

**AWARENESS OF TAX RELIEF AND OTHER INDUSTRY-RELATED INCENTIVES IN NIGERIA: IMPLICATIONS FOR ENTREPRENEURIAL SPIRIT AMONG UNIVERSITY OF NIGERIA, NSUKKA UNDERGRADUATE STUDENTS**

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**Abstract**

The implication of tax relief awareness and industry related incentives on entrepreneurial Spirit was investigated among the University of Nigeria, Nsukka (UNN) undergraduate students that offer Business Development and management course in Centre for Entrepreneurial Development and Research (CEDR). The study employed a descriptive survey design. The population of the study comprises of 6,157 students, and a sample size of 234 students. Data was collected using researchers' developed questionnaire titled Awareness of Tax relief and industry related incentives (ATRPIRI). Data elicited from these research questions were analyzed using descriptive statistics and results presented as mean, standard deviation and percentage. The results of the findings showed that undergraduate students of UNN are not aware of tax relief policies and industry related incentives available in Nigeria. These tax reliefs and industry related incentives ought to be encapsulated in the course content of CEDR, since that is a course mapped out to equip the students on being an entrepreneur. As such, the researchers recommended that the relevant authorities should review the course-content and scope of the CEDR courses to include topics that will acquaint the students with prerequisite knowledge and skills for being an entrepreneur in the near future.

**Keywords:** Tax relief; Awareness; Entrepreneurial spirit, Industry-related incentives, Undergraduate

## **Introduction**

Nigeria is amongst the wealthiest countries in Africa in terms of natural resources and business opportunities. Notwithstanding, the huge presence of natural resources in Nigeria like: arable lands for farm activities, vast market for agribusinesses, etc, the country seems a paradox; swimming in the abundant natural resources endowed by nature but languishing in high rate of unemployment and poverty. Millions of her Youths, specifically, graduates still wander the streets, joining in the endless que and quest for federal or white-collar jobs, which most of them end up not getting. This over dependence on white collar jobs in most cases is because they lack requisite skills needed to effectively function in the jobs they desire which is in turn, based on the fact that they have received insufficient, wrong or no training at all to stand on their own (Adekunle, 2014). According to the National Bureau of Statistics of the Federal Republic of Nigeria, data on the rate of unemployment in Nigeria was reported at 23.132% in September, 2018 which was an increase from the previous number of 22.728% (Trading Economics, 2020). The rate of unemployment and underemployment has been on a steady increase every year. Entrepreneurship is therefore, a key factor in any economic activity as the public sector alone cannot provide the employment needs of any nation.

Entrepreneurial activities particularly, small and medium enterprises significantly affect the economy by building the economic base of an area and providing jobs (Diyoke, 2014). This has necessitated the need for the government to invest on vocational and entrepreneurial education to enable the youth become self-reliance instead of job seekers through skills development and training (Uddim & Uddim, 2013). The developed skills enable graduates to establish their own businesses rather than wait for a government job. In recognition of indispensable role of entrepreneurship in building the economy, the Federal Government of Nigeria decided that entrepreneurship education should be made a general studies course for all undergraduates of the tertiary institutions. Consequently, a Centre for entrepreneurial development was established in each of the tertiary institutions where different entrepreneurial skills would be taught. It is expected by this policy, that graduates of the tertiary institutions would be able to set up their own businesses with a view to contributing to the economy.

In the University of Nigeria, Nsukka, the Centre for Entrepreneurial Development and Research (CEDR) oversees the teaching of entrepreneurial skills to undergraduate students through a general course known as CEDR 341 (Business Development and Enterprise). It is no brainer that setting up a new business or service

line is fraught with a lot of challenges and difficulties. Ndubuisi (2004), stated that besides inadequate capital and incompetent management which are common problems facing pioneer entrepreneurs, other challenges include the arbitrary challenges in the administration of law by the government which spreads the element of uncertainty among the entrepreneurs, and lack of infrastructure, among others. In addition to these challenges, is the obstacle of taxation to business successes, as business owners are demanded by the government of a country to make a compulsory payment of money in form of tax. Nevertheless, there are federal government made provisions for certain tax incentives or relief for corporate bodies and individuals, as contained in the Nigeria law of companies and Allies Matters Act of 1990. Tax incentives are basically designed to encourage investment in certain preferred sectors of the economy. It is therefore very important for a would-be entrepreneur gets acquainted with tax relief policies and industry related incentives available in Nigeria.

The Nigeria, industry sector is segmented into four and they include:-(1) Processing Industries: It works on raw materials and processes it further. (2)Manufacturing Industries: They convert raw materials into finished goods and sometimes intermediate goods.(3)Local Craft Industries: These industries are locally-based industries that are into production of goods through the use of locally sourced materials.(4)Mining Industries: They deal with the extraction of minerals and further convert them for consumption purposes(Aregbesola, 2010). As stated in the December 1986 circular “Industrial Policy of Nigeria”, the Nigerian Government maintains a system of incentives to foster the development of particular industries, to encourage firms to locate in economically disadvantaged areas, to promote research and development in Nigeria, and to favour the use of domestic labour and raw materials. The Industrial Development (Income Tax Relief) Act of 1971 provides incentives to pioneer industries deemed beneficial to Nigerians economic development. Companies given pioneer status may enjoy a non-renewable tax holiday of five years or seven years if the pioneer industry is located in an economically disadvantaged area.

An Entrepreneur is an individual who organizes, manages, and assumes the risks of a business or enterprise. Such individual acts as an economic agent and plays an active role in Economic development of the society and economy at large (Al Mutairi & Al Mutairi, 2013). An entrepreneur is said to have accumulated the needed knowledge, skills, initiative, drive and spirit of innovation which aims at achieving a specified goal in a business venture. Entrepreneurial spirit is a mindset. It’s an attitude and approach to thinking that actively seeks out for change, rather than waiting to adapt to change. It is a mindset that embraces critical questioning, innovation, service and continuous improvement. Entrepreneurial spirit is the triggering nature that drives entrepreneurs to identifying business ideas and persistently taking risks towards making

them productive (Al Mutari & Al Mutairi, 2013). It is about seeing the big picture and thinking like an owner of a private venture.

It is obvious that the private and public sector are not able to absorb all the employable manpower in the labour market. As a result, the government has resorted to cultivating an entrepreneurial approach to provide employment opportunities (Onyima, 2011). Based on the new strategies of the European Union of the new millennium, European Commission has identified 8 key competences in the shape of knowledge, skills and attitudes that are fundamental for each individual in a knowledge-based society. These competences provide added value to the labor market, social cohesion and active citizenship and are presented through (i) communication in mother tongue; (ii) communication in foreign languages; (iii) mathematical competence and basic competences in science and technology; (iv) digital competence; (v) learning to learn; (vi) social and civic competences; (vii) sense of initiative and entrepreneurship; and (viii) cultural awareness and expression. These competences if harnessed into the course content of CEDR will help in producing graduates that will excel as an entrepreneur. Knowledge is power, this Hamdani and Koubaa, (2018), opined that Knowledge-based entrepreneurship is an effective mechanism to transform knowledge into innovation.

Entrepreneurs are at the core of industrial development which results in greater employment opportunities to the unemployed youth, increase in per capita income, higher standard of living and increased revenue to the government in the form of income, sales tax, export duties, import duties and so on. The entrepreneurs serve as a key to the creation of new enterprises, thereby rejuvenating economy and sustaining the process of economic development in the following ways: Improvement in per capita income/wealth generation, generation of employment opportunities, Inspire others towards entrepreneurship, balanced regional development, enhance the number of enterprise, provide diversity in firms, and Economic Independence.(Pahuja, 2015). These can only be achieved if the needed knowledge is on ground. Entrepreneurs need knowledge in order to act appropriate in the market (Jeraj & Maric, 2013). These knowledges can create the necessary awareness needed among our graduates and shift their focus from the search of white-collar job unto being an employer themselves. This knowledge can be instilled in them in our higher institutions.

Tax relief is an article of tax law that provides a reduction in tax payment for some tax payers or for some actions. The details of a tax relief are specified in the tax law (Hashimzade, Heady, Myles, Oats & Scharf). Ogbuanya (2014) enlisted some of the tax reliefs that are available in Nigeria. Tax relief policies are plans of actions towards economic advancement. The sole drive of tax policies is to aid in accomplishment of set out long term economic growth. These measures include reductions or exemptions from some tax liabilities which is offered to engage

entrepreneurs in some desired investments for a certain period (Falaye, Victor & Joseph, 2016). Industry related incentives on the other hand are those reductions, exemptions, grants given either by the state or federal government to industries or businesses situated in a particular location of the states in a country in order to make their localization much easier and at a lower cost. Some localities give out land for individuals that wants to invest in a project that will be of benefit to the community.

### **Statement of the Problem**

The rate of unemployment and crime among youths in Nigeria has been on the increase yearly. Hence, the urgent need to keep them busy to at least curb the rate of social vices as a result of idleness as well help them take care of their basic needs. The rate of dependency of youths on the government to provide job for them is also very high, whereas our country is bequeathed with natural resources and business opportunities begging to be tapped. It is therefore needful to conscientize the Nigerian undergraduates on the available tax reliefs and industry related incentives they can possibly explore in setting up their businesses with little or no struggle. This necessitated this present study on the awareness of tax relief policies and other industry related incentives among undergraduate students of the University of Nigeria, Nsukka (UNN).

### **Purpose of the study**

The main crest of this study was to ascertain the influence of awareness of tax relief policies and other industry related incentives on entrepreneurial spirit among undergraduate students of the University of Nigeria, Nsukka (UNN). Specifically, the study investigated

1. The student's awareness on tax reliefs available in Nigeria
2. The student's awareness on industry-related incentives available in Nigeria.
3. Strategies of increasing students' awareness on tax reliefs policies and industry related incentives available in Nigeria.

The following research questions guided the study:

1. What is the awareness of undergraduate students of tax reliefs policies available in Nigeria?
2. What is the awareness of undergraduate students of available industry-related incentives in Nigeria?

3. What are the ways of increasing awareness of undergraduate students of the UNN on available tax reliefs policies and other industry related incentives in Nigeria?

### **Methodology**

The study employed descriptive survey design. Descriptive survey aims at describing in a systematic manner the characteristics, features or facts about a given population (Nworgu, 2015). The researchers believe that the design is most appropriate for the present study as the study investigated students' awareness on some tax relief and other industry related incentives and strategies for improving on them.

A population of 6,175 undergraduate students that offered CEDR course in the University of Nigeria Nsukka in 2018/19 academic session was used for the study. A sample size of 234 was drawn using proportionate stratified random sampling technique. This technique was employed to ensure that each stratum is represented in the sample in exact proportion to its frequency in the total population. The instrument used for data collection was a researcher's developed questionnaire titled 'Awareness of Tax relief policies and industry related incentives' (ATRPRI). The instrument was validated by three experts; one in the Department of social Science Education (Economics Education), Science Education (Measurement & Evaluation) and a tutor CEDR University of Nigeria, Nsukka. The suggestions of the validators were affected and used in the final draft of the instrument that was administered to undergraduate students offering the Business Development and Management course in the UNN. The questionnaire was structured into four clusters. Clusters one and two have two-point rating scale of Not Aware (NA) =1 and Aware (A) =2. Clusters three is structured on a four-point rating scale of: Strongly Agree (SA), Agree (A), Disagree (D) and Strongly Disagree (SD) with a corresponding weight of 4, 3, 2 and 1 respectively. The data collected was analyzed using descriptive statistics and results presented as mean, standard deviation and percentage. Percentage Scores of 50% is the accepted response for clusters one and two while Mean scores above 2.5 was used as the criterion to accept or reject the mean responses on cluster 3.

### **Results**

The results for this study was presented in tables in line with the specific purposes and research questions.

**Table 1: Awareness of Undergraduate Students on Tax Reliefs Policies Available in Nigeria**

ITEMS	Frequency		Percentage	
	NA	A	NA	A
1.To start up a production company I only need a capital of 150,000	133	101	56.8	43.2
2: Am aware I can take my produced goods for free exports at Onne(Rivers)	81	153	4	34.6
3. Am aware I can take my produced goods for free exports at Calabar (cross Rivers state)	168	66	71.8	28.2
4: Before starting up a commercial production company an application for pioneer status must be filled	65	169	27.8	72.2
5. There is 3-5 and 7years tax holidays for industries located in economically advantaged states	101	133	43.2	56.8
6. There is 3-5 and 7years tax holidays for industries located in economically advantaged states	194	40	82.9	17.1
7. For in plant training 2% tax concession for a period of five years	129	105	55.1	44.9

Results in Table 1 revealed that students are not aware of the tax relief policies available in Nigeria as listed in items 1, 2, 3, 6 and 7, as the percentages are 56.8%, 65.4%, 71.8%, 82.9% and 55.1% respectively which are above 50% while students are aware of the tax relief policies as listed in items 4 and 5 which revealed the percentages of their awareness to be 72.6 and 56.8 respectively.

**Table 2: Awareness of Undergraduate Students on Industry Related Incentives Available in Nigeria**

ITEMS	Frequency		Percentage	
	NA	A	NA	A
1. Cultivation, Processing and preservation of food crops and fruits	144	90	61.5	38.5
2. Integrated dairy production (butter, cheese, fluid milk, ice cream, by products, livestock, minor (edible products)	141	93	60.3	39.7
3. Deep sea trawling and processing coastal fishing (preserved sea foods, fish and shrimps. Fishmeal)	151	83	64.5	35.5
4. Oil palm plantation & processing	159	75	67.9	32.1
5. Book Printing	71	163	30.3	69.7
6. Large Scale Mechanized farming	93	141	39.7	60.3
7. Cattle ranching and piggery of not less than 500herds	193	14	82.5	17.5
8. Preserved canned foodstuff and fruits, tea, coffee, refined sugar, tomatoes, pure juice	126	108	53.8	46.2

Table 2 revealed that students are Not Aware (NA) of some industry incentives available in Nigeria as listed in items 1, 2, 3, 4, 7 and 8 with percentages of 61.5%, 60.3%, 64.5%, 67.9%, 82.5%, 53.8% respectively which are above 50% the benchmark, while Items 5 and 6 with percentages below 50% of 30.3 and 39.7 an

indication that out of the eight industries that has incentives listed , the students are only aware of two.

**Table 3: Ways Of Increasing Awareness of Undergraduate Students on Available Tax Relief Policies and Other Industry-Related Incentives in Nigeria**

Items	Number	Mean	Standard deviation
1. A review of the course is needed to extend the duration and scope of the course CEDR	234	3.05	0.77
2. Incorporating into the course content CEDR the available tax relief policies and industry related incentives in Nigeria	234	2.63	0.93
3. Free land allocation by the government to those that want to engage in Agro business as well as other entrepreneurial activities should be publicly known and assessable through community heads.	234	2.94	0.78
4. The course content should incorporate ways of tapping our natural resources and utilizing them for income	234	3.26	0.55
5. Government should publicly & steadily make available subsidized or reduced loan facilities for youths aspiring to start up their own businesses through community leaders.	234	3.42	0.62
6. Enlightening our students on free export zones in Nigeria	234	3.52	0.53
7. Enlighten the students on some goods they can produce and sell at low cost	234	1.48	0.58
8. Entrepreneurship as studied in UNN should not be a course but a department with sub units	234	2.24	0.75

The Table 3 above showed that the mean values for items on ways of increasing awareness on tax relief policies and industry related incentives ,items 1-6 had mean scores of 3.05, 2.63, 2.94, 3.26 ,3.42 and 3.52 which are above the benchmark of 2.50

as such are accepted while the items 7 and 8 had mean scores below 2.5 indicating the items are not accepted as ways of improving awareness on tax relief policies and industry related incentives available in Nigeria.

### **Discussions**

The results of this study as shown in table one, revealed that the students are not aware of some of the tax relief policies available in Nigeria such as Free Taxation for production company with capital base of 150,000, free exports zones(Onne, calabar), 3-5 and 7years tax holidays for industries located in economically advantaged states and so on (Ogbuanya,2014). Knowledge is power, knowing most of these available tax relief policies available will spur the students' entrepreneurial spirit on becoming an entrepreneur tomorrow. This agrees with Hamdani and Koubaa, (2018), view that Knowledge-based entrepreneurship is an effective mechanism to transform knowledge into innovation.

The result from table two revealed that the students are not awareness that there are some incentives for industries that engage in activities as integrated dairy production, cultivation, processing and preservation of food crops and fruits, deep sea trawling and processing coastal fishing and so on. From the findings the students know such economic activities exists but they are not aware that there are some government incentives available for engaging in such economic activities. According to, Adekunle (2014) the student's unawareness could be amongst reasons why most of them depend so much on white collar jobs having limited knowledge.

From the table three, strategies stated to be employed in creating awareness of tax reliefs policies and industry related incentives amongst undergraduate students shows that there is need for a review of the course content of CEDR. The findings reviewed that the course duration of an academic session is not and cannot be enough for the students' spirit to be well armed to stand out tomorrow as a successful entrepreneur. The duration and the course content are to be expanded in order to incorporate more skills and knowledge.

### **Conclusion**

This study investigated the awareness of tax relief policies and other industry-related incentives and the implications for Entrepreneurial Spirit among University of Nigeria, Nsukka undergraduate Students. The findings from this study revealed that although the students are drilled in the entrepreneurship course (CEDR 341) for a whole session, they are not fully aware of some of the tax relief policies and industry incentives which can actually spur them into establishing their own business operations. These unawareness among undergraduate students was found to be attributable to students offering the course only in a session, of which was not enough to encapsulate

to a large extent course content on entrepreneurship. Among the strategies of creating awareness of tax relief policies and industry related incentives in Nigeria it was noted that the entrepreneurial course (CEDR 341) has to be extended in content and duration of study. To span more than an academic session where the students will be exposed to the available tax relief policies and industry related incentives that will aid in spurring an entrepreneurial spirit amongst Nigerian youths.

### **Recommendations**

Based on the findings of the study, the following recommendations were made:

1. The University Senate and by extension, the Nigerian University Commission (NUC) whose responsibility it is to regulate course content and curriculum in Nigerian Universities, should review the Entrepreneur course, to extend the course content scope of entrepreneurship(CEDR) as known in UNN) courses to include among others various tax relief policies and industry incentives more skills.
2. The course duration should be extended to more than a session to enable the students have a deeper understanding of the course as well as to practicalize most of the skills acquired.
3. The government should make a steadily available subsidized or reduced loan facilities for youths aspiring to start up their own businesses.

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