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Taxation Alternative Source of Revenue in Nigeria: A Domineering Evidence of Petroleum Profit Tax

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Abstract
The study firstly, theoretically unveiled militating factors bedevilling and denying Nigerian government revenue from the taxation. Some of these factors are free rider problem, the vicious circle of negligence, the monster called corruption, terrorists and militancy, rich tax dodgers, 'oso' tax and others. Secondly, data were collected through the secondary source for the period of 12yrs (2004-2015). The regression analysis results indicate an overall statistical significant relationship between tax income and total revenue. Notwithstanding the overall statistical significance that exists between the tax revenue and total revenue, Petroleum Profit Tax (PPT) was the only predictor that was statistically significant which proves domineering and dependence on oil revenue. Corporate Income tax, Value Added Tax, Customs Excise Duty and Education Tax were insignificant. I attribute this to low tax collection mechanisms, poor workforce coupled with other factors. However, Ogun State and other four states showed real evidence of reasonable reliance on taxation as an alternative source of revenue to finance public projects. To overcome the present fall in revenue generation, we recommended certain actions to be taken to improve the system for a better result.
Keywords: Taxation, Free rider problem, the Vicious circle of negligence, Revenue generation, Poor Collection Mechanism, Corruption in Nigeria

1. Introduction

The oil price has consistently declined during this period, is clear evidence that something urgent need to be done to save our economy from total collapse. According to Ogbonna and Odoemelam (2015) the constant reliance on the oil revenue for political, economic and social development, provision of infrastructure in Nigeria has become worrisome as the price of crude oil continues to decline below the budget benchmark. Idris, Salhabinti, Ahmad, & Bismark (2017), Okafor (2012) and Odusola (2006) frowned at the system been lopsided and so much dependent on oil revenue. African countries are encouraged to aggressively look for alternative sources of income and stem leakages (Adegbemi Babatunde, Ibukun, & Oyeyemi, 2017; Unctad, 2016). According to Okafor (2012), "the immense potentials of taxes as a major engine room for fuelling the economy have not been exploited." Moreover, as a means of financing deficit (Gideon & Alouis, 2013; Ojo, 2014). As well as an instrument of economic regulation (Angahar & Alfred, 2012). Also a source of fund for the provision of infrastructure (Feger & Asafu-Adjaye, 2014; Ofoegbu, Akwu, &, Oliver, 2016; Ogohi, 2014; Rotimi, Udu, & Abdul-Azeez, 2013).

Emerging economies in the world are yet to overcome challenges and problems of tax evasion, tax avoidance, improper tax administration, inadequate assessment and lack of adequate collection mechanisms. They have to measure up, to properly fit into global economy (Festus & Samuel, 2011; Gaspar, Jaramillo, & Wingender, 2016b; Ogbonna & Ebimobowei, 2012; Okafor, 2012; Vitor Gaspar et al., 2016). Biddle (2015) also "points out that the lost revenue as a proportion of tax revenue raised is far greater in developing countries. Thus the problem of the wealthy hiding their wealth is higher in developing countries." The view of Biddle (2015) further buttress the point made by Okafor (2012) that income tax revenue over the years is grossly understated as result of poor administration and inefficient machinery for tax collections.

Despite being an oil-rich country, the sorry state of Nigeria roads, poor education, inadequate infrastructural facilities, epileptic power supply and incessant fuel scarcity (Ogbonna & Odoemelam, 2015). Looking at important economic indicators such as improved sanitation facilities (percentage of the population with access) in Nigeria was 37.7% in 1991 has declined consistently to 29.6 in 2015. On the other hand, the tax revenue (as a percentage of gross domestic products (GDP)) recorded a marginal increase of 4.0% in 2004 to 5.5 % in 2008 and drastically declined to 1.6% in 2012. Which is below estimated tipping points of 12 3/4 per cent of GDP (Gaspar, Jaramillo, & Wingender, 2016a).

Aguolu (2004) argued that taxation may not be contributing to a huge percentage of the total revenue accruing to the government. Aguolu (2004) further pointed out that given certainty and consistency of tax, the government is assured of an income. Nigeria needs to refocus on how best to facilitate the collection of taxes. Many countries have energised their economic growth through income from tax. For instance, United Kingdom, South Africa and Malaysia in 2012 recorded 25.5%, 24.92%, and 15.61% respectively as tax revenue (% of GDP) while Ghana and the United States have it as 14.8% and 9.5% in 2011 respectively. Qatar a known oil producing country recorded 19.9% in 2009 while Nigeria has 1.5% as a tax revenue % of GDP (data.worldbank).

Kiabel and Nwokah (2009) stated that the high cost of governance and coupled with recurring dwindling revenue had left various levels of government in Nigeria with formulating strategies to improve the tax base. PricewaterhouseCoopers observed that Nigeria had made some improvement in the tax system. The improvement has not reflected in gross domestic products (GDP) or education and other sectors of the economy. Hence, why tax? According to Okafor (2012) "taxation yields very substantial revenue to government" and has a link to the economic growth of any nation. Tax, as defined by Oxford Dictionary of Accounting (2005) is a levy on an individual or corporate bodies by tiers of government to finance the expenditure of that government and also, as a means of implementing its fiscal policy. The principal objective of taxation is to raise revenue for public expenditure and to redistribute wealth (Veerman, 2017), which will affect a positive change on the growth of the economy (Hakim & Bujang, 2011; Musgrave & Musgrave, 2004; Azubike, 2009; Brian, 2010; Ogbonna & Ebimobowei, 2012). In Nigeria, according to Ogbonna and Odoemelam (2015) fantastic and important role of taxation is lacking in the economy.

The inability of Federal Inland Revenue Services (FIRS), to actualize its target of 4,572.2 billion naira for the year 2015 and the persistent decline in actual tax revenue from 5,007.7 billion nairas in 2012 to 3,741.8 billion naira in 2015 from taxation, about 25% difference (see Table 5). The failure of FIRS in meeting target is an indication that many problems are militating against tax revenue generation for developmental activities in Nigeria (Ogbonna and Odoemelam, 2015). Identified problems in the system are numerous, and they are failures in tax compliance, enforcement, and administration which perceived to have opened a first way to tax avoidance, evasion, tax sheltering by companies aided by external auditors and other professionals. Also, lack of well-trained personnel, a little database on all taxpayers, corruption, transparency, accountability, integrity and political willpower to use the country's money for providing basic amenities to the citizenry (Okafor, 2012; Okoye & Afuberoh, 2014). The cost of assessing and collecting tax in Nigeria is high compared to other countries. In Nigeria, the time to prepare, file and pay taxes is 908 hours as against 110, 118, 175 and 200 for United Kingdom, Malaysia, and South Africa respectively. In comfortable with paying taxes, Nigeria ranked 179 out of 189 in 2015 (data.worldbank). Based on this background, the study is to delve deeply into the critical issues that have been bedevilling and denying Nigerian government revenue from taxation. I acknowledge the fact that many scholars have done quite some real research on the impact of the tax on the economic development of Nigeria. However, this study added to existing knowledge on taxation.

1.1 Hypotheses

Therefore, the following hypotheses are tested:
HI 1: There is a significant relationship between Total Revenue (TR) and Petroleum Profit Tax (PPT).
HI 2: There is a significant relationship between Total Revenue (TR) and Company Income Tax (CIT).
HI 3: There is a significant association between Total Revenue (TR) and Value Added Tax (VAT).
HI 4: There is a significant relationship between Total Revenue (TR) and Education Tax (ET).
HI 5: There is a significant association between Total Revenue (TR) and Education Tax (ET).

2. Literature Review

The study of taxation as a means of generating income and developing the economy has received adequate theoretical and empirical evidence. However, some salient contemporary factors militating sufficient revenue generation are missing among the various studies.

2.1 Critical Factors Militating Tax Revenue generations in Nigeria

Several factors explain why governments of developing countries have challenges in mobilizing tax revenues (Ajaz & Ahmad, 2010; Mascagni, Moore, & McCluskey, 2014; Moore, 2014). Some of these issues discussed below are hindering adequate tax revenue generation in Nigeria.

2.1.1 Free Rider Problem

In Nigeria, there are a lot of 'free riders" they will be better off if they can enjoy the benefit of public goods that have characteristics of "nonrival consumption" and "non – exclusion" without incurring a cost. Therefore, free riders have a higher incentive not to contribute to the funding of this public goods or services such as military defence and police protection. They are behaving like a "free rider" by avoiding bearing any cost in the form of tax in the financing of such public goods or services mentioned above. The government, has to come into to salvage the potential free rider problem, the more likely that voluntary contributions could not finance a public good, is the failure of the price system. Based on the voluntary corporation to function efficiently in providing public goods that justify government intervention by compulsory taxing every adult, companies, and others to finance the provision of public goods and services (Rotimi et al., 2013). On this note, the federal government came up with various tax legislation such as company's Income Tax (Amendment) Act 2007, the Federal Inland Revenue Service (Establishment) Act 2007, Value Added Tax (Amendment) ACT 2007: The Personal Income Tax (Amendment) Act 2011. These tax laws are all aimed at encouraging tax compliance and increasing tax yield (Okafor, 2012).

2.1.2 Vicious Circle of Negligence

Nigeria presently is suffering from "vicious circle of neglect." The country has remained undeveloped because she has refused to adequately diversify the economy and look inward for another source of revenue to finance its developmental projects. Naive approach by various Nigerian governments has kept the majority of the population in abject poverty and the economy undeveloped. Continuous reliance on oil, as a primary source of revenue, is a big problem as oil price is declining as well as Niger Delta militants destroying oil pipelines. Thereby reducing the output per day call for an immediate search of a way out from this vicious circle of the negligence of another source such like taxation, agriculture, industries, e.t.c. The oil boom of the 1970's led Nigeria to neglect her strong agricultural and light producing bases and dependent on crude oil. Odusola, (2006) observed that oil revenue dominates our economy.

2.1.3 Terrorism and Militancy:

The incessant attack on both human and corporate bodies in Nigeria is not less than a factor militating the smooth activities and performance of organizations and individuals living in such places where Boko Haram has been terrorizing; the truth is not far from the fact that it has contributed to little revenue in the affected areas. An obvious example is Borno State that occupies the bottom of the table of internally generated Revenue of states (see Appendix v) also the frequent blowing of the oil pipelines and attacking of oil companies in Nigeria also drastically reduced oil income and by implication affected the petroleum profit tax revenue. As documented in Ogbonna and Odoemelam (2015) percentage change in petroleum profit tax (% ΔPPT) in 2011 dropped from 104% in 2011 to -15 % in 2013, while the total tax collection fell from 5,007.7 in 2012 to 3,741.8 in 2015. (See Table 5)

In Ogun state, for instance, has made its environment for business to thrive by providing a good atmosphere in the state. It was reported that within 2008 to 2010 the state was ranked among the lowest overall performers in Nigeria regarding comfortable of doing business. However, today is ranked best among five states "that made the biggest strides towards the national frontier of good practice.

2.1.4 Corruption.

According to Ogbonna and Odoemelam (2015) "The level of willingness and patriotism of the governed anchored on the political willpower of the government to fight corruption and embark on expenditures that will boost the economy." Corruption has eaten deep into every sector of the economy; virtually all the segments of the society have a problem of corruption. As noted by Okafor (2012) individuals and corporate bodies are always known to evade and avoid tax due to corrupt practices and the existence of various loopholes in the tax loss. Oyedele (2015) in his view whether the change will come to tax, urge the leadership of Federal Inland Revenue Services (FIRS) to "create structures to stamp out corruption in tax administration in particular through the use of technology and introduce a framework for whistleblowing." According to him, this will go a long way in blocking tax leakages in Nigeria. This corruption has a negative effect on tax collection especially in developing countries (Ajaz & Ahmad, 2010). There is a need for the government to care and get rid of corruption in the economy (Kafkalas, Kalaitzidakis, & Tzouvelekas, 2014).

2.1.5 Tax Evasion

Festus & Samuel (2011) and Okafor (2012) stated that tax evasion is a major factor militating tax revenue generation in Nigeria. According to Oxford Dictionary of Accounting (2005) tax evasion is an act of reducing tax liabilities illegally, it normally happens when there is no disclosure of one 's tax liability or by giving false information to the authorities. Adebisi & Gbegi (2013) observed the existence of book-tax gap are evidence of earnings manipulation and or tax sheltering, the penalty associated with tax evasion is severe, yet it occurs now and then without person and organizations been punished (Okoye & Afuberoh, 2014). Okafor (2012) further noted that inability of the government to provide essential amenities and high tax rates makes tax evasion very attractive and economical. Fox, Luna, & Schaur (2014) developed a new way to examine tax evasion that focuses on corporate transactions, rather than corporate profits. Specifically, Fox et al. (2014) consider how commodity flows respond to destination sales taxes, allowing for tax evasion as a function of the distance between trade partners. After accounting for transportation costs, the study indicates that the effect of taxes decreases as distance increases. Their findings are consistent with the notion that longer distances between trade partners hinder government oversight and improve the chances of successful tax evasion. This tax evasion has cost loss of revenue to the government (Ernick, 2013; Gravelle, 2009; Kirchler, Maciejovsky, & Schneider, 2003)

2.1.6 Tax Avoidance

Virtually every country is battling with the problem of tax avoidance. Both individuals and corporate bodies are leaning on various loopholes in both tax laws and administrative inefficiency of agencies saddled with the responsibility of making tax laws and collection of taxes (Okafor, 2012). Okafor (2012) noted that tax avoidance regarding law is not interpreted as a criminal offence. Okonjo-Iweala (2015) frowned at the revelation that about 75% of companies in the country are not registered with the stepping up its efforts to encourage voluntary compliance with tax obligations. Moreover, there is a problem of corporate tax distortions which aid entities to manipulate their tax liability (Cavelti, Jaag, & Rohner, 2017). Oprean (2014) advocates global corporate tax to solve the problem of tax avoidance and evasion.

2.1.7 Poor Collection Mechanisms/inadequate personnel

The greatest challenge militating administration of tax in Nigeria lies in the procedures, machinery, and approaches adopted in tax collection, assessment and corrupt practices of tax officials in implementing the tax system. In agreement with this view, Okafor (2012) added that delayed evaluation and late collection of taxes have contributed to low revenue generation through tax. Oyedele (2015) pointed out that "the menace of multiple tax collection agencies particularly in the federal level...increases the risk of non-remittance of revenue collection but also duplicates administrative cost for governments and compliance costs for taxpayers". As we can see from the figure 1& 1, the collection rate is retrogressing while administrative and collection costs are progressing. The Initiatives (2008) observed not until recently, that majority of the staff of tax agency has not received any training for the past ten years. Abiola & Asiweh (2012) confirmed this problem that underdeveloped countries have problems of inadequate personnel and lack training. Training and retraining of workforce is a necessary step in the actualization of organizations objectives.

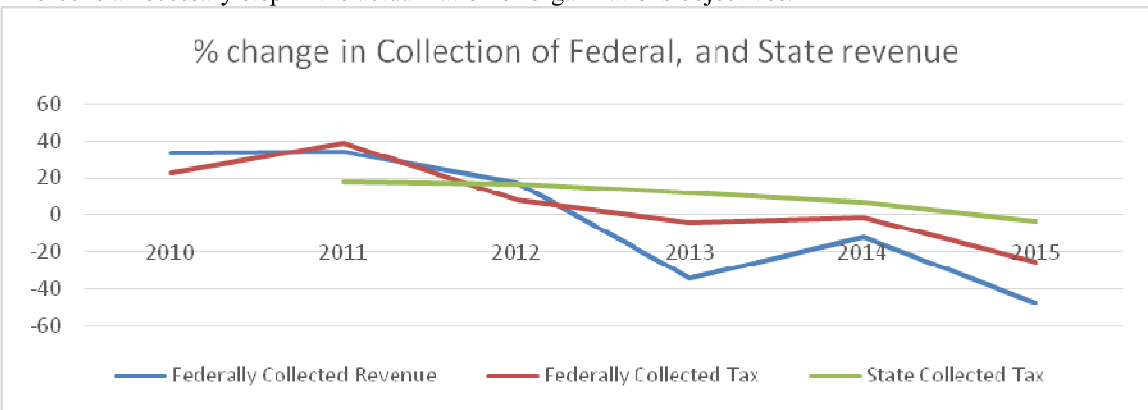

Figure 1. Percentage Change in Tax Collection

Okonjo-Iweala (2015) pointed out that "it is now imperative to drive up domestic resource mobilization especially taxes. The message is quite clear and can be achieved if the employees are adequate and well trained.

2.1.8 Tax run "Oso tax"

Perceived inequality in the provision of infrastructural for rural dwellers by the government has forced our fathers in the villages, to always flee at the presence of tax collectors. "In 1929, the most intensive, extensive and violent anti-tax protests occurred in the eastern part of Nigeria, where young men that had no real earning power were taxed equally with their better-off neighbours" (Nnoli,1980). According to Brain (2010) observed that no one wants to pay tax. This problem is caused by the fact that the governed believe that government has not demonstrated their readiness to manage well the revenue available; asking them to pay tax is not justifiable. Doerrenberg (2015) & Adebisi & Gbegi (2013) pointed out that tax compliance depends on tax-revenue usage.

2.1.9 Rich Tax Dodgers

In the UK, it was revealed that "wealthy people are using the complexity of the global tax system to avoid paying their fair share." Roach, (2010.) noted that even in the United States that 'fiscal policy reflects the expression of power in the U.S.-those without electricity or favour are left paying more in taxes while others reap the benefits of lower taxes because of their political influence". Nigeria is not an exemption in this matter, conspicuous consumption is the order of the day people are exhibiting their wealth as one man having more than six expensive cars, and such is not taxed. According to PricewaterhouseCoopers luxury surcharges have been proposed to take effect from 2015 and was expected to generate about N10.56 billion for last year fiscal year. Details are as follows:

1. Purchase of new private jets will attract 10% import surcharge
2. Acquisition of luxury yachts will be subject to a 39% import surcharge
3. Purchase of luxury cars will be submitted to a 5% import surcharge
4. Acquisition of champagnes, wines, and spirits will attract 3% luxury surcharge
5. 1% FCT Mansion Tax on residential properties with value of N300 million and above
6. There will also be a tax on Business and First Class tickets on Airlines.

Also looking at the possibility of increasing VAT percentage from 5% to either 10 to 15%.The move is obtainable as developed countries have used such increases in improving their revenue generation (Gale & Brown, 2013; Ohemeng & Owusu, 2015).

2.1.10 Welfare Cost of Taxation

It is important to distinguish the welfare cost of taxation from its direct cost. Direct cost is reflected in the withdrawal of resources from the private sector while welfare cost refers to a burden more than the magnitude of the tax. The cost is the result of misallocation of resources, and it imposed a welfare cost. Examples of the welfare cost of taxation are:

1) Compliance Cost

Individual taxpayers bear the significant cost in complying with tax loss. Compliance is filling out tax forms; it also includes the cost of hiring the use of tax forms. Mailing the completed returns and using the banking system to transfer funds. World Bank in its report in 2011, Nigeria ranked 134 out of 183 countries surveyed on the ease of paying taxes, former Minister of Finance, Okonjo Iweala confirmed World Bank report said every N100 that business has to pay about N 30 in compliance cost (Ogbonna and Odoemelam, 2015). This cost all the same to make the burden on the public greater than the revenue received by government hence inefficiency in tax revenue collection and administration (Okafor, 2012) unfortunately there is not much evidence concerning how large compliance cost is. However, it seems fairly clear that they are greater than administrative cost recorded by the government. Okoye & Afuberoh (2014) noted: “procedure for paying taxes is too cumbersome and do not encourage prompt payment of tax by payers.”

2) Administration Cost

Government administrative cost is a form of welfare loss because they reduce the real revenue received by the government examples are salaries of staff, wages of workers and various expenses which must be made from tax receipts. These costs are progressively increasing as we can see from the figure below showing the FIRS collection cost and VAT collection cost from 2007-2013. Oyedele (2015) recommended that government should set a performance measurement for tax authority, which should include analysis of the value of tax relief granted, cost of collection e.t.c

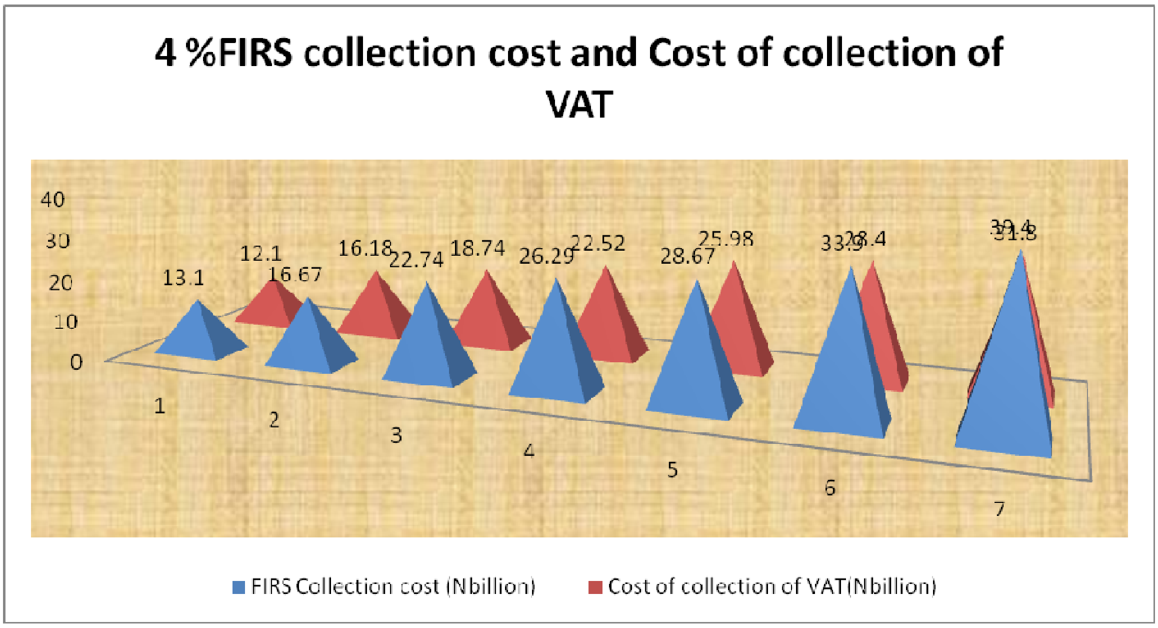

Figure 2 Tax Collection Cost

3) Lobbying

Individuals and companies lobby to influence individual policies. More subtle source of welfare cost occurs when people devote resources in an attempt to bend the tax law. Some companies prefer to invest in political campaign activities expecting in return favoured policies if eventually, the party wins the election. This lobbying involves cost that does not generate revenue. Therefore they are in the form of welfare cost.

2.1.11 Non-Remittance /Non Payment of Tax When Due

Incessant cases of none payment of taxes as at when due abound, many notable companies, political figures and other famous men have been convicted of this crime. This factor has affected the revenue generation through tax. Recently the following corporations and individuals are facing trials or sentenced for not paying taxes as when due. Few of them are listed in table 1 below:

Table 1: Related Cases of Non-Remittance and Non Payment of Tax When Due

Names	Amount	Remark
Costain West Africa Plc	2b Naira	Office shuts down
First Deepwater Discovery Limited	230m Naira	Office shuts down
CAT Construction Group Ltd	176m Naira	Office shuts down
OPI International Ltd	3 M Naira	Office shuts down
Shoelz International Ltd	32m Naira	Office shuts down
Felixo International Hotel Ltd	15m Naira	Office shuts down
Midfield West Africa Ltd	11m Naira	Office shuts down

Source:www.thisdaylive.com/index.php/2016/06/29/firs-shuts-costain-wafrica-others-over-tax-debt

2.2 Empirical Review

There are good number of empirical evidence supporting taxation as a veritable tool for generating revenue and development of the economy. Tax, as it relates to the economy, has received adequate theoretical and empirical evidence. Okafor, (2012), Festus and Samuel (2011) and Ogbonna and Odoemelam (2015) and others have documented a significant evidence that tax revenue has a positive relationship with the economic development of Nigeria. In the developed economy, Engen and Skinner, (1996) provided evidence that 0.2 to 0.3 percentage points to differences in growth in response to major tax reform. Providing proof of taxation as a useful tool for increasing Nigeria revenue, Oriakhi and Ahuru (2014), employed annual time series data covering 1981 to 2011. They used various income taxes as a proxy for tax reforms (independent variables) and federally collected revenue as study variable. The grander causality showed that Custom and Exercise duty (CED) and Value Added Tax (VAT) Granger causes federally collected revenue. Their methodology and finding were not entirely different from Ogbonna & Ebimobowei (2012). On the other hand, Okoye and Afuberoh (2014) in their aim to find the impact of taxation on revenue of Nigeria concerning FCT and some selected states in Nigeria, documented that taxation has a significant contribution to income generation and Gross Domestic Product (GDP). Ogbonna and Odoemelam (2015) among hypotheses tested was that in post-IFRS the relation between petroleum profit tax (PPT), company income tax (CIT) and Gross Domestic Product has declined. The study documented empirical evidence and accepted the hypotheses, which confirmed the view of Oseni, (2013) that if current tax rules are not amended, the government may suffer a significant reduction in tax revenue.

The tax administration, preparation, and computation of the tax rolls and bills and compilation of the tax are saddled to Federal Inland Revenue Services (FIRS) by Section 8(q) of FIRS Establishment Act 2007) this has contributed to a reasonable increase in tax revenue in Nigeria (Asuquo, 2014). Okafor (2012) observed that this bold step had enhanced the administration and collection of tax revenue in Nigeria. The figure below shows the percentage change of actual collection of federal tax revenue

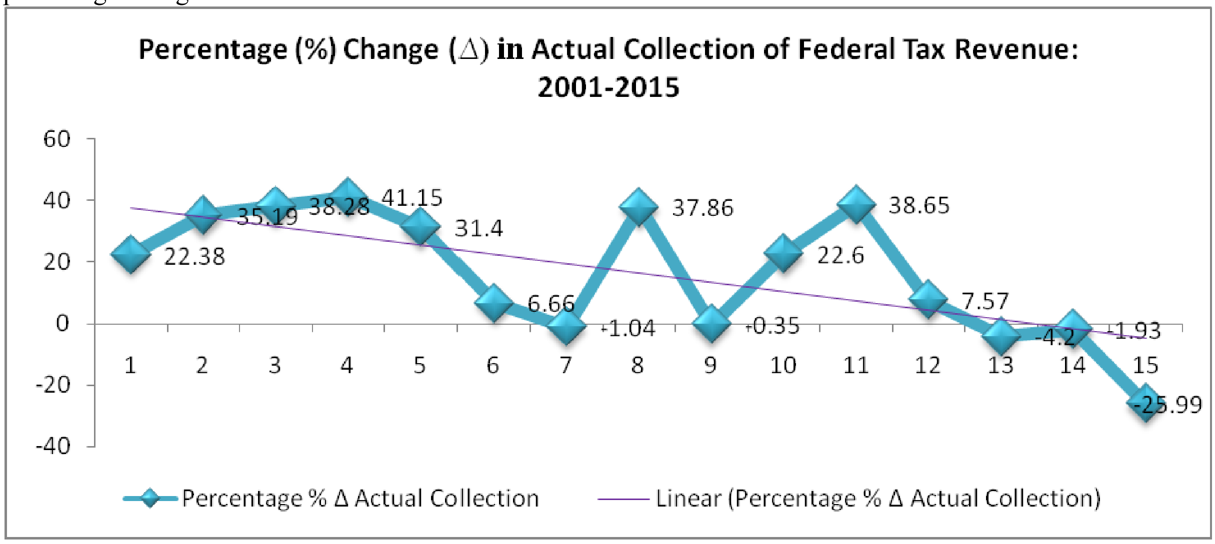

Figure 3 Percentage Change in Actual Collection of Federal Tax Revenue

A glance at figure 3 above, the views of Asuquo (2014) and Okafor (2012) cannot be substantiated as the trend of tax revenue collection is declining severely.

Taxation revenue from states as important as monthly allocation usually received by the states from the federal government has drastically reduced. The decrease is a result of a persistent decline in the price of crude oil, and many states are borrowing money to pay workers' salaries, and the state of infrastructural facilities where they exist is in a deplorable condition. Roads are like death traps and the unemployment rate at an alarming percentage, kidnapping order of the day virtually in every state of the federation. In a view to overcoming these challenges, states are gearing up to strengthen their tentacles for an increase in internally generated revenue through taxation.

The internally generated revenue of some countries have improved tremendously (Gaspar et al., 2016a) and in particular in Lagos State (Rotimi et al., 2013). Lagos state in 2010 made about N150 billion and had consistently increased its revenue to N276 billion about (54%) increase in 2014 followed by Rivers State having N49.6 billion naira and N89 billion in 2010 and 2014 respectively. That is 56% improvement in the collection (see Appendix v).

Recall that we did explain in the theoretical review that terrorism and militancy is one of the banes militating revenue generation in Nigeria. Borno State that Boko Haram has been terrorizing since July 2009 recorded the lowest revenue from 2010 to 2015. (See Appendix v)

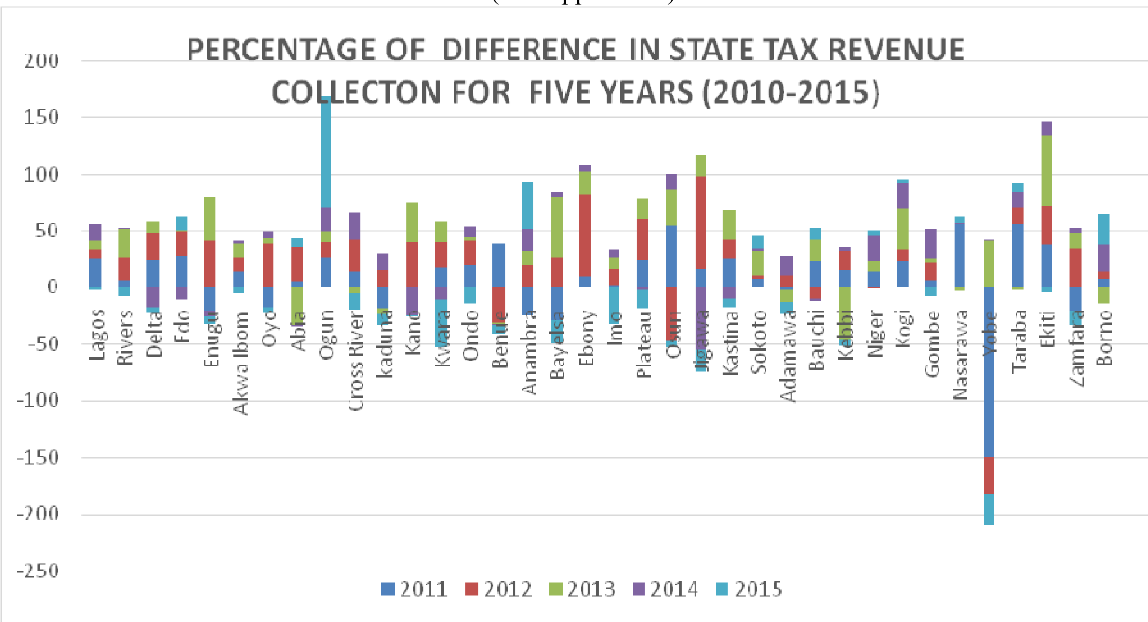

Figure 4 State Tax Revenue Collection

While Yobe State also under insurgency attacks, its tax collection rate is severely nose diving southern direction, i.e., 149.84 % (figure4). On the other side, Ogun State seems to be enjoying increasing trend of tax collection rate of 97.7% in 2015. (see Appendix vi).

2.2.1 Petroleum Profit Tax (PPT)

The petroleum profit tax is the most important source of revenue to many countries (Gupta & Mahler, 1995). Abdul-Rahamoh, Taiwo, & Adejare (2013) investigate the effect of petroleum profit tax (PPT) on economic growth in Nigeria. The study employed multiple regressions on a longitudinal data that spanned from 1970 to 2010 using secondary data. The results show Petroleum profit tax has significant effects on the economic growth. In Russia's evidence as provided by Fjaertoft & Lunden (2015) x-rayed popular tax system and examined the impact of changes in the tax regime. The study found that the changes only encourage the development of new field but unable to achieve the goal of improvement of Russia's tax system and revenue generation.

2.2.2 Corporate Income Tax

Kimberly A. Clausing (2016) estimated the effect of profit is shifting on corporate tax base erosion of the United States using secondary data of time series and found that profit shifting is a potential hindrance to corporate tax revenue for the US government. The study further stated that this problem is likely to be higher for countries without low tax rates. Profit shifting causes loss of income to governments (Fuest & Riedel, 2010; Gravelle, 2009). Also, the study by Armstrong, Blouin, & Larcker (2012) shows that tax directors are provided with incentives to reduce the level of tax expense reported in the financial statements

2.2.3 Value Added Tax

UR (2015) provided evidence of the impact of the value-added tax on revenue generation in India. The study explored the impact stepwise regression analysis and found that value-added tax statistically significant impact on income. Abdul-rahman & Joshua (2013) investigated the impact of the value-added tax on revenue generation in Nigeria. The study used Secondary and stepwise regression analysis. The results indicate that Value Added Tax has statistically significant effect on revenue generation in Nigeria. Also found a significant positive relationship between the VAT and Total revenue are, e.g., Onwuchekwa & Aruwa (2014). On the contrary, Okoli & Matthew (2015) & Izedonmi & Okunbor (2014) reported the insignificant contribution of Value Added Tax to the economic growth of Nigeria while Ugochukwu & Azubike (2016) study showed the significant negative relationship.

2.2.4 Custom Excise Duty

Bekoe, Danquah, & Senahey (2016) investigated the impact of tax system reform in Ghana. The study document the overall significance of tax variables on the mobilization of revenue. However not all the tax variables were statistically significant, excise duties were insignificant. In the same vein, Okoli & Matthew (2015) reported insignificant contribution by custom excise duty to the economic growth of Nigeria.

2.2.5 Education Tax

Ogbonna & Ebimobowei, (2012) and Ogbonna & Odoemelam (2015) show that education tax statistically significantly contribute to the growth of Nigerian economy.

3.0 Methodology

In this research, we used time series data sourced from Federal Inland Revenue Services (FIRS), Central Bank of Nigeria (CBN) Statistical Bulletin. The data spanned 12 years (2004-2015), this period wittinessed effective policies ranging from the amendment of existing and enactment of various tax laws as well as the establishment of FIRS aimed at enhancing tax revenue generation in Nigerian. Also, within this period, economic meltdown, and a decline in oil price.

Ordinary Least Squares (OLS) regression technique was employed to empirically investigate the relationship between Total Revenue (TR) and various tax variables. In line with Okafor, (2012) methodology, Eview statistical package was used to obviate possible problems associated with regression analysis of time series data. The further method adopted that is similar to what Engen and Skinner (1996) suggested avoiding bias one can introduce explanatory variables the percentage growth rate in the level of taxation. This help to examine the tax collection efforts of various agencies saddled with such responsibilities. The model specifications for the three tiers of government are:

Model Specification:

TR=F(PPT; CIT; VAT; CED; ET)

Where: TR= Total Revenue

PPT=Petroleum Profit Tax

CIT= Company Income Tax

VAT= Value Added Tax

CED= Custom Exercise Duties

ET= Education Tax

In the liner above converts to

$TR= a_0 + a_1 PPT + a_2 CIT + a_3 VAT + a_4 CED + a_5 ET + \ell$

4.0 RESULTS AND DISCUSSION

In this section, we present the data; examine the results and discussions of relevant findings.

4.1 Data Presentation and Analysis

Dependent Variable: TR
Method: Least Squares
Date: 07/15/17 Time: 09:14
Sample: 1 12
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2825.541	517.9828	5.454893	0.0016
PPT	1.921190	0.179526	10.70144	0.0000
CIT	1.901328	2.307134	0.824108	0.4414
VAT	4.337248	3.433997	1.263032	0.2534
CED	-8.188652	3.687114	-2.220884	0.0681
ET	-7.232097	3.489191	-2.072715	0.0836
R-squared	0.981107	Mean dependent var		7242.068
Adjusted R-squared	0.965363	S.D. dependent var		2232.576
S.E. of regression	415.5050	Akaike info criterion		15.20372
Sum squared resid	1035867.	Schwarz criterion		15.44617
Log-likelihood	-85.22232	Hannan-Quinn criteria.		15.11395
F-statistic	62.31594	Durbin-Watson stat		2.974466
Prob(F-statistic)	0.000043			

Eview output

Total Revenue (TR) and Collected Tax Revenue (CTR) data, with five independent variables (k = 5) and 12 observations (n = 12). Durbin and Watson established upper and lower bounds for the critical values; the Durbin-Watson critical value table showed a $d_L = 0.244$ and $d_U = 2.280$. Because of D = 2.9745 > 2.280, we conclude that there is no evidence of positive autocorrelation among the residuals. In other words, the independence-of-errors assumption is valid, and the least-squares method is appropriate for the test of the hypotheses.

Hypothesis 1 analysis, Tax Revenue has a significantly positive relationship with Total Revenue (r= 1.921190, p=0.0000). Each unit increase in Total Revenue associated with an increase of 1.92 units in Petroleum Profit Tax. Hence we accept the first hypothesis. There is a significant relationship between Petroleum Profit Tax (PPT) and Total Revenue.

The result indicates that company income tax (CIT) has a positive correlation with Total Revenue (TR) showing that an increase of 1.90 units in CIT associated with a unit increase in Total Revenue. However, the positive relationship is not statistically significant (r= 1.901328, p=0.4414). Therefore, we reject the alternate hypothesis that states there is a significant association between Total Revenue (TR) and Company Income Tax (CIT). Company income tax has not contributed significantly to the total revenue.

Moreover, also 4.34 units in VAT associated with a unit increase in total revenues. The positive relationship between the VAT and TR not statistically significant (r=4.337248, p=0.2534). The result implies that we reject the stated hypothesis that there is a significant association between Total Revenue (TR) and Value Added Tax (VAT). Also, each unit decrease in Total Revenue also associated with a reduction of 8.19 units in CED and 7.23 units in ET. Both education tax and custom exercise duty are negatively related to total income and not statistically significant (r=-7.232097, p=0.0836) and (r=-8.188652, p=0.0681) respectively.

The R-square statistic for this model indicates 0.98; it means that Tax Revenue "explains" 98% of the deviance in Total Revenue a_0 which is the intercept has a value of 2825.54 which indicates the average value of Total Revenue when all values of the explanatory variables are zero.

Summarily, Total Revenue has a significant relationship with Petroleum Profit Tax but has an insignificant relationship with the other variables. The findings agree with (Bekoe et al., 2016). However, there is an overall significant association between Tax Revenue and Total Revenue as indicated by the overall p-value P=0.000043 < 0.05 significance level set. We, therefore, conclude that there is a major and positive relationship between Total Revenue and Tax Revenue. The result supports the findings of (Oriakhi & Ahuru, 2014)

The model is calculated as:

$$TR = 2825.54 + 1.92\ PPT + 1.90\ CIT + 4.34\ VAT - 8.19\ CED - 7.23\ ET + \varepsilon$$

4.2 Discussion of Findings

Based on the pram facia evidence of the overall result of the regression analysis, the theoretical view of Okafor (2012) is upheld that taxation yield a very substantial income to the government. The position is confirmed by the R-square statistics of 98%. Our finding as regards to the overall significant relationship between tax revenue and total revenue is in line with Oriakhi and Ahuru (2014) and Okoye and Afuberoh (2014). However, from a critical perspective, our results show a significant concern with regards to revenue generation in Nigeria, as about 27 states of the country can no longer pay salaries which are of recurrent expenditure talk less of embarking on capital projects that will bring about employment in particular and growth of the economy in general.

Petroleum profit tax has a significant relationship with total revenue. This empirical evidence shows the problem of the vicious circle of negligence as explained in the theoretical review and supported by Odusola (2006) that oil revenue dominates Nigeria economy. Other independent variables were not significant as argued by Aguolu (2004) that given certainty and consistency of income from these tax variables are assured. However, it then implies that collection mechanisms are inadequate as pointed out by (Abiola & Asiweh, 2012; Okafor, 2012). Hence, there is the existence of corruption, tax evasion, tax avoidance, free riders as discussed in the theoretical section of this study.

From Table 5, in 2004 the actual tax revenue collected as a percentage of targets and percentage change in actual tax revenue collection recorded the highest figure, 149.35%, and 41.15% respectively. This very year, Nigeria made an enough number of tax reforms as recommended by the study group on the Nigerian tax system. Such tax reforms are: company income tax act 2004, Petroleum Profit Tax Act 2004, Education Tax Act 2004, Custom, Excise Tariffs e.t.c (consolidation) Act 2004 e.t.c (Ogbonna & Odoemelam ,2015).This tempo of high yield did not last as collection rate fall from 41.15% in 2004 to -25.99% in 2015. The fall can be attributed to lack of well-trained personnel, a small database on all taxpayers, corruption, tax evasion and avoidance, free rider attitude (Okafor 2012; Okoye & Afuberoh, 2014). Also, problem of corporate tax distortions (Cavelti et al., 2017; Fuest & Riedel, 2010)

Ogun state shows impressive performance among the 36 states of the federation, having 33% average improvement of the internally generated revenues from 2010 to 2015. The increase is attributed to as financial re-engineerings, such as the introduction of single account system and cashless policy and blocking of tax leakages (Ajayi, 2016; Soyombo, 2016; Oyedele, 2015).

Table 5: Tax Revenue Target, Actual, Percentages of Actual to Target and Actual Collection

Year	Collection		Percentage	
	Target (=N=Billion)	Actual(=N=Billion)	Actual as % of Target	% Δ Actual Collection
2000	380.5	455.3	119.65	
2001	500.7	586.6	117.16	22.38
2002	396.2	433.9	109.51	35.19
2003	572.9	703.1	122.73	38.28
2004	800.0	1,194.8	149.35	41.15
2005	1,304.4	1,741.8	133.53	31.40
2006	3,054.1	1,866.2	61.10	6.66
2007	1,753.3	1,846.9	105.33	-1.04
2008	2,274.4	2,972.2	130.68	37.86
2009	1,909.0	2,197.6	115.11	-0.35
2010	2,557.3	2,839.3	111.02	22.60
2011	3,639.1	4,628.5	127.19	38.65
2012	3,635.5	5,007.7	137.74	7.57
2013	4,468.9	4,805.6	107.53	-4.20
2014	4,086.1	4,714.6	115.38	-1.93
2015	4,572.2	3,741.8	81.83	-25.99

Source: FIRS
: Author's Computations

Table 5 shows the collection target, actual, actual as a percentage of target and proportion change of real collection of federally collected tax revenue by Federal Inland Revenue Services (FIRS). The year 2004 recorded the actual tax collection (N1194.8b) and percentage change in the real collection (41.15%) increased from (N586.6b) and (22.38%) in 2001 respectively. Though in naira term, the amount collected increased to N1, 846.9 in 2007 but the tax collection efforts collapsed as the computed %Δ original collection was -1.04. Collection output improved in 2008 recording 130% actual of the target and 37.86% Δ original collection then deteriorated in 2009 with -0.35% change in actual collection. FIRS improved in their collection rate of 38% in 2011, after then the collection rate has worsened from -4.20% in 2013 to -25.99% in 2015. The possible explanation for this unstable and ugly trend will be discussed in next section (4.2)

Table 6: Rate of Collection of Tax (Internally Generated Revenue) For States

Year \ State	2011	2012	2013	2014	2015	AVERAGE
Lagos	26.07	7.5	7.19	14.47	-2.87	10.472
Rivers	5.84	20.47	24.61	1.34	-7.87	8.878
Delta	24.93	23.74	9.24	-17.25	-4.7	7.192
Edo	27.85	21.8	0.59	-11.02	12.3	10.304
Enugu	-21.06	40.31	39.57	-4.95	-6.07	9.56
Akwa Ibom	13.22	13.6	12.22	1.77	-5.65	7.032
Oyo	-17.64	38.92	4.28	6.47	-3.95	5.616
Abia	5.43	29.78	-33.88	-1.13	7.91	1.622
Ogun	26.95	12.86	9.71	21.26	97.72	33.7
Cross River	14.07	28.07	-6.1	23.74	-13.8	9.196
kaduna	-18.22	15.17	-5.46	14.48	-9.75	-0.756
Kano	0	40.11	35.52	-25.47	-0.37	9.958
Kwara	17.25	22.1	18.22	-11.06	-42.39	0.824
Ondo	19.15	21.05	3.29	10.41	-13.83	8.014
Benue	38.21	-31.94	-0.75	-1.08	-7.88	-0.688
Anambra	-24.51	19.11	12.94	19.92	41.48	13.788
Bayelsa	-28.84	26.27	52.78	4.17	-20.48	6.78
Ebony	9.06	72.09	21.04	5.48	na	21.534
Imo	1.58	14.73	10.2	6.55	-32.57	0.098
Plateau	24.81	34.74	18.36	-2.44	-16.26	11.842
Osun	54.35	-47.37	31.08	14.43	-5.17	9.464
Jigawa	16.25	81.19	19.17	-55.51	-19	8.42
Kastina	25.66	15.7	26.73	-10.12	-6.94	10.206
Sokoto	7.09	2.97	21.69	1.93	10.8	8.896
Adamawa	-2.18	10.77	-11.22	16.92	-10.87	0.684
Bauchi	23.76	-9.81	17.67	-1.78	11.13	8.194
Kebbi	14.87	17.54	-45.32	2.65	-6.15	-3.282
Niger	14.08	-0.22	8.08	23.58	4.15	9.934
Kogi	22.15	10.57	36.55	23.58	3.15	19.2
Gombe	6.29	15.16	3.97	25.5	-7.93	8.598
Nasarawa	55.21	0	-2.99	1.75	4.81	11.756
Yobe	-149.84	-33.63	41.88	0.05	-26.76	-33.66
Taraba	55.22	16.06	-2.22	11.97	9.37	18.08
Ekiti	37.58	34.26	61.88	12.2	-4.75	28.234
Zamfara	-20.66	33.88	14.69	3.99	-12.95	3.79
Borno	7.6	6.65	-14.61	22.74	27.87	10.05

0gun State improved tremendously in her tax revenue collection from 9.71% in 2013 to 97.72% in 2015 and had an average of 33.7% for five years. Followed by Ekiti, Ebony, Taraba, Anambra, Plateau and Nasarawa States with an average growth rate of collection 28.23%, 21.53%, 18.08%, 13.7%, 11.84% and 11.75% respectively. Among the states that had a negative decline in the average percentage of tax revenue collection for 2011 to 2015, Yobe State collection rate was the worst with -149.84% decline in 2011 though drastically reduced to -26.76% in 2015 and average percentage decline of -33.66%. Followed by this rank are Kebbi, Kaduna and Benue states with the average negative decline of -3.28%, -0.75% and -0.68% respectively. About 24 states had a negative drop tax revenue collection in 2015 with Kwara State taking the lead by -42%. On overall Ogun, Sokoto, and Kogi states highlighted in the table maintain a positive rate of tax revenue collections from 2011 to 2015.

5. Conclusion

The study objective was to delve deeply into the critical issues that have been bedevilling and denying Nigerian government income from taxation and to provide evidence of the relationship between total revenue and collected tax revenue. It took cognizance of the period in which landmark events took place regarding tax laws of 2004, 2007 and National tax policy of 2011 and various economic meltdown mainly occasioned by fall in oil prices. The time series data were sourced from 2004-2015. The regression analysis showed the overall existence of a positive and significant relationship between the variables. Further investigation revealed that there exists instability in the rate of tax collection; the trend for the period is declining severely. Based on our findings, we recommend as follows: Firstly, the tax collection mechanisms should be strengthened through adequate training of personnel in charge. Secondly, the business environment should be made conducive for investment to thrive. Thirdly the present fight against corruption should be continued, and the government has to demonstrate her readiness to utilize the available resources efficiently. Fourthly, we recommend other states of the federation to emulate Ogun State and Lagos State by widening their tax net. Finally, the call for diversification of the economy is one that government should quickly address.

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Appendix 1: TAX COLLECTION COST

Year	FIRS Collection cost (Nbillion)	Cost of a collection of VAT(Nbillion)
2007	13.1	12.1
2008	16.67	16.18
2009	22.74	18.74
2010	26.29	2.52
2011	28.67	25.98
2012	33.9	28.4
2013	39.4	31.8

Appendix ii

Federal Total Revenue (Gross) and Federally Collected Tax Revenue (2004-2015)

Year	Total Revenue (TR)	Petroleum Profit Tax (PPT)	Value Added Tax (VAT)	Company Income Tax (CIT)	Custom Exercises Duties (CED)	Education Tax (ET)
2004	3,960.9	1,183.5	159.5	113.0	217.2	17.1
2005	5,597.5	1,904.9	178.1	140.3	232.8	21.9
2006	6,061.0	2,038.3	221.6	244.9	177.7	28.4
2007	5,727.50	1,500.6	289.6	327.0	241.4	51.8
2008	7,866.60	2,812.3	388.3	416.8	281.3	47.2
2009	4,844.60	1,256.5	449.7	568.1	297.5	139.5
2010	6,962.23	1,944.7	540.3	657.3	309.2	114.5
2011	10,647.06	3,976.3	623.5	700.5	438.3	101.7
2012	10,068.85	4,365.4	710.2	848.6	474.9	214.6
2013	9,759.79	3,719.0	795.6	985.5	433.6	281.0
2014	9,301.51	3,439.49	794.22	1207.3	566.24	190.2
2015	6,107.27	1,782.38	778.73	1029.1	546.17	97.93

Source: Federal Inland Revenue Services and CBN Statistical Bulletin 2015