 Distribution by Qualification of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	B.Sc/HND with Postgraduate & Professional Qualification	18	40.0	40.0	40.0
	B.Sc/HND with Professional Qualification	27	60.0	60.0	100.0
	Total	45	100.0	100.0	

Source: Researcher's Computation, 2024

Table 4.1.1 reveals that 18 respondents representing 40% have first degree or equivalent with postgraduate and professional qualifications while 27 respondents representing 60% have first degree or equivalent with professional qualifications.

Table 4.1.2 Distribution by Respondents by Membership of Professional Body

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	ICAN/ACCA/CITN	29	64.4	64.4	64.4
	CITN	16	35.6	35.6	100.0
	Total	45	100.0	100.0	

Source: Researcher's Computation, 2024

Based on the information above, 64.4% of the respondents are members of the Institute of Chartered Accountants (ICAN) and/or Association of Chartered Certified Accountants (ACCA) and/or Chartered Institute of Taxation of Nigeria (CITN) while 35.6% are members of CITN only.

Table 4.1.3 Distribution by Respondents by Discipline (Course of Study)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accounting & Finance	38	84.4	84.4	84.4
	Economics	1	2.2	2.2	86.7
	Law	1	2.2	2.2	88.9
	Other	5	11.1	11.1	100.0
	Total	45	100.0	100.0	

Source: Researcher's Computation, 2024

Table 4.1.3 showed that 84.4%, 2.2%, 2.2%, and 11.1% of the respondents were graduates of Accounting & Finance, Economics, Law and other disciplines respectively. The high percentage of graduates of accounting & finance implies that the majority of respondents are expected to have adequate understanding of taxation and tax laws in Nigeria.

Table 4.1.4 Distribution by Respondents by Tax Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Tax administrator/officer	44	97.8	97.8	97.8
	Other	1	2.2	2.2	100.0
	Total	45	100.0	100.0	

Source: Researcher's Computation, 2024

According to distribution in the table 4.1.4 above, only 1 respondent representing 2.2% of the total number of the respondents is not in tax cadre, to which the remaining 44 respondents (97.8%) belong. This also implies that almost all the respondents had practical experience about tax administration in Nigeria.

Table 4.1.5 Distribution by Respondents by Age Class

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 30 years old	1	2.2	2.2	2.2
	30 - 40 years old	18	40.0	40.0	42.2
	More than 40 years old	26	57.8	57.8	100.0
	Total	45	100.0	100.0	

Source: Researcher's Computation, 2024

Table 4.1.5 shows the distribution of respondents by age class. More than half of the respondents are older than 40 years old with only 1 respondent age less than 30 years. This implies that majority of the respondents are aged enough to give insights into the operation of most of the income/capital tax laws in Nigeria.

Table 4.1.6 Distribution by Respondents by Years of Work Experience

Years of Work Experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 10	10	22.2	22.2	22.2
	10 - 20 years	27	60.0	60.0	82.2
	More than 20 years	8	17.8	17.8	100.0
	Total	45	100.0	100.0	

Source: Researcher's Computation, 2024

A quick glance at Table 4.1.6 indicates that 77.8% of the respondents have more than 10 years working experience.

Table 4.1.7 Distribution of Respondents by Knowledge of Income/Capital Taxes Laws in Nigeria

		Frequency	Percent	Valid Percent
Knowledge of Personal Income Tax Act	Yes	45	100.0	100.0
Knowledge of Capital Gains Tax Act	Yes	45	100.0	100.0
Knowledge of Capital Transfer Tax Act	No	23	51.1	51.1
	Yes	22	48.9	48.9
Knowledge of Stamp Duty Act	No	1	2.2	2.2
	Yes	44	97.8	97.8

Source: Researcher's Computation, 2024

Based on the survey result presented in Table 4.1.7 above, all the 45 respondents i.e.100% have knowledge of Personal Income Tax Act (PITA) 2011 as amended, Capital Gains Tax Act (CGTA) Cap. C1 LFN 2004, as amended while for Stamp Duty Act, Cap. S8, LFN 2004 as amended 97.8% of the respondents claimed to have knowledge of the laws. However, for Capital Transfer Tax Act (CTTA) 1979, which has since been repealed, only

22 respondents representing 48.9% of the respondents claimed to have knowledge of the CTTA while 51.1% of the respondents have no knowledge of the law.

4.2 Descriptive Analysis

TABLE 4.2: Descriptive Analysis of Observed Variables

	IAW	IT	PR	WI
Mean	3.088889	3.155556	1.955556	3.688889
Median	3.000000	4.000000	2.000000	4.000000
Maximum	5.000000	5.000000	3.000000	5.000000
Minimum	1.000000	1.000000	1.000000	1.000000
Std. Dev.	1.276042	1.413499	0.638021	1.362188
Skewness	-0.300186	-0.180629	0.034699	-0.840606
Kurtosis	1.948444	1.642121	2.504852	2.559410
Jarque-Bera	2.749157	3.701891	0.468727	5.663612
Probability	0.252946	0.157089	0.791074	0.058906
Sum	139.0000	142.0000	88.00000	166.0000
Sum Sq. Dev.	71.64444	87.91111	17.91111	81.64444
Observations	45	45	45	45

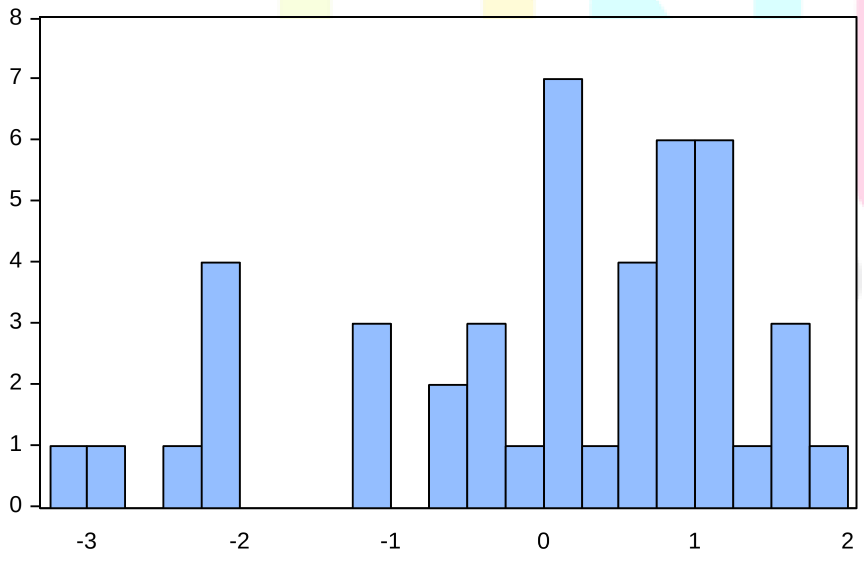
Source: Researcher's Computation, 2024

The result from Table 4.2 explains the descriptive relationship of the observed variables in this study. Inheritance tax (IT) has a mean of 3.156. This denotes the average number of questions on inheritance tax which were attempted by the respondents. This goes for illegal acquisition of wealth (IAW), productivity (PR) and wealth inequality (WI) with mean values of 3.089, 1.956 and 3.689 respectively.

The maximum value of inheritance tax is 5.000. It is the same for IAW and WI but PR has a maximum value of 3.000. The minimum value of the observed variables is 1.000. By and large, both the maximum and minimum values suggest that no question on inheritance tax, illegal acquisition of wealth, productivity and wealth inequality was left unanswered by the respondents.

Table 4.2 showed that inheritance tax is negatively skewed with the value of -0.1806. Likewise, illegal acquisition of wealth and wealth inequality have negative skewness of -0.3002 and -0.8406 respectively. The productivity is positively skewed with the value of 0.0347. The kurtoses of the observed variables are platykurtic as their values < 3. Therefore, the Jarque-Bera test indicated normal distribution of the observations ($p > 0.05$).

Histogram & Statistics



Series: RESIDUAL	
Sample 1 45	
Observations 45	
Mean	5.82e-16
Median	0.059656
Maximum	1.952983
Minimum	-3.238119
Std. Dev.	1.295529
Skewness	-0.844190
Kurtosis	2.890084
Jarque-Bera	5.367581
Probability	0.068304

FIGURE 4.2: Adequacy of Sample Observation
Source: Researcher's Computation, 2024

The Figure 4.2 showed the adequacy of sample observations. Jarque-Bera test was used to test adequacy from the Histogram & Statistics above. The value of Jarque-Bera statistic is 5.3676 while the corresponding probability value is 0.0683. The value of probability is > 0.05. So, it is not significant. Jarque-Bera test of adequacy states that when p > 0.05, then, the null hypothesis should be accepted otherwise it should be rejected.

H_0: p > 0.05 = sample is adequate.

H_1: p < 0.05 = sample is not adequate.

The above-mentioned result affirmed the acceptance of null hypothesis which meant that the sample size was adequate to embark on regression analysis.

4.3 Correlation Analysis

TABLE 4.3: Correlation of Observed Variables

	IAW	**IT**	**PR**	**WI**
IAW	1.0000			
IT	-0.4332	1.0000		
PR	0.1166	-0.1686	1.0000	
WI	0.1470	-0.3090	0.1406	1.0000

Source: Researcher's Computation, 2024

The result from the correlation matrix in Table 4.3 revealed the relationship among the observed variables which were considered in this research work. Inverse relationship exists between IT and IAW. Likewise, there is a negative relationship among IT, PR and WI with weak coefficients of correlation. Above all, there is no existence of co-linearity or multicollinearity among the variables since there is no correlation coefficient of 0.9 and above.

4.4 Inferential Statistics

4.4.1 Effect of Inheritance Tax on Wealth Inequality in Nigeria

The result from Table 4.4.1 was estimated to achieve the specific objective one. It showed the effect of inheritance tax as an independent variable on wealth inequality as a dependent variable. The coefficient of inheritance tax is -0.2978. This suggests that an inverse relationship exists between inheritance tax and wealth inequality. The increase in inheritance tax by a unit will cause wealth inequality to decrease by 0.2978. This is consistent with the *a priori* expectation. R-squared, coefficient of determination is 0.75. This means 75% of the variation in wealth inequality is caused by inheritance tax. The t-statistic from Table 4.4.1 is -2.13 with corresponding probability value of 0.039. This is indicative of the fact that effect of inheritance tax on wealth inequality is statistically significant (p < 0.05).

TABLE 4.4.1: Regression Result of Effect of Inheritance Tax on Wealth Inequality in Nigeria

Dependent Variable: Wealth Inequality (WI)			
Variables	Coefficients	t- Statistic	Probability
C	2.7292	5.6993	0.0000
IT	-0.2978	-2.1305	0.0389
R-squared	0.7547		
Adjusted R-squared	0.7404		
F-statistic	4.5388		0.0389
Durbin-Watson stat	2.3040		

Source: Researcher's Computation, 2024

4.4.2 Influence of Inheritance Tax on Illegal Acquisition of Wealth in Nigeria

The result from Table 4.4.2 captured specific objective two. The result revealed the influence of inheritance tax on the illegal acquisition of wealth in Nigeria. The slope of inheritance tax is -0.3911. This means that inheritance tax is negatively related to the illegal acquisition of wealth. This affirms the *a priori* expectation of the economic theory. A unit increase in inheritance tax will have a corresponding decrease in the illegal acquisition of wealth by 0.3911. The R-squared of the regression estimate is 0.79 which means that inheritance tax accounts for 79% variation in illegal acquisition of wealth. The t-Statistic is -3.1516 with a corresponding probability value of 0.0030. By this, inheritance tax has a negatively and statistically significant influence on illegal acquisition of wealth (p < 0.05).

TABLE 4.4.2: Regression Result of Influence of Inheritance Tax on Illegal Acquisition of Wealth in Nigeria

Dependent Variable: Illegal Acquisition of Wealth (IAW)			
Variables	Coefficients	t- Statistic	Probability
C	1.8549	4.3315	0.0001
IT	-0.3911	-3.1516	0.0030
R-squared	0.7876		
Adjusted R-squared	0.7688		
F-statistic	9.9323		0.0030
Durbin-Watson stat	1.9764		

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Source: Researcher's Computation, 2024

4.4.3 Impact of Inheritance Tax on Productivity of Taxpayers

The result from Table 4.4.3 was estimated to achieve the specific objective three. This is to determine the impact of inheritance tax on the productivity of taxpayers. The coefficient of inheritance tax is -0.0761. This indicates that there is negative relationship between inheritance tax and productivity. This confirms the *a priori* expectation set for the model in the methodology of this study. A unit increase in inheritance tax makes the productivity decrease by 0.0761. R-squared stood at 0.28. By implication, only 28% variation in productivity is attributable to inheritance tax while the remaining 72% is explained by the error term. The t-Statistic of the result is -1.1214 with a corresponding probability value of 0.2683. Despite the fulfillment of *a priori* expectation, the impact of inheritance tax on productivity is not statistically significant ($p > 0.05$).

TABLE 4.4.3: Regression Result of Impact of Inheritance Tax on Productivity.

Dependent Variable: Productivity (PR)			
Variables	Coefficients	t- Statistic	Probability
C	2.1957	9.3765	0.0000
IT	-0.0761	-1.1214	0.2683
R-squared	0.2804		
Adjusted R-squared	0.2508		
F-statistic	1.2576		0.2683
Durbin-Watson stat	2.0402		

Source: Researcher's Computation, 2024

4.5 Discussion of Findings

In the first instance, the result of the regression analysis for model one revealed that inheritance tax has a statistically significant effect on wealth inequality. This denotes that the state of wealth inequality in the country can be determined by the implementation of inheritance tax. With the effective administration of inheritance tax, the inequality in wealth distribution can be corrected. This finding agrees with the findings of Ikechukwu, et.al (2021), Anyaduba and Otulugbu (2019); Elinder, et.al (2018). However, the finding is not consistent with the outcome of Kessler and Pestieau (1991), Appah and Iweias (2023).

Secondly, the result of the regression analysis for model two showed that inheritance tax has a significant influence on illegal acquisition of wealth. This suggests that illegal acquisition of wealth can be shaped by the inheritance tax. The rate at which people are acquiring wealth illegally can be brought to a control with the institution of inheritance tax. This finding is in line with the result of Brumby (2021). Brundy (2021) listed corruption as one of the five global disruptions that can be addressed by wealth taxes.

Thirdly, it was found that inheritance tax has an insignificant impact on productivity of taxpayers. This indicates that productivity is indifferent to any changes that come from inheritance tax. Therefore, productivity of taxpayers is driven by some factors outside the inheritance tax. Meanwhile, the result of the empirical studies conducted by Kessler and Pestieau (1991) and Paseda (2020) indicated that possible significant impact of inheritance tax on productivity.

5.0 Conclusion and Recommendations

In this section, the overview of this study is considered by drawing conclusions from the outcomes of the analyses. In addition, the policy recommendations are stated while contributions to knowledge are beckoned on.

5.1 Conclusion

The results of the analyses that were carried out in this research work pointed to the fact that inheritance tax has a potential effect on wealth redistribution. Therefore, it is concluded that inheritance tax is also one of the fiscal instruments that can bring changes to wealth redistribution in Nigeria.

5.2 Policy Recommendations

Based on the aforementioned findings, these recommendations are stated:

This research work recommends that government should look directly into the direction of administering inheritance tax as one of the succours which can make her achieve her attempt to close the wide gap between the haves and haves-not in the country.

The study also recommends the floating of inheritance tax because the effective administration of inheritance tax in Nigeria will be a deterrent to all the scrupulous elements that indulge in the illegal acquisition of wealth.

Finally, it is recommended that government through tax authority should be mindful of negative relationship between the inheritance tax and productivity of taxpayer because the long-run impact of this relationship on the economy of the nation will be devastating. So, government should always be more concerned about what will improve her Gross Domestic Products (GDP) through productivity rather than decreasing productivity.

5.3 Contributions to Knowledge

The following contributions are highlighted:

This research has contributed to knowledge by expanding the existing literature in the area of study. With this, the knowledge base of every user of this research work has been increased.

This study has contributed to knowledge by increasing the number of empirical studies in the area of study within Nigeria and globally. Thereby, closing the gap identified with respect to limited empirical studies in Nigeria.

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