journals.unizik.edu.ng/index-php/jcpl ISSN: 2736-0342
NNAMDI AZIKIWE UNIVERSITY, AWKA
JOURNAL OF COMMERCIAL AND PROPERTY LAW

A Legal Appraisal of Tax Incentives in the Development of Manufacturing Industries in Nigeria: Lessons from the United States of America

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Abstract

Reduction in tax liabilities also referred to as tax incentives, are schemes put in place by many nations to incite and stimulate economic activities, growth and development. This research provides a legal appraisal of tax incentives in the development of manufacturing industries in Nigeria, citing some lessons from the practice in the United States of America. The research analyzes the various types of tax incentives available to manufacturing industries in Nigeria such as tax credits, tax holidays, investment allowances etc. It assesses the challenges and impact of these tax incentives, including increased foreign investment, job creation, economic growth etc. The Research employs doctrinal research methodology and the approaches include expository, narrative and descriptive. Findings reveal among other things that the challenges to tax incentives in the manufacturing industries in Nigeria includes but not limited to: revenue loss, unequal distribution of benefits, lack of awareness, and potential abuse. The research contributes to the ongoing debate on the role of tax incentives in promoting economic development in Nigeria and provides insights for policy makers, legal practitioners and stakeholders in the manufacturing sector.

Keywords*:* Tax, Tax Incentives, Manufacturing Industries, Nigeria

1. Introduction

Nigeria has for many years been battling with economic and development challenges. The manufacturing sector, which is the captain of economic growth and development, has unfortunately been bedeviled with many challenges ranging from a decline in productivity, inadequate infrastructure, to a harsh business environment.

Notwithstanding the prospects, the manufacturing sector in Nigeria has woefully failed to live up to expectations. The contribution of the sector to the country's Gross Domestic Product (GDP) for example, has sadly been sloping downward from 12.3% to 9.5% in 2000[1]. This downward slop has been said to be as a result of various factors, including but not limited to lack of investment, inadequate infrastructure, and an unfavourable business environment.

To proffer solution to these challenges and stimulate economic growth, the government of Nigeria has implemented various tax incentives centered on attracting investments and boosting the sector's competitiveness. These incentives offer financial benefits to companies engaged in local production, aiming to increase investment, improve competitiveness, and ultimately drive industrial growth. Tax incentives, basically, are a widely used scheme or tool to promote economic development by reducing the tax burden on businesses, encouraging investment, and stimulating growth[2]. They are provided for under the Personal Income Tax Act[3], Industrial Development (Income Tax Relief) Act,[4] Finance Act[5],

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[1]See National Bureau of Statistics, 2020.

[2]Organization for Economic Co-operation and development Tax Incentives for Investment. OECD Publishing Paris 2019.

[3]Personal Income Tax Act, 2004 (as amended) 2011.

[4]Industrial Development (Income Tax Relief) Act, Cap L17, Laws of the Federation of Nigeria, 2004.

[5]Finance Act, 2019.

Companies Income Tax Act[6], Value Added Tax Act[7], etc. In Nigeria, tax incentives have been a key component of the government's industrial policy, aimed at promoting the growth and development of the manufacturing sector[8]. Some of the incentives include deductions, exemptions, and reliefs on taxes such as the Personal Income Tax, Companies Income Tax, Value Added Tax, and Customs etc.

Despite the implementation of tax incentives, the manufacturing sector in Nigeria continues to face significant challenges. The sector's capacity utilization remains abysmally low, and many manufacturers has been struggling to survive due to lack of investment, inadequate infrastructure, and an unfavourable business environment[9].

The effectiveness of tax incentives in promoting the growth and development of the manufacturing sector in Nigeria has been a subject of debate among policymakers, researchers, and stakeholders. While some argue that tax incentives have been instrumental in attracting investments and boosting the sector's competitiveness[10], others contend that the incentives have been ineffective in addressing the sector's challenges[11]. The idea of this study is to assess how the incentives have helped manufacturing industries grow and how companies have availed themselves of the tax incentive opportunities in the country.

2. Conceptual Clarifications

a. Tax

The Black's Law Dictionary[12] defines tax as "a charge by the government on the income of individual, corporation, or trust as well as the value of an estate or gift. A pecuniary burden laid upon individual or property to support the government and is a payment exacted by legislative authority". Tax is a compulsory monetary levy imposed on persons, entities, transactions or property by the government in order to generate revenue. The Chartered Accountants and Chartered Institute of Taxation described tax as "an imposed contribution of money to government pursuant to a defined authorized legislation"[13].In other words, tax is a compulsory payment which is guided by law.In *Matthews v Chicory Marketing Board*[14], tax was defined as a compulsory transfer or payment of money or occasionally on goods and services from private individual, institutions or services or from groups to the government. It may be levied upon wealth or income or inform of surcharge on price.

Although the Nigerian tax laws do not define tax, it is a burden that every citizen must bear to sustain his or her government[15].

b. Tax Incentives

The United Nations Conference on Trade and Development (UNCTAD)[16], defined tax incentive as any measurable advantage accorded to specific enterprises or categories of business by a government, in order to encourage them to behave in a certain manner. Tax incentives a re programmes of government aimed at reducing the amount of taxes owed by businesses or individuals in exchange for some specific investments, activities or behaviours. They are very important components of government tax policies

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[6]Companies Income Tax Act, Cap C21, Laws of the Federation of Nigeria, 2004.

[7]Value Added Tax Act, Cap VI, Laws of the Federation of Nigeria, 2004.

[8]Federal Inland Revenue Service (2020) Tax Incentives in Nigeria.

[9]Federal Inland Revenue Service (2020). Tax Incentives in Nigeria. Abuja: Federal Inland Revenue Service, p. 12.

[10]Federal Ministry of Industry. Trade and Investment (2019). Industrial policy and incentives. Abuja FMITI.

[11]G Ezirim, Tax Incentives and the manufacturing sector in Nigeria: An empirical analysis, *Journal of Accounting and Finance, 20(1)* 2020. -. 1-12.

[12]B Garner, Black's Law Dictionary (Minnesota: West Publishing Company, 6th Edition, 1990) p. 1457.

[13]O Umuigbe, K Adeyemo and Nanowai; Tax Incentives and the Growth of Manufacturing Firms in Nigeria (2016) 11 (7) Medwell Journals, p. 1339.

[14](1938) 60 C.L.R 263 at 276.

[15]S M Adeola, Income Tax and Administration in Nigeria (Ileife: University of Ife Press Ltd, 1986) P. 1.

[16]United Nations, New York and Geneva (2000); Tax Incentives and Foreign Direct Investment: A Global Survey; United Nations Publication.

geared towards inciting and/or stimulating economic activities and investments by reducing tax obligations. Put more clearly, they are fiscal terms designed to reduce the cost of investment by lowering an investor's tax liability[17].

Tax incentives aim to encourage economic growth, job creation, and social welfare. It implies, more so, a reduction in tax liability which can be achieved through the reduction in tax deferment etc[18]. Tax incentives include reduced rates on profits, tax holidays, accounting rules that allow accelerated depreciation and loss carried forward for tax purposes and reduced tariffs on imported equipment, components, and raw materials, or increased tariffs to protect the domestic market for import substituting investment projects[19].

Some tax incentives include:

i. **Tax Credits:** A tax credit, simply put, refers to direct reduction in tax liability. Tax Credit is a direct reduction in the amount of tax owed by a tax payer, unlike a tax deduction which reduces taxable income. It is basically a money for money reduction in tax liability; a more direct and tangible benefits to tax payers. In essence, tax credits are provisions in the tax law that allows taxpayers to subtract certain amount from their taxable income. This means that tax credit can reduce a tax payer liability to zero. Tax credits are government subsidies delivered through the tax system to encourage specific activities or behaviour.[20] Tax credits are provisions in the tax code that reduce taxes for specific activities, industries, or groups of taxpayers.[21] In Nigeria, under the Industrial Development (Income Tax Relief) Act[22], the pioneer industries or products are granted investment tax credit at the rate of 10% of the qualifying capital expenditure. The credit is allowed against the company's income tax liability for the year in which the expenditure was incurred which can be extended for a period of five years.

ii. **Tax Deductions:** A tax deduction reduces taxable income, which in turn reduces tax liability. Tax deductions can be itemized or standard. Examples include mortgage interest deduction and charitable contribution deduction. Tax deductions are expenses or expenditures that can be subtracted from taxable income to reduce the amount of income that are subject to tax.[23] Tax Deduction are provisions in the tax law that reduce taxable income by allowing taxpayers to subtract specific expenses or expenditure.[24] For example the S. 25 of the Companies Income Tax Act (CITA) makes provisions for allowing companies deduct expenses wholly and exclusively incurred in generating taxable profit[25].More so, S. 31 of CITA makes provisions for companies to deduct donations to approved charitable organization[26]. The law also allows for the deduction of research and development expenses[27]. Tax Deductions are government measures that reduce taxable income for specific activities, Industries, or groups of taxpayers to achieve economic or social objectives[28]. In Essence,

[17]K Mataba and A Readhead, Revisiting Tax Incentives as an Investment Promotion Tool https//www.iisd.org accessed 8/10/2024.
[18]B Sanni, Tax Incentive and Reforms in Nigeria, Paper Presented at a Mandatory Professional Training Programme (MPTP) of the Chartered Institute of Taxation, Hamdala Hostel, Kaduna, April 25th 2022.
[19]United Nations, New York and Geneva (2000); Tax Incentives and Foreign Direct Investment: A Global Survey; United Nations Publication.
[20]J A Papke, Tax Incentives and Investment. In J.A. Papke& R.S. Smith (Eds.), The Economic of Tax Policy (Oxford University Press, 2005) pg. 147.
[21]J G Gravelle, Tax Incentives and the Economy, Volume 27, (University of Chicago Press 2013) p. 123.
[22]Section 19, Industrial Development (Income Tax Relief) Act, Cap:17, Laws of the Federation of Nigeria, 2004.
[23]A Sanni Nigerian Tax law, (LexisNexis Butterworths Lagos Nigeria, 2018) p. 201.
[24]O Dada, "Taxation in Nigeria: Principles and Practice", (Ibadan University Press, 2020), p. 234.
[25]CITA, Cap C21, LFN, 2004.
[26]Ibid.
[27]Ibid. S. 40.
[28]International Monetary Fund, "Tax Incentives and Revenue Loss", in Fiscal Monitor: Managing Fiscal Risks, 2018, p. 15.

tax deductions are provisions in the tax law that allow taxpayers to subtract certain expenses or expenditures from their total income i.e. it can reduce the amount that is subject to tax but does not directly reduce the tax liability. Tax deductions are often used by governments to encourage specific economic activities or behaviour such as charitable giving, home ownership or retirement savings.

iii. **Tax Exemptions:** Tax exemptions exclude specific income or assets from tax liability. Examples include tax-exempt bonds and tax-exempt organization. Tax exemption refers to the legal provision that allows certain income, property, transactions, to be either not subject to taxation or are subject to a reduced tax rate. Tax exemptions are established by laws and regulations set forth by governments or relevant tax authorities. These laws define the criteria and conditions under which exemptions can be claimed. In many jurisdictions, tax exemption provisions are outlined in tax codes or statutes, and the specific details are administered by agencies such as the Internal Revenue Service (IRS) in the United States, HM Revenue & Customs (HMRC) in the United Kingdom, or similar bodies in other countries. In Nigeria, the paragraph 7 of the Third Schedule to the Act[29], exempts interest on any loan granted by a bank to a person engaged agricultural trade or business and the fabrication of any local plant and machinery. Also, section 6 of the Value Added Tax Act[30], provides for exempt goods and services in Nigeria.

iv. **Tax Deferrals:** Tax deferrals delay tax payment to a later year. Examples include deferred compensation plans and tax-deferred savings accounts. A tax deferral is a provision in the tax law that allows taxpayers to delay paying taxes on a particular income or gain until a future date. It is a temporary postponement of tax liability, rather than a permanent reduction or elimination of tax. tax deferrals are provisions in the tax law that allow taxpayers to delay paying taxes on a particular income or gain until a future date[31]. Tax deferrals are provisions that permit taxpayers to postpone paying taxes on certain types of incomes or gain until a later Date[32]. Tax deferrals are government subsidies that are delivered through tax systems to encourage long term investment and savings[33]. In essence, tax deferrals are provisions that permit taxpayers to put off paying taxes on certain types of income or gains, such as capital gains, retirement savings or income earned abroad. This means that tax payers can delay paying taxes on these types of income until a later date, often when their tax rate may be lower. It is often used by governments to encourage long term investment, savings and economic growth.

v. **Tax Abatements:** Tax abatements reduce or eliminate tax liability for a specific period or project. Examples include property tax abatement for businesses. Tax abatement is a reduction or waiver of tax liability, granted by the government to taxpayers, usually to encourage specific economic activities or behaviour[34]. Tax abatement is a government policy tool used to achieve economic or social objectives, such as stimulating investment or promoting entrepreneurship[35]. Tax abatement can influence taxpayer behavior encouraging them to engage in desired activities or invest in specific industries[36]. In Essence tax abatement is a government policy tool used to achieve economic or social objectives such as stimulating investment, promoting entrepreneurship, or supporting low-income individuals. By reducing or waiving tax liability, governments can influence taxpayer behaviour, encouraging them to engage in desired activities or invest in specific industries.

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[29]Personal Income Tax Act, Cap P8, Laws of the Federation of Nigeria, 2004 (as amended) 2011.
[30]Value Added Tax, Cap IV Laws of the Federation of Nigeria, 2004 (as amended) 2007.
[31]A Sanni, "Nigerian Tax Law", LexisNexis Butterworths, 2018, p. 216.
[32]O Dada, "Taxation in Nigeria: Principles and Practice", Ibadan University Press, 2020, p. 151.
[33]J A Papke, "Tax Incentives and Investments", *Journal of Public Economics,* vol. 78, no. 1-2, 2000 p. 151.
[34]Ibid, p. 245.
[35]Ibid p.173.
[36]J G Gravelle, "Tax Incentives and the Economy", in Tax Policy and the Economy, Volume 27 (University of Chicago Press, 2013), p. 8.

vi. **Tax Holiday:** A tax holiday is a temporary reduction or elimination of tax liability, granted by the government to tax payers, usually to encourage specific economic activities or behaviours. It is a period of time during which taxpayers are exempt from paying taxes allowing them to retain more of their income or profits. A tax holiday is a temporary reduction or elimination of tax liability granted by the government to taxpayers, usually to encourage specific economic activities or behaviour[37]. A tax holiday provides a temporary tax break that allows taxpayers to retain more of their income or profit[38]. In essence, a tax holiday is government incentive aimed at stimulating economic growth, encouraging investment, or promoting entrepreneurship. By providing a temporary tax break. In Nigeria, Pioneer Status is granted to qualifying companies or products and services resulting in 3 to 5 years tax holiday[39].

a. Manufacturing Industry in Nigeria

Manufacturing refers to the process of transforming raw materials, components, or parts into finished goods or products through various processes, including:

1. Assembly: Combining components or parts into a complete product.
2. Fabrication: Creating products from raw materials through processes like cutting, shaping, and molding.
3. Processing: Transforming raw materials into intermediate or finished products through chemical, physical, or biological processes.
4. Assembly-line production: Mass-producing products using a sequence of assembly stations.

Several renowned scholars have defined what a manufacturing industry is of which such definitions are stated blow.

Manufacturing industries, therefore, are the sector of the economy that transforms raw materials into finished goods, using machinery equipment and labor.

They refer to the process of converting raw materials, components, or parts into finished goods or product through the use of machinery, tools and labor.

The manufacturing industry in Nigeria is a significant sector that contributes to the country's economic growth and development. The manufacturing sector accounts for around 10% of Nigeria's GDP[40]. The sector employs approximately 1.4million people, representing about 1.5% of the total labor force[41]. Nigeria's manufacturing sector is dominated by small and medium sized enterprises (SMEs), which account for 90% of the sector's output[42].

3. Prospects of Tax Incentives in the Manufacturing Industries in Nigeria.

Nigeria, Africa's largest economy, has been striving to diversify its economy and reduce its dependence on oil exports.

Nigeria's manufacturing sector holds significant potential for growth and development, driven by several key factors namely:[43]

[37] A Sanni, "Nigerian Tax Law", (LexisNexis Butterworths, Lagos, Nigeria, 2018), p. 251.
[38] J A Papke, "Tax Incentives and Investments", *Journal of Public Economics,* Vol. 78, no. 1-2, 2000 p. 22.
[39] Section 4, Industrial Development (Income Tax Relief) Act, Cap L17, Laws of the Federation of Nigeria, 2004.
[40] National Bureau of Statistics, "Nigerian Gross Domestic Product Report 2020", National Bureau of Statistics, Abuja, Nigeria, 2020, p. 12.
[41] National Bureau Statistics, Nigerian labor force report 2020, National Bureau of Statistics. Abuja. Nigeria, 2020, p. 15
[42] Small and Medium Sized Enterprises Development Agency of Nigeria, "SME Sector Report 2020", Small and Medium Sized Enterprises Development Agency of Nigeria, Abuja, Nigeria, 2020.
[43] A O Adebayo, The Nigerian Manufacturing Sector: Issues, Challenges and Prospects. University of Lagos Press, 2020 p. 173.

a. Large Market Potential
One of the most significant advantages Nigeria offers is its large market. With a population of over 200 million, the country provides a vast market for manufactured goods. This presents opportunities for manufactures to produce goods for local consumption, reducing reliance on imports and creating job[44].

b. Abundant Natural Resources
Nigeria is endowed with abundant natural resources, including cotton, cocoa, and timber. These resources provide raw materials for various industries, such as textiles, food processing, and pharmaceuticals, leveraging these resources can reduce production costs and enhance competitiveness[45].

c. Government Support
The Nigeria government has launched initiatives to support manufacturing, including the Nigerian Industrial Revolution Plan (NIRP) and the Presidential Enabling Business Environment Council (PEBEC). These initiatives aim to improve the business environment, reduce regulatory hurdles, and attract investment[46].

d. Investment Opportunities
Nigeria's manufacturing industry attracts foreign investment, particularly from China, the European Union, and the United States. This influx of foreign investment brings new technologies, management expertise, and capital, contributing to sector growth.

Several key sectors offer significant opportunities for growth:

- **Textiles:** Nigeria's textile industry can leverage the African Continental Free Trade Area (AFCFTA) agreement to export textiles to other African countries.
- **Food Processing:** Nigeria's agricultural sector provides opportunities for food processing and packaging.
- **Pharmaceuticals:** Local pharmaceutical manufacturing can reduce reliance on imports and improve healthcare outcomes.
- **Automotive:** Nigeria's automotive industry can benefit from government incentives and partnerships with international manufacturers.

In conclusion, Nigeria's manufacturing sector has significant prospects for growth, driven by its large market, abundant natural resources, government support, and investment opportunities. By leveraging these advantages and addressing challenges, Nigeria can unlock its potential, create jobs, and contribute to economic diversification.

4. Challenges of tax Incentives in the Manufacturing Industries in Nigeria
Tax incentives are a crucial tool for promoting economic growth and development in Nigeria. However, their implementation in manufacturing companies has been plagued by several challenges.

a. Complex Tax Laws and lack of Awareness
Nigeria's tax laws are very complex and confusing. The tax system is characterized by multiple taxes, exemptions, and incentives, making it difficult for manufacturers to navigate.

This complexity leads to confusion, errors, and disputes, ultimately hindering the effectiveness of tax incentives. Also, most manufacturing industries are not even aware of the existence or availability of tax incentives and so are not utilizing the opportunity.

[44]Ibid, p 55.
[45]Ibid.
[46]Ibid.

b. Inadequate Infrastructure

Another challenge is Nigeria's inadequate infrastructure. There is lack of reliable power supply, transportation networks, and logistics and all these hinder production and increases costs. Tax incentives alone cannot compensate for these infrastructural deficits.

c. Corruption and Abuse

Corruption and abuse of tax incentives are prevalent in Nigeria. Some manufacturers exploit loopholes and claim undeserved incentives, while others collude with tax officials to evade taxes. This undermines the integrity of the tax system and creates an uneven playing field.

d. Inefficient Tax Administration

The tax administration in Nigeria is often inefficient, leading to delays, bureaucratic bottlenecks, and high compliance costs. Manufacturers face challenges in claiming tax incentives due to these administrative hurdles.

e. Lack of Transparency and Accountability

There is a lack of transparency and accountability in the use of tax incentives in Nigeria. The government does not always disclose the beneficiaries of tax incentives or the criteria used to award them. This lack of transparency breeds corruption and undermines public trust.

f. Dependence on Government Support

Manufacturing companies in Nigeria often rely heavily on government support, including tax incentive. This creates a culture of dependence rather than encouraging innovation and competitiveness.

In conclusion, Tax incentives are essential for promoting manufacturing in Nigeria. However, their implementation is challenged by complex tax laws, inadequate infrastructure, corruption, inefficient tax administration, lack of transparency, and dependence on government support. Addressing these challenges is crucial to unlocking the potential of tax incentives and promoting sustainable growth in Nigeria's manufacturing sector[47].

5. Lessons from the United States of America

Tax incentives are a crucial tool used by the United States government to encourage economic growth, job creation, and investments in specific industries[48]. The legal framework for tax incentives in the US is established by the Internal Revenue Code (IRC) and implemented by the Internal Revenue Service (IRS)[49].

One of the primary tax incentive programs in the USA is the Revenue and Development (R&D) tax credit, which allows businesses to claim a credit for qualified research expenses [50]. This credit is designed to encourage innovation and investment in research and development activities[51].

Another significant tax incentive program is the Production Tax Credit (PTC), which provides a tax credit for the production of renewable energy sources such as wind and solar power[52]. This credit aims to promote the development and use of clean energy sources [53]. The US government also offers tax incentives for investments in low-income communities through the New Markets Tax Credit (NMTC)

[47] C Wilcox, (2021). Impact of Tax Incentives on Industrial and Economic Growth in Nigeria <https://www.emerald.com/insight/content/doi/10.1108/JEAS-05-2023-0112/ful/html> accessed 16 September 2024.

[48] C Johnson, (2020). Tax Incentives in the United States. Journal of Taxation, 132(4), 251-262.

[49] Internal Revenue Service (2022). Production Tax Credit.

[50] Internal Revenue Service, Research and Development Tax Credit 2022 S. 41.

[51] N Bloom, R Griffith, & J Van Reenen, the Impact of R&D Tax Credits on Innovation. *Journal of Public Economics,* Vol. 113, p. 44-53.

[52] Internal Revenue Service, Production Tax Credit. S. 45.

[53] M Mendelson, the Production Tax Credit for Renewable Energy. Energy Policy, 2015 pg. 732.

program. This program provides a tax credit for investments in qualified community development entities[54].

The legal framework for tax incentives in the US is supported by various court decisions and regulations in the case of *Commissioner v Sullivan,* The specific tax incentive at issue in the case was a deduction for charitable contributions[55]. The Court ruled that Congress has the authority to offer tax incentives to encourage specific activities or behaviors, as long as they are related to a legitimate government purpose.

The United States offers various tax incentives to support manufacturing companies, including Research and Development (R&D) tax credit for R&D expenditures[56], a deduction for qualified production activities (Internal Revenue Code & 199), Investment Tax Credit: A tax credit for investment in manufacturing assets (Internal Revenue Code & 48), Tax benefits for exporting companies (Export Administration Act of 1979), various state and local tax incentives for manufacturing companies.

The United States has a clear and simple tax incentive regime, with well-defined laws and regulations. The Internal Revenue Code (IRC) provides a comprehensive framework for tax incentives, while the Internal Revenue Service (IRS) ensures consistent application and interpretation. In contrast, Nigeria's tax incentive regime is complex and ambiguous, with overlapping laws and regulations. The Federal Inland Revenue Service (FIRS) faces challenges in interpreting and applying tax laws, leading to confusion and disputes.

a. Targeted Approach

The United States adopts a targeted approach to tax incentives, focusing on specific industries and activities. The IRC provides targeted incentives for research and development, manufacturing, and renewable energy. The Department of Commerce and state governments also offer targeted incentives for specific industries. Nigeria's tax incentive regime is broader and more general, with limited targeting of specific industries or activities. The Nigerian Investment Promotion Commission (NIPC) and FIRS offer general incentives for investment and trade, but lack a focused approach.

b. Monitoring and Evaluation

The United States has a robust monitoring and evaluation framework for tax incentives. The IRS conducts regular audits and reviews to ensure compliance, while the Government Accountability Office (GAO) evaluates the effectiveness of tax incentives. The Department of Commerce and state governments also monitor and evaluate their respective incentives. Nigeria's monitoring and evaluation framework is weaker, with limited oversight and evaluation of tax incentives. The FIRS and NIPC face challenges in tracking and assessing the impact of incentives.

c. Abuse and Corruption

The United States has a robust framework to prevent abuse and corruption in tax incentives. The IRS has strict guidelines and procedures for claiming incentives, while the GAO and Congressional Oversight ensure accountability. Nigeria's tax incentive regime is more prone to abuse and corruption, with limited oversight and enforcement. The FIRS and NIPC face challenges in preventing abuse and ensuring accountability.

In conclusion, the United States has a well-structured tax incentive regime, with clear and simple laws, a targeted approach, robust monitoring and evaluation, and strong safeguards against abuse and corruption. Nigeria's regime, while well-intentioned, faces challenges in clarity, targeting monitoring, and preventing abuse. To improve its tax incentive regime, Nigeria can learn from the US approach, adopting clearer laws, targeted incentives, and robust monitoring and evaluation frameworks.

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[54]J R Hines, The New Markets Tax Credit Program. Tax Policy and the Economy, 31(1), 2017 p. 147.
[55]356 U.S. 27 (1958).
[56]Internal Revenue Code S. 41.

6. Conclusion and Recommendations

There is no doubt that tax incentives are very vital to the development of manufacturing industries. Tax incentives are granted to attract investments and improve the production in the manufacturing industries. They bring about economic growth and development in a country.

On the other hand, the negative impacts of tax incentives cannot be ignored. Revenue loss, dependency, inequality, and misuse have all been identified as significant concerns. The government's reliance on tax incentives as a tool for economic development has resulted in a loss of revenue, which could have been used to fund public sector projects and services. Furthermore, the culture of dependency created by tax incentives has discouraged companies from investing in research and development, improving efficiency, and innovating.

To utilize maximally the benefits of tax incentives, the Nigerian government must strike a balance between encouraging investment and ensuring fairness and transparency in the tax system. This can be achieved by implementing measures to prevent misuse, ensuring that incentives are targeted and time-bound, and encouraging companies to invest in research and development and improve efficiency.

Based on the analysis, we recommend the following:

1. **Create awareness:** Many people are not aware of the existence or availability of tax incentives and so are not benefiting and utilizing the opportunity.
2. **Review Tax Incentives from time to time:** Regularly review and fine-tune tax incentive policies to ensure they are aligned with the country's economic goals and are effective in achieving their intended objectives.
3. **Specific Incentives:** There is need to implement targeted incentives that focus on specific industries or sectors, such as agriculture, manufacturing, or technology, to promote economic growth and development.
4. **Let Incentives based on Performance:** Introduce performance-based incentives that tie tax benefits to specific performance metrics, such as job creation, investment, or export growth.
5. **Transparency and Accountability:** Ensure transparency and accountability in the tax incentive system by publishing clear guidelines, eligibility criteria, and benefits.
6. **Framework for Monitoring and Evaluation:** Establish a monitoring and evaluation framework to track the effectiveness of tax incentives and make adjustments as needed.
7. **Sensitization and Capacity building:** Provide training and capacity-building programs for tax officials and industry stakeholders to ensure they understand the tax incentive system and can effectively utilize it.
8. **Gradual Phase-out:** Tax incentives should be gradually phased out as companies become more established and profitable to avoid creating dependency.
9. **Encourage Research and Development:** Encourage companies to invest in research and development by providing additional tax incentives for R&D activities.
10. **Inequality should be taken care of:** Inequality should be addressed by ensuring that tax incentives are accessible to all companies, regardless of size or sector.
11. **There should be Cooperation:** Collaborate with international organizations and other countries to share best practices and stay up-to-date on global trends in tax incentives.