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**COMPLEXITY OF NIGERIAN COMPANY INCOME TAX
ACT (CITA 2007): READABILITY ASSESSMENT**

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(CITA 2007): READABILITY ASSESSMENT**

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**Complexity of Nigerian Company Income Tax ACT (CITA 2007): Readability
Assessment**

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ABSTRACT

Simplification of tax laws in terms of readability to aid easier and complete compliance by taxpayers is a key issue to achieving the objectives of every country's tax system. The connection between language and compliance is obvious and understanding of the laws is crucial for all stakeholders to be able to carry out their respective responsibilities (Tan & Tower, 1992). In particular, simple tax laws would reduce the burden of compliance costs. Under the self-assessment system (SAS) regime, the simplicity of the tax laws is very important as most responsibilities defined by the laws have been shifted to the taxpayers. Thus, complexity of the tax laws may be an obstacle to both the taxpayer and the SAS.

This study examines the readability of the Nigerian Company Income Tax Act 2007 (CITA 2007) and explores its association with compliance and administrative costs and SAS of taxation. The study employs readability formulae (Flesch Reading Ease Score and Flesch-Kincaid Grade Level), Average Sentence Length (ASL) and Percentage of Passive Voice (PPV) to determine the level of readability of the Act. Furthermore, this study adopts interview approach to triangulate the readability results obtained using the above formulae, and explores the association between the readability of the Act and compliance costs, administrative costs and SAS.

The study found that the CITA 2007 has low level of readability which made the Act very difficult to understand. The low level of readability is also found to be associated with increased compliance costs as well as administrative costs, which subsequently impair the progress of the SAS in Nigeria.

The study recommends that tax simplification policy in Nigeria should include language simplification in order to reduce compliance costs and administrative costs. With this tax simplification effort, it is hoped that tax compliance under the SAS can be improved and more tax revenue can be generated.

Key Words: Complexity of tax law, readability, compliance cost, administrative cost and self-assessment system.

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LIST OF ABBREVIATIONS

ASL	Average Sentence Length
CITA:	Company Income Tax Act
FIRS:	Federal Inland Revenue Service
FRES:	Flesch Reading Ease Score
F-KGL:	Flesch-Kincaid Grade Level
ITA:	Income Tax Act
PPV:	Percentage of Passive Voice
SAS:	Self-Assessment System

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter begins with an overview of the background of the study. In the later sections, the problem statement is highlighted, followed by the research questions. Based on the research questions, research objectives are formulated. This is followed by a discussion on the significance of the study. The chapter ends with the description of the scope and limitation of the study and organization of the project paper.

1.2 BACKGROUND OF THE STUDY

Taxation has a very important role in the development of a country. Taxation is becoming a most fundamental factor for economic development compared to other financing mechanisms, such as trade and aid. Taxation provides a stable flow of revenues to finance developmental priorities (Chipunza, 2010). In order to serve this vital role, a tax system should be efficient and effective. The two criteria of an effective tax system, as highlighted by Gale and Holtzblatt (2000) are: (i) simple to administer; and (ii) simple for taxpayers to comply. On the same note, Salami (2011) asserted that complexities in the tax system may lead to high tax corruption and evasion.

Omuigu (2011) emphasized that simplification of tax laws and tax processes to aid easier and complete compliance by taxpayers, is a key issue to achieving the objectives of Millennium Development Goals (MDGs) and Vision 2020 of Nigeria. It is important to note that these development plans (MDGs and Vision 2020) aim to place Nigeria in the league of developed countries. Therefore, reducing complexity of the tax laws is crucial

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