Assessment of the Contribution of Internal Generated Revenue (IGR) to the Total Tax Revenue of Kogi State before the Introduction of Taxpayers Identification Number (TIN) (2003-2007)

Dr.Ezugwu, C.I.[1], Ezugwu[2] and Agbaji[3]

[1] KOGI STATE UNIVERSITY, ANYIGBA

Abstract

The study was carried-out to assess the contribution of internally generated revenue before (TIN) on total tax revenue in Kogi State. The related literatures were reviewed. The population of study comprises the Total Tax Revenue Before TIN (TRBT) and Internally Generated Revenue Before TIN (IGRBT). A number of statistical tools including tables and Regression were used to analysed the data and test the hypothesis formulated. Our analysis of data revealed that, the internally generated revenue (IGR) before the introduction of TIN within (2003-2007) was not significant. We recommended that a holistic tax education should be carried out in order to keep the teeming taxpayers abreast of the need to pay their taxes to the state and the enforcement unit of the State Revenue Board should be properly empowered to monitor, enforce and prosecute any errant tax defaulters who fail to comply with tax authority.

Index terms— contribution; internally; generated; revenue; total; tax.

1 Introduction a) Background to the Study

axpayer Identification Number (TIN) is a 10 (ten) digit number that is unique to each taxpayer in Nigeria, for every individual and corporate organization i.e. taxable entities that earn a steady income. The Taxpayer Identification Number (TIN) is a platform which will harmonize taxpayer identification and registration in Nigeria; it will create closer linkage between the various tax authorities in Nigeria and, will aid corporation, information sharing and increase revenue generation accruing to all tiers of the governments (JTB Bulletin, 2011).

Taxpayer Identification Number (TIN) is an initiative of the Joint Tax Board (JTB) in collaboration with the Federal Inland Revenue Service (FIRS) and the 36 State Boards of Internal Revenue (SBIR). It is an electronic system of taxpayers' registration, which would uniquely identify all taxpayers and would be available nationwide.

The Joint Tax Board (JTB) is provided with the responsibility (as amended in section 8(q) (d) of the Personal Income Tax Act and section 8(q) of the Federal Inland Revenue Service Establishment Act 2007), to ensure collaboration in the issuance and administration of Taxpayer Identification Number (TIN) to all taxable entities. The TIN is aimed to have reliable and centralized data of information of all taxpayers in the country, which would allow the sharing of information among all tax authorities. It equally creates a national platform for the registration and allocation of an identification number to all taxpayers to aid effective tax administration process. And also to automate tax registration activities for all levels of government and therefore facilitate a sustainable platform for internally generated revenue in Kogi State.

It is expected that tax bases would be widen through the registration of all eligible taxpayers. This would enhance greater compliance and returns as the available information of each taxpayer would enable proper

1

tracking and more collection processes. This would lead to an increase in internally generated revenue. Internally generated revenue on the other hand connotes monies collected by the government through imposition of taxes and levies on facilities, incomes, and consumptions, transfer of properties and other domestic transactions as opposed to monies collected from duties imposed on import and other international transactions (JTB Bulletin, 2011).

It is crucial for effective tax administration that every individual and business taxpayer has a unique tax identification number. Measures and controls must be in place to ensure that only one tax number is assigned to each taxpayer (Agbonika 2012). To avoid or eliminate multiplicity of taxes across the country, the Taxes and Levies (approved list for collection) Decree no 21 of 1998 clearly defined which taxes are collectible by each tier of Government in Nigeria. The list has since been published and distributed by the exclusive list or concurrent list for collection. T However, it is a well known fact that tax administration in Nigeria has been faced with issues and challenges ranging from non-identification, registration and compliance of taxpayers. This inherent problem is also associated with the implementation of tax policies in our tax system.

Registering businesses in the informal economy could pose a challenge. This might be done by auditing registered taxpayers in order to detect their unregistered suppliers or customers or by actually sending tax Officials to conduct a tax survey in a particular geographical area to ensure that all persons and businesses are properly registered (Agbonika 2012)

2 b) Statement of the Problem

One of the problems of tax administration in the three tiers of government in Nigeria is the improper identification of tax bases by the three tiers of government.

The constitution of the Federal Republic of Nigeria 1999 as amended 2010, provides an approved list of taxes and levies accruable to the three ties of governments respectively, but there are several court cases in respect of some tax bases often between the Federal and some State governments for instance, the case between the Federal and Lagos State government on consumption tax. The problem of improper tax identification has caused some taxpayers to pay the same tax to two or more tax authorities, hence, leading to multiple taxations which have negative effects on the economy.

The challenge of improper tax education by the authorities has occasioned a low compliance from the taxpayers which have affected the internally generated revenue because few taxpayers are brought into the tax net.

3 c) Research Question

1. What is the contribution of internally generated revenue of Kogi State to the total tax revenue before the introduction of TIN programme?

4 d) Objectives of the Study

The broad objective of this study is to assess the contribution of internally generated revenue to the total tax revenue in Kogi State.

The specific objective of this study includes the following:-1. To determine how Internally Generated Revenue contributes to Kogi State total tax revenue before the introduction of TIN programme e) Statement of Hypotheses Ho 1 : Internally generated revenue does not contribute significantly to the total tax revenue before the introduction of TIN programme in Kogi State.

5 f) Scope of the Study

This research was concerned with the types of revenue accruable to the state, (Kogi State Board of Internal Revenue). The study covers the period 2003-2007 and considered the different sources of revenue to the state government, such as Personal Income Tax, Withholding Taxes of Individual, Pay As You Earn, Road Taxes, Business Registration etc. the ways and manner in which the revenues are collected and also the problem encountered and the possible solutions will be considered.

6 g) Significance of the Study

The findings will not only assist Revenue Boards but also Individual Taxpayers and Corporations who are stakeholders in the tax administration.

The significant of the study is not far fetch. Judging from the fact that internally generated revenue is a stable source of revenue to the government.

7 II.

8 Literature Review and Theoretical

Frame Work According to a Government notice dated 25 th May 2007, all existing current account holders to obtain a Taxpayer Identification Number (TIN) to be issued by FIRS in collaboration with States and Local Governments. The use of TIN became mandatory from 1 st February, 2008 for all taxpayers dealing with FIRS

and for all transactions with financial institutions in accordance with the order contained in the Government notice.

The State Internal Revenue Service was established by the Personal Income Tax Decree of 1993 as updated 2004 and now the principal Legislation is Personal Income Tax Amendment Act 2011 as the state tax authority. The operational arm of the board is the state internal revenue service Board. The Personal Income Tax Decree of 1993 section 85A (1) provided a uniform composition for the boards in all the states of the federation.

The composition of the board is as follows:

1. The executive head of internal revenue service who shall be designated as the Chairman of the board.

He shall be a person experience in tax matters and be appointed by the State governor from with in the service. 2. Three person nominated by the commissioner of finance of the state on their personal merits. 3. All the directors from head of the state internal revenue service 4. A director from the state ministry of finance. 5. A legal adviser to the board. 6. The secretary to the board who shall be an exofficial member appointed by the board from within SIRSB.

The Federal Inland Revenue Service (FIRS) and the Nigeria Customs Service (NCS) have introduced an inter-connectivity project, importers' Taxpayer's Identification Number (TIN) platform, to stakeholders at the nation's ports.

According to the FIRS Chairman the launch of the platform was done under the "project FACT" initiative of the FIRS which had been implemented successfully from inception till date.

According to FIRS boss TIN is a unique sequential number of predetermined digits electronically generated to all corporate and individual taxpayers. The inter-connectivity, which took immediate effect, was for the purpose of tax registration and would be used for the purpose of identifying a taxpayer.

The TIN must be quoted in all relevant transactions by the taxpayers, especially when paying taxes. The FIRS boss recalled that prior to the introduction of Inter-connectivity (TIN) the mechanism in place for the reconciliation of collections and other information was purely manual. The Custom Service will usually send paper copies of detail tax payments collected on imports and other relevant information.

The FIRS will thereafter be left to review, analyze and, if possible reconcile this information with it own records. She said the old record had its own inherent problems including difficulty in tracking or linking of importers' actual remittances.

The Taxpayer Identification Number program is to develop a national single window for harmonizing and standardizing the taxpayers' information and as well improve exchange of information among the stakeholders.

Accordingly, the FIRS and NCS integration project therefore, seeks to establish a data exchange interface between FIRS and NCS in real time. With this in place, details (name, taxpayer's identification number, and address) from the FIRS portal are transported through an electronic link to NCS. The launch would bring about increase revenue, greater efficiency, accountability, transparency and better management of records and information on the part of both FIRS and NCS However, there is a lot of confusion surrounding Individual Taxpayer Identification Numbers (ITIN) what they are, who has them, and the purposes for which they are used, immigration restrictionists take advantage of this confusion and often bring up Individual Taxpayer Identification Number (ITIN) in an effort to make it seem as if undocumented immigrants are receiving special benefits or quasi-legal immigration status. The fact is that ITIN is used to pay taxes.

The Individual Taxpayer Identification Number (ITIN) was created by the Internal Revenue Services (IRS) in July 1996 so that foreign nationals and other individuals who are eligible for social Security number can pay the taxes they are legally required to pay. The TIN program was introduced on the 12th December, 2012 and came into effect in May 2013. However the period we shall be considering will be from May, 2013 till date.

Therefore, in a bid to address the negative effects of multiple taxations, the Joint tax Board (JTB) introduced the Taxpayer Identification Number (TIN), an initiative that is expected to address the issues of multiplicity of taxes and also help to bring more taxpayers into the tax net.

According to some experts, multiplicity of taxes is having a negative effect on the competitiveness of the Nigerian economy, making the country's tax system highly inefficient.

9 c) Definition of Revenue

Abubakar (2007), defines revenue as a "general term for the monetary receipts accruing to the government from both tax and non-tax sources.

The Oxford Dictionary also defined the word "revenue" as the money that is earned by a company or money that the government receives from tax. Imam (2006) defines revenue as the total income that accrues to the government of a country from various sources.

The Federal Republic of Nigeria Guidelines for Local Government reform (2007) on it part described revenue as a general term used for all monetary receipts accruing to the government from both tax and non-tax sources.

Asuku (2006) also defined revenue as the income derived from any sources to ascertain a specific or general interest of the people either by individual or government agency.

Revenue is a term primary used in the United States to describe the amount of money a company ( ) D generates in a set period of time through the sale of products and/ or services.

10   d) Sources of Revenue to State Government

According to Decree No 21 of 1998 LFN, the revenue available to the state governments are:- i. Urban areas as defined by each State, maximum of #10,000 for registration and #5,000 per annum for renewal of registration ii. Rural areas: #2,000 for registration, and #1,000 per annum for renewal of registration. h) Withholding Tax of individuals chargeable at 10%.

11   e) Benefits of the Taxpayer Identification Number (TIN) Program

According to JTB Bulletin (2011), the Taxpayer Identification Number (TIN) aims at identifying and registering all taxable Nigerians, thereby providing a sustainable platform for revenue generation to enable the country have adequate funds for execution of laudable program for its citizenry.

It is a well known fact that tax administration in Nigeria has been faced with issues and challenges ranging from non identification, registration and compliance of taxpayers. The TIN was designed primarily to address these and many problems in the country's tax administration procedures in order to bring it in line with global best practices.

Therefore benefits derivable from TIN program include:

i. Filling of existing loopholes in the Country's tax system. ii. Enhancement of taxpayer identification and registration thereby bringing more taxpayers in to the tax net. iii. Minimization of errors and mistakes associated with manual registration. iv. Reduction in the issues of multiple taxations which have been major challenges for taxpayers and administrators. v. Enhancing of information sharing among relevant agencies in the country. vi. Minimizing or eliminating cost of tax compliance as a result of greater accuracy in capturing data of taxpayers; with the electronic system, tax authorities will be able to effectively access, collate, analyze and retrieve data with ease. vii. The TIN will facilitate a more efficient system of tax assessment and collection as well as tax audit and investigation. viii. Enhancement of voluntary compliance thereby allowing tax authorities to focus on review and verification of claims by taxpayers. ix. The system will block all leakages in tax collection, eliminate corruption in tax system and enable tax authorities ascertain the actual income and taxes of all registered taxpayers. x. Enhancement of ICT literacy and capacity building among the SBIR staff. xi. Provision of basis for planning and budgeting purposes. xii. Widening and deepening of taxpayer date base.

12   f) Theoretical Framework

Various tax policies have been put in place by the government to increase the internally generated revenue for the State. Given the chance, a lot of taxpayers may not pay taxes unless there is a motivation or coercion to do so. Tax policy theories can be broadly classified into two. These are: Economic based theory; and Psychological based theory. Therefore, both theories are examined below however; this study is guided by the "Economic Based Theory".

13   g) Economic Based Theory

This is also known as deterrent theory and they place emphasis on incentives. The theory suggests that taxpayers are amoral utility maximizers-they are influenced by economic motives such as profit maximization and probability of detection. As such they analyzed alternative compliance paths for instance, whether or not to evade tax. The likelihood of been detected and the resulting repercussions and then select the alternative that maximizes their expectations after tax returns after adjusting for risk **?**Smatrakalev, 2006). Therefore, according to this theory, in other to improve internally generated revenue, audit and penalties for noncompliance should be increased.

14   h) Psychological Theory

Psychological theory on the other hand postulates that taxpayers are influenced to comply with their tax obligations by psychological factors. The theory suggests that a taxpayer may comply even when the probability of detection is low. As opposed to the economic theory that emphasize increased audit and penalties as solutions to compliance issues, psychological theory placed emphasis on changing individual attitudes towards tax systems.

15   III.

16   Research Methodology a) Research Design

This study entails analytical research in which the historical study method was used in collecting the data. The method of data collection was determined by such factors such as the research topic and purpose.

17   b) The Population of the Study

The population of the study consists of the draft estimates of Kogi State government of Nigeria with particular reference to the State Internally Generated Revenue behavior in the context of total tax revenue accruable to the State. Parameters like internally generated revenue before TIN (IGRBT), total tax revenue before TIN

209 (TRBT) for various years ??2003) ??2004) ??2005) ??2006) ??2007) would be used to capture the contribution
210 of internally generated revenue of Kogi State to total tax revenue before the introduction of TIN.

18 c) Determination of Sample Size

212 Sampling is the act of selecting and observing only a specified subset of the population (Ugwu, 2003). The
213 sample size (n) comprises of internally generated revenue before TIN (IGRBT) and total tax revenue before
214 TIN (TRBT) data covering a period of 5 years, i.e. ??2003) ??2004) ??2005) ??2006) ??2007). The study
215 used historical data in respect of IGRBT and TRBT. Data were obtained from Annexture of Kogi state budget
216 estimates from ??2004) ??2005) ??2006) ??2007) ??2008)

19 e) Method of Data Analysis

218 Specific packages for social scientists (SPSS) version 15.0 will be employed to analyze the data while F-test shall
219 be used to test the hypotheses. Correlation test was also conducted to examine the extent to which Internally
220 Generated revenue before the introduction of Tax payer Identification Number (TIN) programme in Kogi State
221 contribute to the total tax revenue.

20 f) Variable of the Study

223 For this study, internally generated revenue before TIN (IGRBT) is the independent variable while total tax
224 revenue (TRBT) is the dependent variable.
225   Independent variable: IGRBT is the parameter influencing the behavior of total tax revenue (TRBT) in the
226 model. IGRBT is internally generated revenue before Taxpayer Identification Number ??2003) ??2004) ??2005)
227 ??2006) ??2007). Dependent variable: this is the subjective variable of the study. In this study total tax revenue
228 (TRBT) is subject to the interplay between the independent variable IGRBT parameter at a given period of
229 time.
230   Total Tax Revenue before TIN (TRBT) is the sum of all tax revenue within ??2003) ??2004) ??2005) ??2006)
231 ??2007), this is meant to be as TRBT=IGRBT as given respectively. By assuming linear relationship on account
232 of the time series data involved in this research, effort shall be made to examine the independent variable i.e.
233 IGRBT as regards the contribution on the dependent variable i.e. TRBT.

21 c) Interpretation of Result

235 The R value is a correlation co-efficient that helps to detect the strength of the relationship between the TRBT
236 i.e. the dependent variable and IGRBT i.e. the independent variable.
237   Model 2 [IGRBT Model] presents how internally generated revenue before TIN contributes to total tax revenue
238 before TIN for the period covered ??2003) ??2004) ??2005) ??2006) ??2007). Thus; R =.372 translates to 37.2%.
239 This affirms that the dependent variable TRBT have a positive linear correlation though very weak with the
240 independent variable (IGRBT). The co-efficient of determination being R^2 =.138. That is, 13.8% of the change
241 in the dependent variable is caused by the change in the independent variable.

22 d) Test of Hypotheses

243 To determine how Internally Generated Revenue contributes to Kogi State total tax revenue before the
244 introduction of TIN programme ??2003) ??2004) ??2005) ??2006) ??2007), the hypothesis was examined using
245 F-test. Model 2 is the model that captured the parameter from which our Ho1 will be decided.

23 e) F-test

247 At 5% level of significance F tab i.e. F (1) (3) =10.13, F computed = .481. From Model 2, when F computed <
248 F tabulated . Thus;.481< 10.13, we accept null hypothesis that Internally generated revenue does not contribute
249 significantly to the total tax revenue before the introduction of TIN programme in Kogi State.

24 f) Discussion of Findings

251 Based on the analysis, the following findings were arrived at:
252   As much as statutory allocation from federation account is the major source of revenue to Kogi State
253 Government, the internally generated revenue contributes to the total tax revenue of the State.
254   The internally generated revenue before TIN (IGRBT) does not contributes significantly to the total tax
255 revenue before TIN in Kogi State. As indicated by R of .372 i.e. 37.2%.
256   The result also shows that before total tax revenue before TIN in Kogi State can increase the internally
257 generated revenue must be increase by 398% as indicated by the co-efficient of internally generate revenue of
258 3.980 V.

25   Summary, Conclusion and Recommendations a) Summary

This study assesses the contribution of Internally Generated Revenue to total tax revenue before TIN in Kogi State. The findings are as summarized below: That;

The internally generated revenue before TIN (IGRBT) has a weak positive correlation with the total tax revenue before TIN (TRBT) as indicated by R value at .372.

26   b) Conclusion

The study revealed that the internally generated revenue (IGR) before the introduction of TIN within **??**2003) **??**2004) **??**2005) **??**2006) **??**2007) was not significant. Therefore, authorities and governments at all levels should collaborate to ensure proper tax education as this will boost the internally generated revenue of Kogi State. [1]

Figure 1:

Figure 2:

267

---

[1]Assessment of the Contribution of Internal Generated Revenue (IGR) to the Total Tax Revenue of Kogi State before the Introduction of Taxpayers Identification Number (TIN) (2003-2007)

State before the Introduction of Taxpayers Identification Number (TIN) (2003-2007)

Data Presentation, Analysis and Discussion of Findings

a) Presentation of Results

The data collected were regressed on SPSS 15.0; the following results were obtained to depict the behavior of IGR before the introduction of TIN programme in Kogi State.

Result of Internally Generated Revenue before TIN (IGRBT) on total tax revenue before TIN (TRBT).

Model	Co-efficient	Standard Error	t-Statistic	Sig
Constant	1121277.1 992171.76		1.131	0.34
IGRBT	3.98	5.736	0.694	0.538

R	R 2	R -2 Adjusted	
.372 a	0.138		-0.149

Df 1	Df 2	F computed	Durbin watson
1	3	0.481	1.1

b) Model Presentation

$$TRBT = 1121277.1 + 3.980 IGRBT + \mu_i$$

????????? 3 [IGRBT Model]

Where; TRBT = Total tax Revenue before TIN

and IGRBT = Internally Generated Revenue before TIN

Thus:

$$TRBT = f(IGRBT)$$

$$TRBT = B_o + B_1 IGRBT_i + \mu_i$$?????????[Internally Generated Revenue before TIN]

Where:

TRBT = an indicator representing Total Tax Revenue before TIN (Dependant Variable)

b_o = Constant;

$b_1 IGRBT_i$ = Co efficient of the Independent Variable

$IGRBT_i$ = a predicator representing Independent Variable (Internally Generated Revenue before TIN);

μ_i = Stochastic error term.

Figure 3:

7

.1 Global Journal of Management and Business Research

Volume XIV Issue III Version I Year ( )

.2 D

Consequence upon several evidences from the research conducted; there is the need to make the following recommendations:

1. A holistic tax education should be carried out in order to keep the teeming taxpayers abreast of the need to pay their tax due to the State Government. 2. There should be incentives for the Tax Officials that are involve in the collection of taxes to boost their productivity 3. The State Board of Internal Revenue should be properly equipped to be able to carry-out their statutory function in the State. 4. The enforcement unit of the State Revenue Board should be properly empowered to monitor, enforce and prosecute any errant tax defaulters who fail to comply with tax authority.

[Associates and Enugu] , Meridian Associates , Enugu .

[JTB Bulletin ()] , *JTB Bulletin* 2011.

[Adefila ()] J J Adefila . *Research Methodology in Behavioural Sciences*, (Kaduna) 2008. Aprni Publication.

[Aguolu ()] O Aguolu . *Tax and Tax Management*, 2001.

[Decree no 21 of (1998) LFN. Taxes and Levies (Approved List for Collection)] *Decree no 21 of (1998) LFN. Taxes and Levies (Approved List for Collection)*,

[Importance of Taxpayer Education and Customer Services in Expanding the Tax Base th Annual Technical Conference ()] 'Importance of Taxpayer Education and Customer Services in Expanding the Tax Base'. `http://w.w.w.wcatax.org/upiloads/Malaysia.date17/06/2014` *th Annual Technical Conference*, 2004.

[Osuala ()] *Introduction to Research Methodology, 2 nd ed. Nigeria African First Publshers Limited Statement*, E C Osuala . 2005.

[Kogi State Draft Budget Estimates within ()] *Kogi State Draft Budget Estimates within*, (Lokoja) 2003-2012. (Published by Ministry of Budget and Planning)

[LFN. Taxes and Levies (Approved list for Collection ()] `http://w.w.w.commonlii.org/ng/legis/num_act/tallfed49thApril` *LFN. Taxes and Levies (Approved list for Collection*, 1998. 2014. 21.

[Imam ()] *Local Government Finance and Administration Nigeria, 2 nd edition*, B Imam . 2006. Ibadan: Oxford press.

[Abdulrazaq ()] *principles and practice of Nigerian Tax planning and Management*, M T Abdulrazaq . 1993. Bata Law Publications ect Ilorin.

[Agbonika ()] *problems of personal Income Tax in Nigeria*, J A A Agbonika . 2012. Ibadan: Ababa press ltd.

[Published by Federal Ministry of Finance ()] *Published by Federal Ministry of Finance*, 2010. National Tax Policy

[Stephen ()] O Stephen . *Spectrum Books Ltd, 1*, (Nigeria, Ibadan) 2010. (st ed)

[Torgler ()] *Tax compliance and tax morale: a theoretical and empirical Analysis*, B Torgler . 2007. Cheltenham, Edward Elgar.

[Kay ()] 'Tax Reform in Context: a Strategy for'. J A Kay . *Fiscal Studies* 1986. 1990s. November.

[Dandago and Alabede ()] *Taxation and Tax Administration in Nigeria*, I K Dandago , O J Alabede . 2006. Kano: Triump Publishing Company Ltd.

[Simon and Christopher ()] *The Economics of Taxation*, J Simon , N Christopher . 1992. Britain: Prentice Hall International Ltd. (4th ed)

[Abdullahi ()] *Understanding Nigerian Taxation 2 nd ed Abuja*, D Z Abdullahi . 2012. Husaab Global press Concept Ltd.

[Slemrod ()] *Why people pay taxes? Tax compliance and enforcement*, J Slemrod . 1992. Ann Arbor: University of Michigan Press.