Taxation and Revenue Generation: an Empirical Investigation of Selected States in Nigeria

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Abstract
This study is aimed at the assessment of taxation on revenue generation in Nigeria, attention is given to FCT and some selected states. The study is also aimed at highlighting the concept and nature of taxation, objectives of taxation, classification of taxes, Nigeria's major taxes and other issues that relate to taxation. In achieving the objective of the study, the researcher adopted primary and secondary sources of data to present and analyze the information for the study. The testing of hypotheses was done using regression analysis via SPSS version 17.0. The research discovered among others that, taxation has a significant contribution on revenue generation, taxation has a significant contribution on Gross Domestic Product (GDP) and tax evasion and tax avoidance have a significant effect on revenue generation in Nigeria. The research recommends among others that well equipped database on tax payers should be established by the Federal, State and Local Governments with the aim of identifying all possible sources of income of tax payers for tax purpose, the tax collection processes most be free from corruption and embezzlement and stringent penalties should be meted by the federal, state and local governments to people who evade and avoid tax payments in order to discourage tax evasion and tax avoidance.
Keywords: Revenue, taxation, Nigeria

INTRODUCTION

Taxation is not a new word in Nigeria or the world as a whole. In Nigeria, taxation has been in existence even before the coming of the colonial men or the British. Taxation can be defined as the system of imposing a compulsory levy on all income, goods, services and properties of individuals, partnership, trustees, executorships and companies by the government (Samuel and Simon, 2011;Yunusa, 2003). Income tax is one of the major sources of revenue to all government. In Nigeria, it is a factor to be reckoned with in Federal Government's budget the taxes so collected come back to the taxpayer in form of services. This has over the years encouraged or discouraged some activities in the private sector; though, this depends on whether the policy of the government is towards discouraging or encouraging such companies (Ola, 1999). Taxation is recognized as a very important tool for national development and growth in most societies. It has viewed as a major vehicle for long term development of infrastructures of the state.

A decline in price of oil in recent years has led to a decrease in the funds available for distribution to the Federal Government and to the State Governments. The need for state and local governments to generate adequate revenue from internal sources has therefore become a matter of extreme urgency and importance. This need underscores the eagerness on the part of state and local governments and even the federal government to look for new sources of revenue or to become aggressive and innovative in the mode of collecting revenue from existing sources (Aimurie, 2012). Aguolu (2004) states that though taxation may not be the most important source of revenue to the government in terms of the magnitude of revenue derivable from taxation, however, taxation is the most important source of revenue to the government, from the point of view of certainty, and consistency of taxation. Aguolu (2004) further mentioned that taxation is hence the most important source of revenue to the government. Owing to the inherent power of the government to impose taxes, the government is assured at all times of its tax revenue no matter the circumstances. Over the years, revenue derived from taxes has been very low and no physical development actually took place, hence the impact on the poor is not being felt. It is the view of many people that the loss of revenue caused by widespread tax evasion and tax avoidance in Nigeria is due to inefficient and inept tax administration. Omorogiuwa (1981) has opined that ineffective tax administration is the main factor responsible for large scale tax evasion in Nigeria. Philips (1973) corroborates this view when he states that tax evasion is due principally to administrative ineffectiveness.

This study focuses on identifying the means taxation has been utilized to promote fiscal redistribution of income, identify problems that militate against the use of taxation as revenue generation in FCT and in some selected states in Nigeria and to identify the use of taxation to promote economic growth and development in FCT and in some selected states in Nigeria.

The main objective of this research work is to assess taxation and revenue generation in Nigeria. Specifically, this study attempt to:

(i) To examine the contribution of taxation on revenue generation in Nigeria.

(ii) To ascertain the extent to which tax evasion and tax avoidance has affected negatively on revenue generation in Nigeria.
(iii) To examine the extent to which taxation has contributed to the steady growth in Gross Domestic Product in Nigeria.

This study sets out to address the following questions.
To what extent has taxation contributed on revenue generation in Nigeria?
(i) To what extent has tax evasion and tax avoidance impacted negatively on revenue generation in Nigeria?
(ii) To what extent has taxation contributed to the steady growth in Gross Domestic Product in Nigeria?
The following null hypotheses were formulated and tested:
Ho_1: Taxation has not contributed significantly to revenue generation in Nigeria.
Ho_2:- Taxation has not contributed significantly to the steady growth in Gross Domestic Product in Nigeria.
The scope of the study was limited to tax revenue generated by the Federal Government of Nigeria and tax revenue generated by some selected states in Nigeria from 2002-2011. It is worthy to note that in this study one state was selected from each of the six geo-political zones in the country North Central Zone, South Southern Zone, South Western Zone, North Western Zone, South Eastern Zone and Federal Capital Territory. Federal Capital Territory was chosen to replace one state from North Eastern Zone because the required data which was to be obtained from Taraba State could not be obtained due to the unco-operative attitude of the Chairman, Board of Internal Revenue, Jalingo, Taraba State. Gross Domestic Product of Nigeria covering the period 2002-2011 was obtained to evaluate the extent that taxation has contributed to the steady growth in Gross Domestic Product in Nigeria.
The study will also be of immense benefit for future users as well as other researchers, scholars and students. The study will also provide members of the public knowledge on the importance of taxation in Nigeria and on the effective utilisation of taxation to promote fiscal redistribution of income.

REVIEW OF RELATED LITERATURE

Meaning and classification of taxation

Taxation is not a new word in Nigeria or the world as a whole. In Nigeria, taxation has been in existence even before the coming of the colonial men or the British. Taxation can be defined as the system of imposing a compulsory levy on all income, goods, services and properties of individuals, partnership, trustees, executorships and companies by the government (Samuel and Simon, 2011; Yunusa, 2003). Anyafo (1996) defined taxation as a compulsory payment made by individuals and organization to relevant Inland Revenue authorities at the federal, state or local government level. Tobansi-Ochiogu (1994) sees taxation as a levy imposed by the government against the income, profit or wealth of the individual, partnership, corporate organization. Ola (1999) defined taxation as compulsory levy imposed on a subject or upon his property by the government to provide security, social amenities and create conditions for the economic well-being of the society. A precise definition of taxation by Farayola (1987) and Okon (1997) is that taxation is one of the sources of income for government, such income as used to finance or run public utilities and perform other social responsibilities. According to Adams (2001) taxation is the most important source of revenue for modern governments, typically accounting for ninety percent or more of their income.
Taxes are classified into direct and indirect. Yunusa (2003) and Aguolu (2004) defined direct taxes as taxes levied on the income of individual, group of individuals, and business firms and are paid directly by the person or persons on which it is legally imposed by the tax authority. Direct taxes can be classified into Personal Income tax, Company Income tax, Capital Gain tax, Petroleum Profit tax, and Capital Transfer tax. Indirect taxes are taxes levied on expenditure that is, goods and services. These taxes are paid as part of payment for goods and services purchased by the ultimate users or consumers. The incidences of this type of taxes are usually borne by the third party. Indirect taxes can be classified into the following: Import duties, Export duties and Value Added tax (Yunusa, 2003).

Income Tax in Nigeria: Nature and history

Income tax is one of the major sources of revenue to all government. In Nigeria, it is a factor to be reckoned with in Federal Government's budget the taxes so collected come back to the tax has over the years encouraged or discouraged some activities in the private sector; though, this depends on whether the policy of the government is towards discouraging or encouraging such companies (Ola,1999).
According to Azubike (2007) and Samuel and Inyada (2010), the history of taxation in Nigeria can be dated back to the era of Sahara trade and the introduction of Islamic religion in Nigeria between 800AD and 1400AD. The rulers in the Northern Nigeria were known as "Safawa", Kings, who grew rich due to gifts and levies paid to them by their subordinates as taxes on cattle and agricultural crops. The Islamic religion later introduced various forms of taxes namely: Zakat, Kurdin Kasa, Shukka Shukka, Jangalia, Kharant etc. The Zakat was imposed on educational and charitable purposes. In the south, the Obas and Ezes relied on tributes, arbitrary levies, special contributions at special festivals or events, fees, present, all collected through the head of families as it system of taxation. The first legal backing of taxation was in 1904 when Sir Frederick Lugard introduced the Native

Revenue Proclamation. This proclamation was further enhanced in 1906. After independence in 1960, the government enacted three major tax laws, namely: Federal Income Tax Act (FITA), 1961; Income Tax Management Act (ITMA), 1961 and Companies Income Tax Act (CITA), 1961. The companies Income Tax Act (CITA) 1961 was applied to companies in Nigeria. It was later repealed and replaced with the companies Income Tax Act (CITA) 1979 with amendment in 1993 up to 1999. The Act is contained in chapter 60, Laws of the Federation of Nigeria (LFN) 1990. It is the sole responsibility of the Federal government to administer corporate Income taxes in Nigeria.

The Principles of Taxation

Adam (1910) maintained in his book "The Wealth of Nations" gave the most important set of principles, which are also known as the "cannon of taxation" which are still accepted generally by tax administrators all over the world. The principles of taxation are outlined below:

i. *Equity/Equality of Sacrifices:* Adam Smith maintained in these principles that each tax payer should contribute to the support of government also referred to as "state" as nearly as possible in proportion to his ability to pay. For example 10 to 20 percent of all income above a certain figure, since there are some citizens whose incomes were so low that they were obviously to pay any taxes. Similarly, Musgrave and Peacock (1984) conceived the principles of equity as equal proportion of taxation on every income that is; in principle everyone should pay the same proportion of his income as tax. This means proportional taxation or some percentage on all incomes and therefore rejected progressive taxation i.e (higher tax rates on higher incomes). It also means equal taxation of earned and investment incomes, existing private wealth and capital are exempted, taxation is limited to income only. In the same view, Prest and Barr (1985) said, equal amount per head should be levied. It is obviously much easier to run a system under which everybody pays say ten pounds per head than one which the amount due varies according to economic circumstance.

ii. *The Principle of Certainty:* This principle asserts that the taxpayer should know how much tax he has to pay, and when it is to be paid. Such information should be adequately accurate and clearly stated by the tax regulations. Thus, neither the amount nor the time of payment should be the subject of arbitrary decisions by the tax officials.

iii. *The Principle of Convenience:* Taxes should be collected at a time convenient for the taxpayers. For example, the Pay as You Earn income tax on salaries and wages deducted weekly or monthly as the case may be as income is received, is a good example of the principle of convenience. Convenience as a principle of taxation has to do with the enforcement of tax and administration. Eckeston (1983) has said that a good tax should not impose taxes that are impossible to enforce even when people comply to tax laws voluntary, the government should verify the tax payments, if not the tax becomes an invitation to break the law. Adam (1910) has pointed out that every tax ought to be levied at the time or in the manner in which it is likely to be convenient for the contributor to pay it. Using this principle as an example, one can argue that the convenient time for payment of tax for West African farmers is during the harvest time.

iv. *The Principle of Economy:* The principle emphasizes that the cost of assessing and collecting a tax should be small in relation to the revenue so collected i.e. economy should be the yardstick so that the cost of collecting tax should not be excessive. For example, if the expenses incurred in the course of collecting a tax exceed even 50 percent of the yield, then such taxes do not conform to the principle of economy.

Objectives of Taxation

Although the tax structure in the various developing countries differs widely, the objectives of taxation in these countries are virtually the same. Unfortunately however, the objectives of the tax system and the relationship between these objectives are hardly clearly stated (Cutt, 1969). This does not only makes tax administration difficult but also give room for tax evasion with the attendant effects on economic development.

Cutt (1969) therefore, state that a brief discussion on the objectives of taxation as outline below would be a gainful exercise.

i. *Raising of Revenue:* The classical function of a tax system is the raising of the revenue required to meet government expenditure. This income is required to meet the expenditure which is either the provision of goods and services which members of the public cannot provide such as defence law and order to the provision of goods and services which the federal and state governments feel are better provided by itself such as health services and education.

ii. *Wealth Redistribution:* In modern times, great emphasis has come to be placed on the objective of redistribution of wealth. This has two quite distinct forms. The first is the doctrine that taxation should be based on ability to pay and is summarized by the saying that "the greatest burdens should be borne by the broadest backs." The second form presupposes that the present distribution is unjust and concludes that this should therefore be undone. This second principle sees confiscation as a legitimate objective of taxation.

iii. *Economic Price Stability:* It has been said that the most fundamental reason a government has for taxing its citizens is to provide a reasonable degree of price stability within the nation (Summerfield, 1980). Most spending by the public and private sectors without taxes generates high demand, which is inflationary. In such a situation, the basic function of taxation is to reduce private expenditure in order to allow government to spend without causing inflation. Thus, taxation is basically a deflationary measure. On the other hand, when aggregate demand is lower than the deserved level, government has two options which are to increase government spending with increasing taxes or to reduce taxes while leaving government spending stable.

iv. Economic Growth and Development: The overall control or management of the economy rests on the central government and taxation plays an important role in this direction. In addition to maintaining reasonable price stability, governments are determined to promote the near-full employment of all the resources of the country (including human resources i.e. labour) and ensure a satisfactory rate of economic growth. Economic growth and development programmes are geared towards raising the standard of living of the masses of a country through the improvement of their economic and social conditions. Taxation in one way discourages, postpones or reduces consumption and encourages saving for private investments.

This is only possible when the basic necessities of life including security, law and order, education and communication are provided by government, hence, the national development plans of developing countries are considered to be important. This objective will be of great assistance to Nigeria where there is mass unemployment of labour force and economic resources.

According to Soyode and Kajola (2006) the responsibilities or objectives of government using taxation are as follows:

(a) *Revenue Generation:* The primary objective of a modern tax system is generation of revenue to help the government to finance ever-increasing public sector expenditure.

(b) Provision of "Merit Goods": An important objective of tax system is the promotion of social, economic and good governance through provision of merit goods. Examples of merit goods are health and education. These must not be left entirely to private hands though, private participation should be encouraged. Private enterprises will push the cost of providing education and health services beyond the reach of common people if left entirely in their hands.

(c) *Provision of "Public Goods":* Provision of commonly consumed goods and services for which an individual cannot be levied the cost of the goods or services consumed are one of the functions of government. Examples of public goods include: Internal security through maintenance of law and order by police and other security agencies; External security through defence against external aggression by Army, Navy and Air Forces, and Provision of street lights and roads.

(d) Discouraging consumption of "Demerit Goods": Tax can be used to discourage consumption of demerit or harmful goods like alcohol and cigarette. This is done to reduce external costs to the society. These external costs include health risks and pollution.

(e) Redistribution of Income and Wealth: Tax system is a means of ensuring the redistribution of income and wealth in order to reduce poverty and promote social welfare. For example, taxation can be used as economic regulator for promotion of economic stability and sustainable growth through fiscal policy. Government also has responsibility for fighting inflation, unemployment and creating a sound infrastructure for business. A tax system is one of the means of achieving this.

(f) Harmonization of Economic Objective: Harmonization of diverse trade or economic objectives of different countries is one of the modern objectives of tax systems. For example, tax system can be used to achieve the philosophy of the single market in ECOWAS or Africa so as to provide for the free movement of goods/services capital and people between members states.

Nigeria's Major Taxes

In order to avoid multiple collections of taxes from the same taxpayer, at least in theory, taxes of each tier of government in Nigeria have been clearly defined by the Joint Tax Board (JTB) as follows:

(a) *Federal Taxes:* Federal Taxes includes: Companies Income Tax, Custom and Excise Duties, Value Added Tax, Education Tax. Personal Income Tax in respect of: Armed Forces, Police, Non resident individuals and companies, Staff of Nigeria Foreign Service and Individuals resident in the Federal Capital Territory.

(b) *State Taxes:* Personal Income Tax, Road Taxes, Pools betting and lotteries, Business premises registration, Development Levy, Naming of street registration in state capitals, Right of occupancy on land owned by state, and Market taxes on state financed taxes.

(c) *Local Government Taxes:* Shops and Kiosks rates, Tenement rates, On and off liquor license fee, Slaughter slab fees, Marriage, Birth and death Registration Fees (Rural Areas), Right of Occupancy on land in rural areas, Market Taxes and Levies, Motor Park Levies, Domestic Annual License Fees, Bicycle, Truck, Canoe, Wheelbarrow, and Cart Fees, Cattle tax payable by cattle farmers only, Merriment and Road Closure Levy, Radio and Television License Fees (other than radio and television transmitter), Vehicle Radio License (Local Government Registration of the vehicle), Wrong Parking Charges, Public Convenience and Refuse Disposal, Customary burial ground permit fees, Religious Place Establishments Permit Fees and Signboard and Advertisement Permit Fees.

Problems of Tax Administration in Nigeria

According to Soyode and Kajola (2006) problems of tax administration in Nigeria are as follows:

(1) Tax Evasion: Tax evasion is a deliberate and wilful practice of not disclosing full taxable income so as to pay less tax. In other words, it is a contravention of tax laws whereby a taxable person neglects to pay the tax due or reduces tax liability by making fraudulent or untrue claims on the income tax form. Tax is evaded through different methods some of which include the following: Refusing to register with the relevant tax authority; Failure to furnish a return, statement or information or keep records required; Making an incorrect return by omitting or understating an income liable to tax refusing or neglecting to pay tax; Overstating of expenses so as to reduce taxable profit or income, which will also lead to payment of less tax than otherwise have been paid; A taxpayer hides away totally without making any tax return at all and entering into artificial transactions.
(2) Tax Avoidance: Tax avoidance has been defined as the arrangement of tax payers' affairs using the tax shelters in the tax law, and avoiding tax traps in the tax laws, so as to pay less tax than he or she would otherwise pay. That is, a person pays less tax than he ought to pay by taking advantage of loopholes in a tax levy. Tax can be avoided in various ways: Incorporating the tax payer's sole proprietor or partnership into a limited liability company; the ability to claim allowances and reliefs that are available in tax laws in other to reduce the amount of income or profit to be charged to tax. Minimizing the incidence of high taxation by the acquisition of a business concern which has sustained heavy loss so as to set off the loss against future profits; Minimizing tax liability by investing in capital asset (for instance through the new form of corporate financing by equipment leasing), and thus sheltering some of the tax payers income from taxation through capital allowance claims; Sheltering part of the company's taxable income from income tax by capitalizing profit through the issue of bonus shares to the existing members at the (deductible) expenses to the company; Creation of a trust settlement for the benefit of children or other relation in order to manipulate the martinet tax rate such that a high income bracket tax payer reduces his tax liability; Converting what would ordinarily accrue to the tax payer (employee) as income into capital gain (i.e Compensation for loss of office) the advantage of the employer and employee; Manipulation of charitable organizations whose affairs are controlled and dominated by its founders thus taking advantage of income tax exemption; Buying and article manufactured in Nigeria thereby avoiding import duty on imported articles; Avoiding the consumption of the articles with indirect taxes incorporated in their prices e.g. tobacco.

METHODOLOGY

The research design for the study is Survey Research Design. This is because the information which are needed are gathered through questionnaires, interviews (oral, written, structured, unstructured, etc) rating scales, inventories, self report, observation etc.(Samuel and Oka, 2010). The population of the study consist of all staff of Federal Inland Revenue Service Abuja FCT office, the States Board of Internal Revenue in Kogi State (North Central Zone), in Delta State (South Southern Zone), in Ondo State (South Western Zone), in Niger State (North Western Zone), in Ebonyi State (South Eastern State) and Abuja FCT was chosen by the researcher to replace Taraba State (North Eastern State). The exact number of the tax payers of the entire population was difficult to obtain during the period of this study but total population figure of 10,126 was obtained as stated below: Federal Inland Revenue Service Abuja FCT 6120 staff, Board of Internal Revenue Kogi state 389 Staff, Board of Internal Revenue Delta State 1043 Staff, Board of Internal Revenue Ondo State 850 Staff, Board of Internal Revenue Ebonyi State 304 Staff, Board of Internal Revenue Abuja FCT 850 Staff, Board of Internal Revenue Niger State 450 Staff and total sample of tax payers from each of the selected six geopolitical zones was given as 120. Based on the large population, the researcher adopts judgmental sampling technique to choose a sample of 400 out of the entire population. The sample size of 400 comprises of 300 staff of the various states board of internal revenue and Federal Inland Revenue Service while 100 represent tax payers. The period under study is 2002-2011 (ten years).
The methods of data collection in the study are primary and secondary. Under primary source, a questionnaire was used. The questionnaires were administered directly to the respondents. The respondents were given two weeks to respond to all the questionnaires. Close ended questions were designed and administered to respondents to complete. Questionnaires comprising strongly agreed, agreed, undecided, strongly disagreed and disagreed responses were administered to respondents. Under secondary source, published documents such as annual report and account, journals, magazines, seminar papers, textbooks, periodic and circulars issued as guidelines were used. The analytical tools used in analyzing the data collected for this study includes regression and Likert Scale.

DATA PRESENTATION AND ANALYSIS

Data Presentation and Analysis

Table 1: Data on Internally Generated Revenue by the six Geo-Political Zones and taxes collected by Federal Inland Revenue Service, Abuja FCT.

Year	IGR by the six geo-political zones	Taxes collected by FIRS, Abuja
2002	10,537,957,474.30	433,900,000,000
2003	10,538,584,051.28	703,100,000,000
2004	11,710,080,086.39	1,194,813,959,540.91
2005	12,747,879,997.24	1,741,477,131,459.72
2006	12,593,946,335.18	1,863,192,970,401.11
2007	14,528,892,955.99	1,841,107,016,067.39
2008	18,683,167,755.38	2,972,107,003,382.44
2009	21,656,584,918.49	2,196,474,879,708.54
2010	24,848,520,006.00	2,839,384,502,583.87
2011	27,868,818,842.60	3,449,394,505,683.97
Total	**₦165,714,432,422.85**	**19,234,951,968,827.95**

Source: *States Board of Internal Revenue Located in Kogi State, Delta State, Ondo State, Niger State, Ebonyi State, Abuja and Federal Inland Revenue Service, Abuja*

Table 1 above, shows the data relating to internally generated revenue by the six geopolitical zones from 2002-2011 and data on taxes collected by Federal Inland Revenue Service, Abuja FCT from 2002-2011.

Table 2: Data on Taxes Collected by Federal Inland Revenue Service, Abuja FCT and Gross Domestic Product.

Year	Taxes Collected by FIRS, Abuja	GDP (Million)
2002	433,900,000,000	6,912,381.25
2003	703,100,000,000	8,487,031.57
2004	1,194,813,959,540.91	11,411,066.91
2005	1,741,477,131,459.72	14,572,239.12
2006	1,863,192,970,401.11	18,564,594.73
2007	1,841,107,016,067.39	20,657,317.67
2008	2,972,107,003,382.44	24,296,329.29
2009	2,196,474,879,708.54	24,794,238.66
2010	2,839,384,502,583.87	29,205,782.96
2011	3,449,394,505,683.97	31,305,882.98
Total	**19,234,951,968,827.95**	**190,206,865.14**

Source: *Federal Inland Revenue Service, Abuja and National Bureau of Statistics*

Table 2 above shows the date relating to taxes collected by Federal Inland Revenue Service, Abuja and Gross Domestic Product from 2002-2011.

Question 1: Do you agree that taxes are one of the major tools for revenue generation by the Federal, State and Local governments?

Table 3: Responses from Tax Authorities and Tax Payers

	Respondents			
Responses	**Tax Authorities**	**Percentage**	**Tax payers**	**Percentage**
Strongly Agreed	140	35	180	45
Agreed	120	30	160	40
Undecided	0	0	0	0
Strongly Disagreed	70	17.50	30	7.5
Disagreed	70	17.50	30	7.5
Total	**400**	**100**	**400**	**100**

Source: *Field Survey (2012)*

From table 3 above, both tax authorities and tax payers strongly agreed that taxes are one of the major tools for revenue generation by the Federal, State and Local Governments. This is seen from the number of respondents that strongly agreed which are 140(35%) and 180(45%) for both tax authorities and tax payers.

Table 4 below shows the calculation of figures to determine the extent taxes has contributed to revenue generation by the Federal, State and Local governments using Likert Scale.

Table 4: Calculation of Figures using Likert Scale

Responses(Tax Authorities)	**Frequency (F)**	**Scale (X)**	**FX**
Strongly Agreed	140	5	700
Agreed	120	4	480
Undecided	0	3	0
Strongly Disagreed	70	2	210
Disagreed	70	1	140
Total	**400**	**15**	**1530**

Source: *Field Survey (2012)*

Likert Scale = $\sum \frac{FX}{N}$

Mean Point of Scale = $\sum \frac{X}{N}$

F = Frequency
X = Scale
N = No of Scale and Frequency
e = Margin of error which is normally given at 5% = 0.05

Mean Point = $\frac{\sum FX}{N} = \frac{1530}{400} = 3.825 = 3.83$

Mean Point of Scale = $\frac{\sum X}{N} = \frac{15}{5} = 3.00$

Cut off point = mean + e = 3.00 + 0.05 = 3.05

The mean point of responses is 3.83 and the cut-off point is 3.05. The decision rule is that where the calculated mean point is above the cut-off point, it is regarded as effective but where the calculated mean point is below the cut-off point, it is regarded as ineffective. The calculated mean point is 3.83 is greater than the cut-off point of 3.05 therefore, it is agreed that taxes are one of the major tools for revenue generation by the Federal, State and Local Governments.

Table 5 below shows the calculation of figures to determine the extent taxes has contributed to revenue generation by the Federal, State and Local governments using Likert Scale.

Table 5: Calculation of Figures using Likert Scale

Responses (Tax Payers)	**Frequency (F)**	**Scale (X)**	**FX**
Strongly Agreed	180	5	900
Agreed	160	4	640
Undecided	0	3	0
Strongly Disagreed	30	2	90
Disagreed	30	1	60
Total	**400**	**15**	**1690**

Source: *Field Survey (2012)*

Likert Scale = $\sum \frac{FX}{N}$

Mean Point of Scale = $\sum \frac{X}{N}$

F = Frequency
X = Scale
N = No of Scale and Frequency
e = Margin of error which is normally given at 5% = 0.05

Mean Point = $\sum \frac{FX}{N} = \frac{1690}{400} = 4.23$

Mean Point of Scale = $\sum \frac{X}{N} = \frac{15}{5} = 3.00$

Cut off point = mean + e = 3.00 + 0.05 = 3.05

The mean point of responses is 4.23 and the cut-off point is 3.05. The decision rule is that where the calculated mean point is above the cut-off point, it is regarded as effective but where the calculated mean point is below the cut-off point, it is regarded as ineffective. The calculated mean point is 4.23 is greater than the cut-off point of 3.05 therefore, it is agreed that taxes are one of the major tools for revenue generation by the Federal, State and local governments.

Question 2: Has taxation impacted on revenue generation in Nigeria?

Table 6: Responses from Tax Authorities and Tax Payers

	Respondents			
Responses	**Tax Authorities**	**Percentage**	**Tax payers**	**Percentage**
Strongly Agreed	180	45	150	37.50
Agreed	130	32.50	130	32.50
Undecided	0	0	0	0
Strongly Disagreed	45	11.25	70	17.50
Disagreed	45	11.23	50	12.50
Total	**400**	**100**	**400**	**100**

Source: *Field Survey (2012)*

From table 6 above, both tax authorities and tax payers strongly agreed that taxation has impacted on revenue generation in Nigeria. This is seen from the number of respondents that strongly agreed which are 180(45%) and 150(37.50%) for both tax authorities and tax payers.

Table 7 below shows the calculation of figures to determine the extent taxes have impacted on revenue generation in Nigeria using Likert Scale.

Table 7: Calculation of Figures using Likert Scale

Responses (Tax Authorities)	**Frequency (F)**	**Scale (X)**	**FX**
Strongly Agreed	180	5	900
Agreed	130	4	520
Undecided	0	3	0
Strongly Disagreed	45	2	135
Disagreed	45	1	90
Total	**400**	**15**	**1645**

Source*: Field Survey (2012)*

Likert Scale = $\frac{\sum FX}{N}$

Mean Point of Scale = $\frac{\sum x}{N}$

F = Frequency

X = Scale

N = No of Scale and Frequency

e = Margin of error which is normally given at 5% = 0.05

Mean Point = $\frac{\sum fx}{N} = \frac{1645}{400} = 4.113$

Mean Point of Scale = $\frac{\sum X}{N} = \frac{15}{5} = 3.00$

Cut off point = mean + e= 3.00 + 0.05= 3.05

The mean point of responses is 4.11 and the cut-off point is 3.05.The decision rule is that where the calculated mean point is above the cut-off point, it is regarded as effective/agree but where the calculated mean point is below the cut-off point, it is regarded as ineffective/disagree. The calculated mean point is 4.11 is greater than the cut-off point of 3.05 therefore, it is agreed that taxation has impacted on revenue generation in Nigeria.

Table 8 below shows the calculation of figures to determine the extent taxes have impacted on revenue generation in Nigeria using Likert Scale.

Table 8: Calculation of Figures using Likert Scale

Responses (Tax Payers)	**Frequency (F)**	**Scale (X)**	**FX**
Strongly Agreed	150	5	750
Agreed	130	4	520
Undecided	0	3	0
Strongly Disagreed	70	2	210
Disagreed	50	1	100
Total	**400**	**15**	**1580**

Source: Field Survey (2012)

Likert Scale = $\frac{\sum Fx}{N}$

Mean Point of Scale = $\frac{\sum x}{N}$

F = Frequency
X = Scale
N = No of Scale and Frequency
e = Margin of error which is normally given at 5% = 0.05

Mean Point = $\frac{\sum fx}{N} = \frac{1580}{400} = 3.95$

Mean Point of Scale = $\frac{\sum x}{N} = \frac{15}{5} = 3.00$

Cut off point = mean + e = 3.50 + 0.05 = 3.05

The mean point of responses is 3.95 and the cut-off point is 3.05. The decision rule is the where the calculated mean point is above the cut-off point, it is regarded as effective but there the calculated mean point is below the cut-off point, it is regarded as ineffective. The calculated mean point is 3.95 is greater than the cut-off point of 3.05 therefore, it is agreed that taxation has impacted on revenue generation in Nigeria.

Question 3: Has tax evasion and tax avoidance negatively impacted on revenue generation in Nigeria?

Table 9: Responses from Tax Authorities and Tax Payers

	Respondents			
Responses	**Tax Authorities**	**Percentage**	**Tax payers**	**Percentage**
Strongly Agreed	150	37.50	200	50
Agreed	100	25	150	37.50
Undecided	0	0	0	0
Strongly Disagreed	75	18.75	30	7.50
Disagreed	75	18.75	20	5
Total	**400**	**100**	**400**	**100**

Source: *Field Survey (2012)*

From table 9 above, both tax authorities and tax payers strongly agreed that tax evasion and tax avoidance negatively impacted on revenue generation in Nigeria. This is seen from the number of respondents that strongly agreed which are 150(37.50%) and 200(50%) for both tax authorities and tax payers.

Table 10 below shows the calculation of figures to determine the extent tax evasion and tax avoidance have affected revenue generation in Nigeria.

Table 10: Calculation of Figures using Likert Scale

Responses (from Tax Authorities)	**Frequency (F)**	**Scale (X)**	**FX**
Strongly Agreed	150	5	750
Agreed	100	4	400
Undecided	0	3	0
Strongly Disagreed	75	2	225
Disagreed	75	1	159
Total	**400**	**15**	**1525**

Source: *Field Survey (2012)*

Likert Scale = $\frac{\sum Fx}{N}$

Mean Point of Scale = $\frac{\sum x}{N}$

F = Frequency
X = Scale
N = No of Scale and Frequency
e = Margin of error which is normally given at 5% = 0.05

Mean Point = $\frac{\sum fX}{N} = \frac{1525}{400} = 3.8125$

Mean Point of Scale = $\frac{\sum x}{N} = \frac{15}{5} = 3.00$

Cut off point = mean + e = 3.00 + 0.05= 3.05

The calculated mean point is 3.81 is greater than the cut-off point of 3.05 therefore, it is agreed that tax evasion and tax avoidance has negative impact on revenue generation in Nigeria.

Table 11 below shows the calculation of figures to determine extent tax evasion and tax avoidance have affected revenue generation in Nigeria.

Table 11: Calculation of Figures using Likert Scale

Responses (from Tax Payers)	Frequency (F)	Scale (X)	FX
Strongly Agreed	200	5	1000
Agreed	150	4	600
Undecided	0	3	0
Strongly Disagreed	30	2	90
Disagreed	20	1	40
Total	**400**	**15**	**1730**

Source: *Field Survey (2012)*

Likert Scale = $\frac{\sum Fx}{N}$

Mean Point of Scale = $\frac{\sum x}{N}$

F = Frequency
X = Scale
N = No of Scale and Frequency
e = Margin of error which is normally given at 5% = 0.05

Mean Point = $\frac{\sum fx}{N} = \frac{1730}{400} = 4.33$

Mean Point of Scale = $\frac{\sum X}{N} = \frac{15}{5} = 3.05$

Cut off point = mean + e = 3.00 + 0.05= 3.05

The mean point of responses is 4.33 and the cut-off point is 3.05. The decision rule is that where the calculated mean point is above the cut-off point, it is regarded as effective but where the calculated mean point is below the cut-off point, it is regarded as ineffective. The calculated mean point is 4.33 is greater than the cut-off point of 3.05 therefore, it is agreed that tax evasion and tax avoidance has negatively impacted on revenue generation in Nigeria.

TEST OF HYPOTHESES

H_{o1}: Taxation has not contributed significantly on revenue generation in Nigeria.
Since the p-value 0.003 is less than 0.05 (see appendix A) we reject H_o and conclude that taxation has a significant contribution on revenue generation at 0.05 significant level.

H_{o2}: Taxation has not contributed significantly to the steady growth in Gross Domestic Product in Nigeria.
Since the p-value 0.000 is less than 0.05 (see appendix B) we reject H_o and conclude that taxation has a significant contribution on Gross Domestic Product at 0.05significant level.

H_{o3}:- Tax evasion and tax avoidance have no significant effect on revenue generation in Nigeria.
Since the p-value 0.000 is less than 0.05 (see appendix C), we reject H_0 and conclude that tax evasion and tax avoidance have a significant effect on revenue generation in Nigeria at 0.05% significant level.

CONCLUSION

In this study, effort has been made to analyze taxation as a tool for revenue generation in Nigeria in the three tiers of government namely federal, state and local governments for structural and economic developments. This study considered the two major categories of tax which are direct and indirect taxes, and the study focused on the various types of taxes collected by the federal, state and local governments. The finding from question one responses with the use of Likert Scale shows that taxes are one of the major tools for revenue generation by the Federal, state and local governments in Nigeria. This finding agrees with Aguolu (2004) that taxation is the most important source of revenue to the governments, from the point of view of certainty and consistency of taxation. The finding from two question two responses with the use of Likert Scale reveal that taxation has impacted on revenue generation in Nigeria. The finding from question four responses with the use of Likert scale reveal that tax evasion and tax avoidance has negatively impacted on revenue generation in Nigeria. The finding from hypothesis one with use of regression analysis SPSS 17.0 reveal that taxation has significant contribution on revenue generation in Nigeria.

The finding from hypothesis two reveals that taxation has a significant contribution on Gross Domestic Product of Nigeria. The finding from hypothesis three reveals that tax evasion and tax avoidance have a significant effect on revenue generation in Nigeria.

RECOMMENDATIONS

The following recommendations are made to improve the revenue generation in Nigeria in general and for effective utilization of such fund for meaningful development.

(a) There is an urgent need for all state governments to clearly state the basic objectives of its tax system and the relationship between these objectives. This will assist to give the tax administrators a sense of direction and make the tax payer see clearly the reasons he should pay his/her tax as at when due.

(b) Well equipped database on tax payers should be established by the federal, state and local governments with the aim of identifying all possible sources of income of tax payers for tax purpose. It is possible to track down those who are evading tax with the establishment of the well equipped database.

(c) Tax officials must be adequately trained, well equipped with operational vehicles and telephones in the tax offices and well motivated to carry out their jobs effectively.

(d) Judicious use of tax payers' money should be made and be seen to have been properly utilized; this will encourage tax payers to continue to pay taxes.

(e) Stringent penalties should be meted to people who evade and avoid tax payments, this will discourage tax evasion and tax avoidance.

(f) Effort should be made by the Federal, State and Local governments to diversify the main revenue source from oil to other sectors of the economy such as agriculture, extractive industries in order to attract direct and indirect taxes.

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APPENIDIX A: TEST OF HYPOTHESIS ONE

H_{o1}*: *Taxation has not contributed significantly on revenue generation in Nigeria.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.888[a]	0.788	0.753	3066364978

a Predictors: (Constant), TAX

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2100885722485988	1	2100885722485988	22.344	0.003[a]
	Residual	564155651O146620	6	94025941835777		
	Total	26650413735006500	7			

a Predictors: (Constant), TAX
b Dependent Variable: RG

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1680360418.888	3634806126.502		0.462	0.660
	TAX	0.007	0.002	0.888	4.727	0.003

a Dependent Variable: RG

APPENIDIX B: TEST OF HYPOTHESIS TWO

H_{o2}*: *Taxation has not contributed significantly to the steady growth in Gross Domestic Product in Nigeria.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.936[a]	0.876	0.861	3178194

a Predictors: (Constant), tax

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	573171700499704	1	57317170049970	56.744	0.000[a]
	Residual	80807371241833	8	10100921405229		
	Total	653979071741537	9			

a Predictors: (Constant), tax
b Dependent Variable: GDP

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-1962112	2961257		-0.663	0.526
	tax	0.001	0.000	0.936	7.533	0.000

a Dependent Variable: GDP

APPENIDIX C: TEST OF HYPOTHESIS THREE

***H_{o3}:-** Tax evasion and tax avoidance have no significant effect on revenue generation in Nigeria.*

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.936[a]	0.876	0.861	3178194

a Predictors: (Constant), tax

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	573171700499704	1	57317170049970	56.744	0.000[a]
	Residual	80807371241833	8	10100921405229		
	Total	653979071741537	9			

a Predictors: (Constant), tax
b Dependent Variable: GDP

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-1962112	2961257		-0.663	0.526
	tax	0.001	0.000	0.936	7.533	0.000

a Dependent Variable: GDP