Research Journal of Finance and Accounting
ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online)
Vol.5, No.5, 2014

The Impact of Tax Systems and Environments on Federally collectible Tax Revenue: A study of some selected States of South-East Nigeria

Ovute F.E [1] and Eyisi A. S. [2]
1 Department of Accountancy, Faculty of Management/social sciences, Caritas University Amorji Nike Emene, Enugu
2. Department of Accountancy, Faculty of Business Administration, University of Nigeria, Enugu Campus
E-mail: gabbycomplex@yahoo.com, frankassorted@yahoo.com

Abstract
This study ascertain the impact of inadequate tax systems and environments on Revenue generation in selected states in south east Nigeria. The research design adopted for this study was the survey research design. The study made use of primary data obtained through issue of questionnaire based on Likert five point scales. The Taro Yameni formula was used to determine the sample size of three hundred and eighty three (383) respondents from a population of 9021. The sample comprises of thirty(30) FIRS staff and three hundred and fifty three(353) FIRS registered companies in the three states (Enugu, Anambra and Ebonyi). The Pearsons Product Moment Correlation was used to test for reliability of the instrument used (R=0.999). The Pearsons Product Moment Correlation and Ordinary Least Square regression technique were used to evaluate the objectives using SPSS Version 17 statistical software. The study found that poor tax reliefs and allowances have positive correlation with poor revenue generation in south east states of Nigeria; the case of bad administration of taxes results indicates that there is a positive correlation with poor generation. Our findings also show that multiple taxation has positive correlation with poor revenue in south east states of Nigeria and the proxies of inadequate tax base such as quality of tax records (QTR) and Poor Staff Training (PST) indicate that there is a positive correlation between poor revenue generation and of inadequate base. The implications of the finding is that adequate attention must be given to the amelioration of these inadequacies of the level of revenue generation is expected to rise. The study thus recommends that prompt actions on the part of the tax authorities in the area of simplification of tax laws and massive tax education, the training and retraining of tax personnel, the decentralization of tax officers, and the use of information technology for tax payer census and record-keeping will contribute effectively to reduction of tax evasion and avoidance which would lead to increase in tax revenue generation not only in the east states of Nigeria but in Nigeria as a whole.
Keywords: Tax systems, Federally Collectible Tax, Environment

1. Introduction

In Nigeria, one of the sources of revenue is income tax. This is defined as the percentage sum of money collected from the income of a person or company by the government for the purpose of developing a country's economy. (Kasipillai 2003, Mahdzan, 2005). This is divided into these categories.

- Gains or profits from a business for whatever period of time carried on.
- Gains or profits employment, dividends, interest or discounts.
- Rents, royalties or premiums.
- Pensions not falling under any of the foregoing paragraphs.

According to Hadacolarl (2008), one of the major challenges of tax in Nigeria is the administration of tax. They aver that institutional capacity to administer taxes effectively is woefully lacking in Nigeria and that procedures reinforced by third party audits appear to ensure that taxes are paid and received albeit with potentially serious and costly internal lags. To them Nigeria lacks the capacity to assess the reasonableness of the returns submitted by taxpayers, including cost and staffing, skills, pay scales, other funding and information technology. Hadacolarl also believes that one of the challenges to tax administration in Nigeria is the multiplicity of taxation.

The federal Inland Revenue Service for some time now has not satisfied some of the objectives in government's core areas of tax systems and administration on revenue generation. This was as a result of the prevalence tax evasion and avoidance among income tax payers specifically Enugu, Anambra and Ebonyi States in the South-East Nigeria. This accounts for a consistent drop in the volume of collection (Eze, 2010).

Similarly Okauru (2010) in her address on FIRS Core Mandate of Tax revenue collection, identified counterfeiting company income tax clearance certificates, misuse of FIRS documents, embezzlement of funds through incomplete cheques belonging to FIRS as the major factors that contribute to poor revenue generation in

Nigeria and however, supported the legal department of the FIRS reinforced prosecution machinery with high profile prosecution cases across the country (See Appendix 3). This according to her will serve as a deterrent to recalcitrant tax offenders (FRS 2010).
Binang,, (2010) in support of Okauru added that banks should confirm all requests for opening new FIRS accounts from headquarters as a way of discouraging fraudulent accounts used in siphoning government tax funds. This is to ensure minimization of the potential effects of inadequate tax systems in Nigeria.
Kiabel and Nwokah (2009) show that the prevalence of tax evasion and avoidance especially among income tax payers in Enugu, Anambra and Ebonyi States of South East Nigeria made government of these states engage the services of tax consultants in order to generate much needed revenue. This notwithstanding, the problems of bad administration of taxes leading to lack of transparency in the management of taxpayers' money and problems of poor tax reliefs and allowances that later lead to tax evasion and avoidance still persist. (Kiabel and Nwikpasi 2010). Current experience indicates that all is not well with the Federal Inland Revenue Service (FIRS). Okauru (2011) affirms as follows for the Federal Inland Revenue Service.

> In arresting and presenting offenders, the service is not treating any of its own with kid gloves. Over nine staff of the service are also being prosecuted for various offences ranging from counterfeiting of company income tax clearance certificates, criminal conspiracy, embezzlement, stealing and fraudulent withdrawal of cheques belonging to FIRS, diversion of FIRS cheques to misuse of FIRS documents and embezzlements of the Federal Republic of Nigeria through incomplete tax returns.

In Nigeria, the increasing lack of trust of the government/ FIRS by the tax payers and the perceived corrupt practices of top government or FIRS officials has been responsible for the low tax generation among Nigerians, (Nzotta, 2007).

The World Values Survey 2000 as quoted in Anichebe, (2010) showed that majority of Nigerians do not have confidence in the FIRS and national institutions. Corruption in resource rich countries such as Nigeria is often political and bureaucratic in nature, involving both abuse of office on the part of key decision makers and corrupt acts among lower level officials tasked with policy implementation (Kolstad and Wiig, 2012).
In many parts of Nigeria, citizens are opposed to the payment of any form of taxes and rates on the ground that government had been unfair in the distribution of amenities. Evidence of wastage of public funds abound in the form of inflated contracts or in the criminal acts of using diverse methods and loopholes exhausts funds voted for ministries and government departments before the financial year runs out. The cumulative effect thereby produced is the resolve of many honest tax payers never to pay their due taxes again or at most pay under compulsion (Kiabel and Nwokah, 2009).

If the tax administration is seen to be honest, fair, informative and helpful, acting as a service institution and thus treating tax payers as partners and not inferiors in a hierarchical relationship, tax payer have stronger incentive to pay taxes honesty (Frey, 2003).

Fiscal disputes through Tax Appeal tribunals, poor international/regional treaties incentives, poor tax payer education by the FIRS and poor reliefs and allowances lower the improvement of tax revenue collection in Nigeria. (Binang, 2010).

He added that lack of (FIRS) constant interaction with stakeholders that could furnish it with information/data base relating to the operations of tax payers indicate that all is not well with the Federal Inland Revenue Services.

Ikosin (2010) observed that diversion, opening of accounts in the name of FIRS without the notice of the service, opening of account for customers without Tax Payer Identification Number (TIN) among others is the problems of the Federal Inland Revenue Service.

He also added the allegation of FIRS collecting banks not adhering to the earlier agreement reached with the service on tax revenue collected and related issues. These point to the fact that all is not well with the FIRS.

Transparency International (2007) reports that Nigerians perceive tax authorities to be corrupt and this becomes a problem on the part of FIRS.

Amayin and Egbo (2008) as cited in Nzewi 2011) indicates that all is not well with authorities because of the following reasons of unsatisfactory performances.

- Lack of commitment on the part of some revenue collection officials, some of whom are downright dishonest.
- Inadequate data and the fact that rates and fees neither expand with growth on the economy nor with the rate of inflation.

Recent experiences also indicate that all is not well with the Federal Inland Revenue Service. This is because the service or establishment does not make use of the plethora of tax incentives by discriminating in favour of a particular sector, thus violating the principles of horizontal equity consideration. Besides the service also overcomplicates the tax system, making it more expensive to monitor the beneficiaries of such incentives, thereby increasing the possibilities of tax evasion. (Tax Policy, 2008).

In the bid to block revenue leakages in the Federal Inland Revenue Service (FIRS) and among its staff, the board introduced automation (use of ICT) in carrying out its activities such as Reg. Auto, Inspector Auto etc. This would enable authorities generate the desired level of income tax revenue targets by states in the country (Chime, 2009).

2. Statement of The Problem

According to Asher and Rajan, (2001); Asher, (2008); Kiabel and Nwokah, (2009); Adebisi (2004) as cited in Nzewi, (2011), the nature of tax systems and environments affect revenue generation. The term 'inadequate tax system and environments' is loosely used in this study to include all the above shortcoming including the lack of proper tax incentives, poor administration, corruption, and inadequacies in infrastructural facilities. This study therefore contents that inadequate tax systems and environments translate to inefficiencies which may tax revenue generation. These inadequate tax systems and environment have been captured in the various studies enumerated in the following paragraphs.

The work by Surrey (1958) as quoted in Das-Gupta and Mookherjee (1998) and cited in Asher (2008), paints the picture of a tax administrator in a typical developing country who finds himself saddled with insufficient, inexperienced and poorly paid staff. According to this document, such an administrator will more often than not, administer tax policies on a public "who are in a large part unfamiliar with tax knowledge and record-keeping requirements". This view is in agreement with Okeke and Obiorah (2007) as cited in Nzewi, (2011) who in their own study identified finance, corruption, poor quality officials and negative party politics as major problems bedeviling revenue generation in Nigeria. Adebisi (2004) had earlier on attributed the inability of state governments in Nigeria to achieve optimum returns in their revenue generation efforts to manpower needs, lack of mobility and necessary infrastructural facilities, as well as mismanagement and misapplication of funds amongst other like variables.

A study by Kiabel and Nwokah's, (2009) covered the Inland Revenue Authorities of Rivers, Bayelsa, Akwa Ibom, Cross Rivers and Delta States and taxpayers (individuals) in those states, and specifically found that there are four major causes of tax evasion and avoidance (and by inference reduced revenue generation). These are high rates of tax, lack of adequate incentives to both taxpayers and tax authorities, lack of public enlightenment campaign, and poverty, to Asher, (2008).

> Lax administration often results in the erosion of tax revenue and arises from deliberate political or bureaucratic decisions or more subtly from the lack of necessary investments in human and material (including information technology) resources.

Tanzi' (1999) as cited in Asher (2008) has identified that these often come in the form of providing certificates of exemption to those who otherwise do not qualify for them, the write-off of tax debts without justification and the creation and the creation of multiple false taxpayer identifications in order to facilitate fraud amongst others.

Fischer et al (1992) a cited in Alabede et al (2011) also identified 14 key factors influencing tax compliance and by inference revenue generation) which became known as the Fischer's Model of tax compliance. A major part of his model includes tax system structure which positively influences revenue generation.

This study therefore set to assess whether the findings of these earlier studies are also true for Federal Tax Collectible in some selected South-Eastern States in Nigeria

3. Objectives of the Study

In view of the above problems, this study aims at the impact of tax and environments on federally collectible revenue in selected states of south East Nigeria. The specific objectives are:

To determine the extent to which poor tax reliefs and allowances affect, federally collectible revenue in selected states of South East Nigeria.

To ascertain the extent to which bad administration of taxes affect federally collectible revenue in selected states of South East Nigeria.

To ascertain the extent to which multiplicity of tax such as personal income tax, proportional tax, Vat tax, Education tax etc. affect federally collectible revenue in selected states of South East Nigeria.

To ascertain the extent to which inadequate data base affect federally collectible revenue in selected states of South East Nigeria.

4. Research Questions

The following research questions have been formulated: as to achieve the above objectives

To what extent does the granting of poor tax reliefs and federally collectible revenue in selected states of South East Nigeria?

To what extent does bad administration of taxes affect federally collectible revenue in selected states of South East Nigeria?

To what extent does multiplicity of taxes e.g. personal income tax, proportional tax, VAT tax, Education tax) affect federally collectible revenue in selected states of South East Nigeria?

To what extent does inadequate data base for income taxpayer's population affect federally collectible revenue in selected states of South East Nigeria?

5. Hypotheses

Based on the statement of the problem and objectives, the following hypotheses were formulated for testing in the study.

H_{o1}: Poor tax reliefs and allowances do not significantly affect federally collectible revenue in selected states of South East Nigeria.

H_{A1}: Poor tax reliefs and allowances significantly affect federally collectible revenue in selected states of South East Nigeria.

H_{o2}: Bad administration of taxes does not significantly affect federally collectible revenue in selected states of South East Nigeria.

H_{A2}: Bad administration of taxes significantly affects federally collectible revenue in selected states of South East Nigeria.

H_{o3}: Multiplicity of taxes does not significantly affect federally collectible revenue in selected states of South East Nigeria.

H_{A3}: Multiplicity of taxes significantly affect federally collectible revenue in selected states of South East Nigeria.

H_{o4}: Inadequate data base does not significantly affect federally collectible revenue in selected states of South East Nigeria.

H_{A4}: Inadequate data base significantly affect federally collectible revenue in selected states of South East Nigeria.

6. Significance of the Study

The research findings and recommendations will be of a great benefit to agencies, tax authorities, state governments and income tax payers. This is because the study intends to improve the state tax collection methods that will reduce overdependence on federal allocations.

The study will also be of immense benefit to the government now that it is making efforts to rebrand Nigeria and enhance attitudinal changes in states of the federal regard to income tax generation.

7. Scope of the study

This research covers the operations of Enugu, Anambra and Ebonyi States Federal Inland Revenue Services (FIRS) Area tax offices of South East Nigeria. The essence of this work is to examine the impact of inadequate tax systems and environment on tax revenue in selected states in the South-East of Nigeria, hence three states were selected includes, Enugu, Anambra and Ebonyi State. The FIRS Offices will be visited and data collected from both staff and companies registered with FIRS in these three states.

8. Literature Review

A good number of studies have been carried out to ascertain the impact of inadequate tax systems and environments on tax revenue generation in selected states in South East Nigeria. In a paper on Tax reforms in a Democracy, Tinubu (2005) admitted that all over the world taxation is the major sources of public revenue. He believes that tax systems are as varied as the nations that devise them, ranging in complexity from the most basic arrangements to the highly computerized. Fortunately, much of the Nigerian system derives, from the British yet very little improvement or adaptation to local circumstances has taken place since independence. It is ironical that constant review and progressive decentralization is more noticeable nowadays in the Britain tax system than it is in our Federal Republic. Also, the English system assumes that tax payers are fairly literate persons who keep records of their business income and expenditure. Right up to this moment, most of our own small scale and private enterprises keep little or no records. To them, the fine details of deductible and non-deductible expenses, personal and business expenditure has relief and capital gain, remain understandably elusive.

8.1 Academic Review

In Nigeria, as in some developing countries, tax non compliance is a serious challenge facing income tax administration and hindering tax revenue performance. Despite the various tax reforms undertaken by Nigeria government to increase tax revenue over the years, prior statistical evidence has proven that the contribution of income taxes to the government's total revenue remained consistently low and is relatively shrinking. (Asada, 2005; Sani; 2005, Odusola, 2006; Nzotta; 2007, Kiabel and Nwokah 2009). The statistical data indicated that contributions of non-oil income tax total revenue of government in Nigeria dropped from 19.8%. in 1999 to 11.7% in 2008 and the tax ratio in 2009 was 11% the lowest in West Africa and below 15% recommended for low income countries. (Cabham, 2005; CITN 2010).

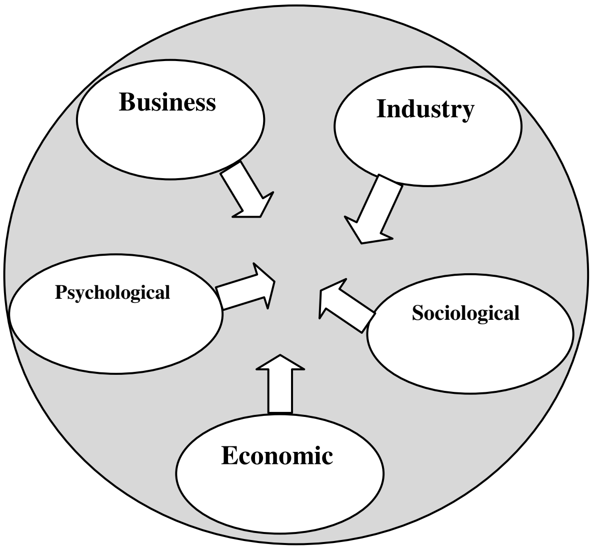
8.2 Theoretical Framework

This study will be based on proposed compliance model which is a structured way of understanding and improving taxpayer compliance. It helps us to understand the factors that influence taxpayer behavior and to apply the most appropriate compliance strategy. (Philip and Sandall, 2009).

Taxpayer compliance behaviour is influenced by many factors-businesses, industry, sociological, economic and psychological. Zikhali and Kabenga (2009) stated that the compliance model shows a continuum of taxpayer attitudes towards compliance. At the base of the continuum, taxpayers have the desire attitude of being 'willing to do the right thing'. At the other extreme, taxpayers have decided not to comply-choosing to evade or opt out of the tax system.

The compliance model also summaries the different sorts of support and intervention that we may need to provide to collect the required revenue. The model suggests that the Tax Office has the ability to influence taxpayer behavior through our response and interaction. (Murphy, 2007).

Research Journal of Finance and Accounting
ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online)
Vol.5, No.5, 2014



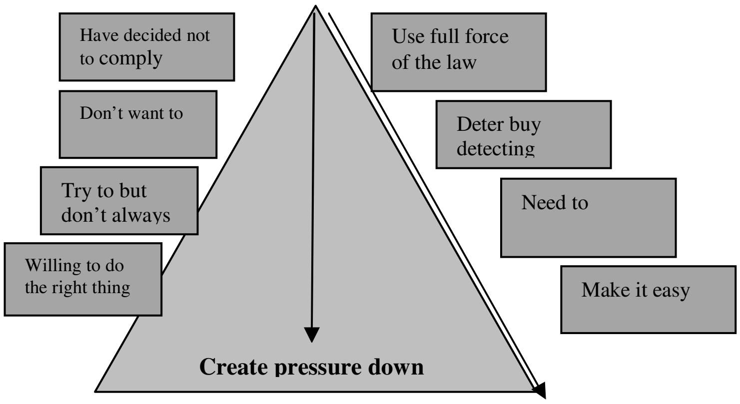


Fig 1: Factors that influence taxpayer behavior attitude to Compliance.
Fig. 2: Low Compliance strategy**.**

Although some researchers has expanded the tax compliance model by adding one or more variables to meet their environmental needs (Chan et al., 2000; Chau & Leung, 2009; Fischer et al., 1992; Manaf, 2004; Mustafa, 1997), literature has suggested that tax compliance behavior are influenced by numerous factors which are yet to be captured in the model (Alm, 1999; Jackson & Millron, 1986, as cited in Alabede, Arrifin, Idris, 2011). This suggestion encourages the need for further expansion of the model as circumstances and environmental reality may demand. It is in this light that this study proposes an expansion to the model. The model proposed in this study is made up of variables from the tested models of the previous studies. The model has nine variables (factors) and two moderators. Of these factors, tax system structure; noncompliance opportunity, attitude, moral reasoning, tax knowledge and demographic factors were adopted from other studies, (Bobek, 1997; Chan et al., 2000; Fischer, 1993; Kasipillai & Jabbar, 2006; Manaf, 2004 Mustafa; 1997; Richardson, 2006; Tayib, 1998) and these factors influenced individual taxpayers' compliance behavior in Nigeria. Just as in Fischer's model and other studies, demographic factors in this study are equally proposed as antecedent factors linked to tax knowledge, moral reasoning, noncompliance opportunity and attitude but have no direct influence on tax compliance behavior.

However, in order to satisfy the environmental needs of Nigeria, the tax compliance model was expanded to include perceived tax service quality. Taxpayer's personal financial condition and risk preference were also introduced into the model as moderating factors. In addition, ethnic diversity was also incorporated in the model to capture cultural characteristics of Nigerian taxpayers in the study. The need to expand the tax compliance model by these4 factors and moderators were derived from the suggestions of scholars and previous studies (Alm & Torgler, 2006; Akpo, 2009; Kircher et al., 2007; Torgler; 2006; Wallschutzky, 1984).

Although the low and shrinking tax compliance level in Nigeria might be caused by multitude of factors, the relevance of public governance quality cannot be under estimated (Akpo, 2009; Bird and Zolt, 2005; Everest-Phillip and Sandall, 2009; Odinkonigbo, 2009; 2008). With unimpressive ranking position of 38 out of 53 and a score of 48.6% in African governance index in 2006 (Ibrahim, 2010; Rotberg & Gisselquit, 2009), as evidence of the lack of control over corruption, lack of accountability. Level of crime and poor public infrastructure, it appears that public governance quality may be satisfactory in Nigeria (Natufe, 2006; Oluba, 2008). The noncompliance behavior may perhaps be an indication that taxpayers are not satisfied with quality of public governance in Nigeria. The theory of social exchange provides justification for their behaviour. The theory posits that relationship between parties is based on cost and benefits and for it to continue, it must be rewarding to all parties. In the light of the importance of public governance quality, Bird and Zolt (2005) indicated that taxpayers think that government of countries with good public governance is likely to enjoy public acceptance for the need for taxation than government of countries with poor public governance. Similarly, the perception of Nigerian taxpayers about quality of service delivery in Nigeria's public organizations including tax offices is poor and fall below internationally accepted standard (Ewenupu, 2010; Thomson, 2004; Wallshutzky, 1984). This argument is supported by the theory of social influence, which indicates that the power of expertise influences compliance.

To stress the relevance of perceived tax service quality, Wallshurtzky (1984) as quoted in (Idris 2011) declared that taxpayer's level of satisfaction with tax office service have influence on their future compliance level. Furthermore, the effects of personal financial condition and risk preference as they moderate taxpayers' compliance behavior are also important given Nigeria' level poverty of 54.4% and crime ranking position of 46 out of 53 (Ibrahim, 20q0; Rotbery & Gisselquist, 2009). Nzotta (2007) and Odinkonigbo (2009) in separate submissions said poverty and extended family burden may be responsible for noncompliance behavior in Nigeria and similarly, Bloomqwuit (2003) stated that financial strain causes individual to be less tax compliant. Hite and McGill (1992) as well as Torgler (2003 as quoted in Arifin 2011) have also indicated that the taxpayer's attitude towards risk affects his compliance decision.

In addition, despite uniform tax system operating in Nigeria, individual taxpayers have continued to exhibit varying level of compliance in difference part of the country. This difference may not be unconnected with the multiethnic background of Nigeria. Bird and Zolt (2005) contended that most developing countries adopted personal or company income tax system from developed countries without consideration for the environment reality of their countries. Figure 2 presents the proposed model of tax compliance.

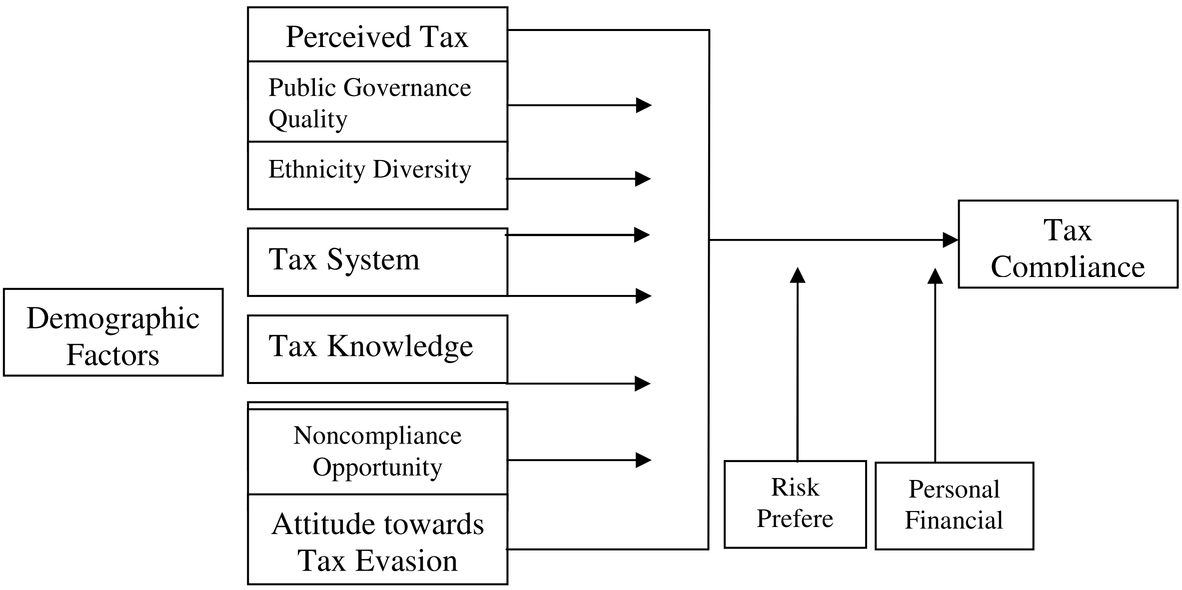


Fig 3: Proposed model of tax compliance sources

This study proposed model for better understanding the individual taxpayers' compliance behavior in Nigeria. This proposed model is an extension of Fischer's model, which incorporates perceive tax services, quality, public governance, ethnic diversity as well as moderating effect of taxpayer's financial condition and risk preference. These factors were incorporated in the model taking into account the environmental, social and cultural peculiarity of Nigeria as suggested in the literature (Akpo, 2009; Bird 2005; Frey, 2005; Odinkonigbo, 2009; Wallshutzky, 1984).

Theoretically, this proposed extension to the model will enrich the tax compliance literature for better understanding the compliance behavior. In addition, the proposal is a single comprehensive model incorporating economic, political, social, psychological, cultural, environmental peculiarities and characteristic of tax administration as well as taxpayer in developing countries.

9.0 Methodology

9.1 Research Design

This study adopts the survey research design. Till and Albaum (1973:3) define survey as "the systematic gathering of information from respondents or the purpose of understanding and/or predicting some aspects of behaviour of the population of interest". It could therefore be observed that the survey research design is descriptive and involves data gathering which can be done through primary sources (questionnaires, interviews, etc.). Hence, this design will enable the researcher gather valid and reliable information through the responses of the interviewee to planned sequence of questions.

9.2 Source of Data

The data for this the study were gathered from primary sources. Primary data is the data collected by the researcher with the appropriate instrument. The reason for using primary data is to ensure that there is a control in which there is originality.

9.3 Area of Study

This study was restricted to the geographical entity known as the Federal Republic of Nigeria specifically Enugu, Anambra and Ebonyi States of South East Nigeria.

9.4 Population of the study

The population of this study is made up of 9021 individuals (see Appendix). 8991 registered tax payers at the area tax offices of the Federal Inland Revenue Services and 30 senior staff in those offices of the rank of Director, Chief Inspectors, principal inspectors and senior inspectors of the Federal Inland Revenue Service of the aforementioned states (FIRS 2010; Field Survey 2010). For the purpose of this research, the population of tax payers refers to company income tax payers. This is used for this study because companies register with FIRS and have TIN numbers for identification and hence are assessable to company's income tax (FIRS 2010). Table 1 and 2 below shows the population for this study as drawn from registered companies and senior staff of FIRS in the three states of the South-East.

Table 1: Population of the Study (Registered Companies)

States	Population		
Enugu	896		
Anambra		7899	
Ebonyi	196		
Total		**8991**	

Source: (FIRS, 2010)

Table 2: Population of the Study (FIRS Senior Staff)

States	Population		
Enugu	10		
Anambra		15	
Ebonyi	5		
Total		**30**	

Source: (Field Survey 2010)

9.5 Determination of the Sample Size

The acceptability or otherwise of a research report depends to a large Extent on the ability or capability displayed in the process of gathering the relevant data or information Onwumere, 2009). A sample is derived from a population and can be finite or infinite. A sample does not just exist as it has to be determined by the researcher. In this study, the population is finite, that is it is known, hence, the Taro Yameni formula as cited in Onwumere (2009) was used to determine the sample size from the two groups of respondents (Registered companies with FIRS and Senior Staff of FIRS).

Using the Taro ameni formula,

$$n = \frac{N}{1 + N(e^2)}$$

Where:

n = is the sample size
N = is the population
1 = is a constant
e^2 = is the estimated standard error which is 5% for 95% confidence level

$$n = \frac{9021}{1 + 9021(0.05)^2}$$

$$n = \frac{9021}{23.5525}$$

$$n = 383 \text{ respondents}$$

9.6 Reliability Test

To test for the reliability of the instrument, a test retest method was adopted using the total population sample for staff and the FIRS registered companies. To determine to reliability, the Pearson Moment correlation was used to ensure consistency. A correlation above 0.5 indicates reliability while a correlation coefficient below 0.5 indicates no reliability. The procedure used to test the reliability is shown below from a pilot survey where forty-five (45) questionnaires was distributed to FIRS Registered Companies and ten (10) questionnaires distributed to senior staff of FIRS. Table 3 indicates the responses from the pilot survey.

Table 3 Pilot Survey Responses

Detail	No Distributed	No Returned
FIRS Registered Companies	45	43
Staff	10	9
Total	**55**	**52**

Source: (Field Survey 2010)

Using the Pearson moment correlation, a test of reliability is conducted using the total number of questionnaire distributed and the number of questionnaire returned as dependent and independent variables respective1. The result is shown in table 4 below.

Table 4: Pearson Moment Correlation Model summary

Model	R	R-square	Adjusted R-Square	Std Error of the estimate
1	0.999	0.998	0.998	1.012

Source: (Field Survey 2011)

R is correlation coefficient and it is 0.99 which is close to 1. Thus, the instrument used was reliable.

9.7 Validity Test

The validity of a measuring instrument refers to the appropriateness td which an instrument measures what it is supposed to measure. The research instrument was pre-tested with a group of postgraduate students to ensure clarity of instruction and ease of administration. The questionnaire was first validated by the researcher's project supervisor and a data analyst specialist validated the data for content. The questionnaire was reviewed by the data analyst to ensure that it will be suitable for the test statistic to be used. Items that were identified as irrelevant were dropped and those suggested for item revision were modified, re-evaluated and included.

9.8 Techniques for Data Analysis

This study is aim is to determine the impact of inadequate tax systems and environments on tax revenue in selected states in the south East of Nigeria. The Likert-scales structured questionnaires were administered. The basic scale design therefore consisted of a Likert-type scale with five scale points. For presentation and data analysis, tables and percentages were used to summarize the data gathered for clarity and comprehension while Ordinary Least Square (OLS) Regression model Spearman Pearson Correlation was used to test the hypothesis where the signs and significance of the regression coefficients was relied upon i explaining the nature and influence of the independent and dependent variables as to determine both magnitude and direction of impact.

10. Data Analysis/Results

Data Analyzed using SPSS Version 17 showed that; Poor tax reliefs and allowances have positive correlation with poor revenue generation in south east states of Nigeria.

The case of bad administration of taxes results indicates that there is a positive correlation with poor generation of tax.
Multiple taxation was observed to have a positive correlation with poor revenue generation in south east states of Nigeria.
Inadequate tax base such as quality of tax records (QTR) and Poor Staff Training (PST) indicate that there is a positive correlation between poor revenue generation and these proxies of inadequate base.

11. Conclusion

The adverse effect of the global economic meltdown on the Nigerian economy has made it expedient that concerted efforts be made by government at all levels to strengthen their Internal Revenue base. This would enable them generate the desired level of tax revenue to cushion the effects of the recession.

To achieve the desired result, government should introduce all necessary reforms capable of assisting Revenue Agencies perform their duties at optimal level. The need for these reforms cannot be over-emphasized in view of the present dwindling and unstable prices of crude oil which has been the major source of funds to government.

Absolute reliance on proceeds from crude oil is not safe for our economy because of its exhaustible nature. Massive tax education and enlightenment would go a long way in changing the tax compliance culture of our people. Revenue Agencies should also carefully study the tax regulations and apply them strictly to ensure an enhanced revenue profile.

Information Technology (IT) is a critical factor in the ability to provide for cost effective delivery of services. Tax administrations access to information is critically dependent on the reliability and performance of the network and system infrastructure. Emphasis should be placed on ensuring that IT infrastructure is scalable and open to adopt new technologies to meet short and long term needs of the tax/Revenue related business functions. Therein lays the challenge and political will required to drive the process towards optimizing the achievement of Revenue targets by states in the country.

12. Recommendations

Prescribe below are necessary antidotes for minimizing or eradicating the problems of income tax generation in Nigeria:

i. Imposition of stiff penalties for the various offences as prescribed in the income Tax Acts. As mentioned earlier on, no none is known to have been convicted and imprisoned for giving incorrect information, for aiding, abetting, assisting counseling, inciting or inducing a taxpayer to make or deliver false returns even when such fraudulent intents is established. I am of the opinion that. Strict observance of the regulations and prompt actions on part of the tax authorities would contribute effectively to reduction of tax evasion,
ii. Our tax laws should be simplified and updated to make it possible for taxpayers to understand them.
iii. Since it is axiomatic that an income tax will only function well in an atmosphere in which there is high 'degree of taxpayer knowledge of the law, it follows therefore that the taxpayer has to be encouraged or assisted to comply with the law rather than forcing him to do so. There has been a big flaw in the area of mass education. It is therefore recommended that people have to be told consistently and persistently why they have to pay tax. There should be a wide dissemination of regulations, taxpayer's guides, handouts, and the income tax laws' advertising publicly through the radios, newspapers, and tax compliance Educational programme in the school system.
iv. As a means of reducing tax evasion, deduction of tax at source or withholding tax scheme should be extended to other sources of income that lend themselves to deduction of tax at source.
v. In order to ensure compliance and reduce tax evasion, tax payments, should be designed to meet the convenience of the taxpayer. It is therefore recommended that the existing tax laws should be amended to permit taxpayers not subject to PAYE to pay their taxes by installments during the year in which income is earned rather than in arrears.
vi. Literate businessmen should be compelled to keep accounts and to utilize the service of qualified accountants in the preparation of their audited account.
vii. Frequent and prompt exchanged of information in respect of tax PAYE amongst the various tax authorities is a must. Similarity, the various tax departments should seek support of all other agencies of government for the purpose of gathering information about taxpayers. Here the ministries of commerce

and industry and works and Transport will he. an important role to play. For instance, list of contractors can be obtained from these agencies and used to crosscheck the correctness or other wise of the returns filled by such contractors.

viii. Various tax departments lack trained personnel and the machinery for gathering tax information, which is necessary to check tax evasion: To combat tax evasion, the improvement, of the tax staff is a desideratum. This problem can best be solved by organizing in service training programmes, conferences, seminars etc. for the tax staff. I am of the view that good administration is a function of good personnel.

ix. The issuance of national identity card should be accelerated so that it will be used to identify those who have not fulfilled their civic duties.

x. Decentralization of the Tax Offices: There is the urgent need to open more tax offices in the states. One of the characteristics of a good tax system is the convenience of the taxpayer. Decentralization would enable the tax officials to have firsthand knowledge of This will reduce to the barest minimum the degree of tax evasion Similarly inspector of taxes should be allowed to spend at least two years in a station to enable him know the important taxpayers.

xi. Statistics of Taxable Adults: There is the need to collect reliable statistics of the taxable persons within the state who are subject to Pay-As-you, Earn Tax and those liable to Direct assessment, without necessarily conducting a state population census there are suffice it sources of information on which a research department of the Internal Revenue Service can draw. In respect of taxpayers who are professional persons, registers of members exist and in the case of doctors running private hospitals, the ministry of Health can be approached. For traders and industrialists, the federal and state ministries of commerce shou1d be able to supply useful information furthermore; information obtained from wholesalers would provide a means of knowing more about those down the distribution pyramid.

xii. Information Technology: Information via internet will nowadays be of immense value to tax administration in Nigeria. The huge success being recorded in computerization and telecommunication have brought about the internet age. The internet has therefore brought about the question of no-single-location tax jurisdiction. In fact, the Revenue Service can now have access to e-commerce transactions in the internet world towards computerizing its operations. It is also noteworthy that some states like Lagos and Delta have made efforts to computerize their internal Revenue operations. These efforts towards computerization are the first step towards resizing any dream of becoming internet compliant. The desire to meet up with challenge of e-commerce taxation would enable the tax authorities (Federal and State) to possess a master decoder of all transactions that go through the Banking system.

REFERENCES

Abba, E.U (2008), Local Government Administration in Nigeria. Onitsha Abbot Books Ltd.

Abba, E.U (2008), Personal income tax pitfalls: A need for tax reform in Nigeria WASMET: *Journal of Management Education Training* vol. 2 1(6), 10 — 11.

Abba, E.U (2008), Private sector and generation of tax revenue, *Journal of Association of National Accountant of Nigeria* 2 (1)4 1 —49.

Abereyo, I. and Fayomi, A. (2005). Innovative Approach in SME financing in Nigeria. A Review of small and medium industries Equity Investment scheme *Journal of Social Science* 11(3).

Abu, J. (2006), Review of pension and its effects in Nigeria, Journal *of Oak pension Administration.*

Adebisi,, I. (2004), Increasing Revenue Growth for both states and local Governments under democratic setting. *The Nigerian Accountant*, vol.37, No.4.

Adekanola , O. (20O7), Taxation as a means of Economic Revitalization; Limitation and prospects, in a developing economy. The Nigeria accountant economy. *The Nigeria accountant,* vol. 40.No4.

Adekanola 0. (2Q10), Taxation as a means of Economic Revitalization: Limitations and Prospects in a Developing Economy. *The Nigeria Accountant*, October/December, 40 (4),55—77.

Adeleke, E. (2008), Taxation as an Instrumental of Economic change and Development. A paper presented at the ICAN organized mandatory Continuing Professional Education (MCPE) Programme in Calabar, October 12, 2008 27P.

Aguolu, 0. (2004), Taxation and Tax management in Nigeria. 3td Edition, Enugu. Meridian Associates 284P.

Alabele, A, and Idris (2011). Determinants of Tax compliance Behaviour.
proposed model for Nigeria, International research journal of finance and Economics.
http://www,*internationalresearchjournaloffinanceandeconpremzics.corn*. Downloaded 26/02/12

Ale, B. E (2006), Taxation as a tool stimulates the inflow of foreign investment. A paper delivered at the annual conference of Chartered Institute of Taxation of Nigeria May 13.

Alm, J. (2008), Social Capital and Tax Morale in Spain. Economic Analysis and policy, 38 (1), 34-47,

Amujin, B.A and Egbo, E.A; (2008), Local Government financing: Maximizing the Internally Generated Revenues of Local Governments in Nigeria. Local Government finance Enugu. Bismarks publications. Anichebe A.S. (2010) Tax evasion problems in Nigeria. *Then certified national accountants*.

Anichebe A.S (2010), Tax Morale: Issues In Income Tax Compliance in Nigeria. *Journal of Association of National Accountant of Nigeria* April/June 2(1) 29-33.

Asher, M.G. and Rajan, R.S (2001). Globalization and Tax Systems, Implication for Developing countries with particular reference to South East Asia ASEAN Edonomic Bulletin 18(1), 120-40.

Azubike, J.B.U. (2007), Pioneer Income Tax Relief Alternative Investment Incentive to Companies in Nigeria ICAN students' Journal. Vol. 11 No. 3 July/September.

Bird, R.M. (2005). Redistribution Via Taxation. The limited role of the personal income in developing countries. *Journal of Asian Economics*. 16(1), 928-946.

CAMA (1990), Lagos federal press Nigeria companies and allied act 1990: Lagos Federal Government Press.

Chime, F.O. (2009), Liability To Pay Tax under The Nigeria Tax Law. A paper presented on the occasion of the law week of the Nigerian Bar Association, Enugu March 9, 2009. P.16.

Chime, 0. (2009),Liability to pay tax under the Nigerian tax law. A seminar paper presented by Executive chairman, Enugu State Board of Internal Revenue, Enugu, December, 9.

Corporate Affairs Commission (2007) 'CAC roles and functions September, 2007' http ://www.aca. gov.ng/duty.h

Chatered Institute of Tax Nigeria (2010), Nigeria Tax Guide Studies 1St Edition. *http://new.morningstar.comlarticle.asp*.

Ephraim, N. M. (2005), Research methodology for Social Science and Business Studies, *Journal of the Nigeria Economic and Financial* Mirror, 4(1), 3 -5.

Eriksen, K. and Fallan, L. (2006), Tax Knowledge and Attitudes towards taxation. A report on quasi-experiment. *Journal of Economic psychology;* 17, 387-402.

Eze, E. (2010), 2011 Reforms yield Results. Modernization project. Gauge Federal Inland Revenue Service. October - December.

Faseun, K. (2011), Control Organizational and Economic Approaches. *Management Science*, 31(2), 134—149.

Fasheer and World Bank, (2007, 2008, 2009). World Development Report.

Federal Government of Nigeria, (1990), Companies and Allied Matters Act Abuja Federal Government Printer.

Federal Republic of Nigeria (1990), Companies Income Tax Act CAP6OLFW.Lagos, Federal Government Printer.

Federal Government of Nigeria Acts (2004), Companies and Allied Matters Act (2004), Nigeria Printer Lagos.

Federal Inland Revenue Service (2010), General Tax Guide for tax Administrations and practitioners, June.

Federal Republic of Nigeria (1993), Personal Income Tax Act. Lagos, Government Printers.

FIRS Public Notice and notification of the draft national tax policy (2010) and call for Meniotanda, National Tax Policy (document) Lagos Nigeria.

Foluso, J. (2005 critical issues in taxation and tax management in Nigeria. Nigeria Tax News 12(4)8—11.

Frey, B.S. (2003).The role of deterrence and tax morale in taxation in the European Union. (Jele 21 JLstra lecture. Netherlands institute for advanced study in the humanities and social sciences (NAIS).

Hadaycolarl. (2008), 'The importance of income tax in South-East-Western Nigeria, *Journal of Economic and Financial mirror*, 7(1), 11 — 13.

Igwe B. N. (2009), Impact of Collection Efficiency on Revenue generation in the Nigerian Economy: A study of Federal Inland Revenue (FIRS) South Eastern zone. .A paper presented in partial fulfillment of the Requirements for the Award of a Ph. D Degree in Accounting, EBSU, March 12, 2009. 15P.

Inatoseninyi A. B. (1996), Tax management in Nigeria. How effective? *The National Accountant* 6 (5) June/July pp 41-42.

Jones, P. (2009), Individual Cognitive and cultural differences in Tax Compliance UK and Italy compared. *Journal of Economics Psychology* 30, 43 1-445.

JTB 1st National Tax Retreat proceedings: Tax Reforms in a Democracy, Sheraton Lagos Hotel and Towers Lagos August 22-24 2005.Vol.1 8 No. 1.

Kasipillai, J. (2003), Malaysian Income Tax Systems: Policy options and considerations for the future. Inaugural professional lecture. Universities Utara Malaysian, 24 August.

Kiabel, B.D and Nwikpasi M.N (2010), selected Aspects of Nigeria Owerri: Taxes Springfield Publishers Ltd.

Kiabel, B.D. and Nwokah, N.G. (2009), Curbing Tax Evasion and Avoidance in personal Income Tax Administration. A Study of the South-South States of Nigeria. *European Journal of Economics, Finance and Administrative Sciences,* 15, 16-61.

Kichler, E. (2007), The Economic Psychology of Tax behaviour. Cambridge. Cambridge University Press.

Kichler, E. Muelbacher, S. Kashunger, B. and Wahi, I. (2007), Why Pay Tax? A review of Tax Compliance decisions. Working paper 07-08. Atlanta: Georgia State University.

Lau, C (2000), Taxation as a tool to stimulate the inflow of foreign investment, *A Journal of Economic and Financial Review* 30(31) 16 -18.

Lemo, C.I (2000), Accounting policies and financial statements disclosures. *(Accounting and finance review 39 (20)* 153-154).

L.L, (2007), Tax planning- how to apply accounting policies (*Lu Via House Journal. 3, (5); 44- 54*.

Manaf, N.A (2004), Band Tax Administration and Compliance attitude in Malaysia. Unpublished doctoral Thesis University of Nottingham. United Kingdom.

Mohani, A. (2003), Income Tax Non-Compliance in Malaysia. Petaling Jaya: Prentice Hall.

Murphy, K. (2007), Procedural Justice and the regulation of Tax Compliance Behaviour. The moderating role of personal norm. Andrew young school of policy studies International Conference Atlanta. Georgia State University.

Nasser A. (2007), Accounting policy choice and tax planning; (*Economics and finance Journal* .4, (2): 66-69.

National Tax Policy Document (2008). Tax Policy and Call for Memoranda. www.nigeriantaxpolicy.org.

Norsiah, A. (2004), Sikap Terhadap Cukai Dan Perspektit. Akademika. 65:125-135.

Nzeribe C. (2008), Nature of Public Sector Accounting, *The Nigeria Accountant*, 46(11), 15 - 18.

Nzewi, U.C (2011), A Comparative study of states carved out of the former Anambra State of Nigeria. *The Certified National Accountant* 19(3), 5-9, 12-13. July'- Sept.

Obasanjo, O.A. (2005), Contention Issues in Tax Administration and policy in Nigeria. www.oecd.org/dataoecd/56/41/34904237 Downloaded 12/07/2011.

Odusola, A. (2006), Tax reform in Nigeria Research Paper, World Institute for Development Economic Research. United Nations University.

An OECD. (2005). Survey If trends in taxpayer service delivery using new technologies. Centre for Tax Policy and Administration.

OECD (2007). Improving Taxpayer Service Delivery: Channel Strategy development Forum on Tax Administration taxpayer services sub-group. www.oecddataoecd/56/47/3 528306 Downloaded: 14/07/2011.

OECD,(2007), Electronic Commerce. The challenges to Tax Authorities and Taxpayers, Paris. OECD.

Sharayri, M. and Momani, G.F (2009), The impact of tax planning on reducing income tax burden in industrial companies in Jordan from sale and income tax evaluators point of view(*middle east finance and economics;* issue5. pp 38-48).

Sosanya, S.9.A (2009), Taxation Reform in Nigeria.

Standford, L. (2008), Social Exchange Theories. in L.A Baxter and D.O Braithwaite (Eds), Engaging theories in interpersonal Communication, Multiple Perspectives, Thousand Oaks :pp. 377-3 89.

Tanzi, V. (1999), A Prima on Tax Evasion New York. Working Paper. IMF.

Tinubu, A.A.B (2005), Contention Issues in Tax Administration and policy in Nigeria. A governor's perspective. First National Retreat on Taxation. Lagos. Joint Tax Board.

Toby,R. (2004), The Theory of Income Tax. Macmillan Press Ltd.

Torgier, B. (2006), Culture differences and Tax Morale in United States and Europe. *Journal of Economic Psychology* 27, 224 - 246.

Udoinyang, J. and Asuquo, A. (2008). Analysis of Impact of corporate Income Tax on Income Tax on Investment/Financing Decision of Selected quoted Companies in Nigeria. *The Certified National Accountant*. Vol. 16 No. 1. January -March.

Wallenshuzzky, R.(1984), Boosting Revenue Generation by state governments in Nigeria: The Tax Consultants Option Revisited. *International Journal for Development,* October/December, 4(2), 37 – 42.

Wiig, P. (2003), Unlocking the Hidden value of Patents. Cambridge: Howards Business School.

Zikhali P. and Kabenga, SS .1. (2009), Does Ethnicity Matter for Trust? Evidence from Africa *Journal of African Economics* 19(1), 153-157