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Causal Relationship Between Taxation And Revenue Generation In Contemporary Nigeria: 1997-2018

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***Abstract:** The study examined the effect of taxation on revenue generation in Nigeria. The study was principally anchored on Social political theory. Ex-post facto research method was used to achieve the study objectives. The study covered all taxes collected by Federal Government of Nigeria which includes personal income tax, petroleum profit tax, value added tax and company income tax. The study made use of secondary sources of data collected mainly from the Federal Inland Revenue Services and National Bureau of Statistic. The Engel-Granger approach to cointegration was used in testing the relationship between revenue generation and taxation. The findings revealed that there is a positive and statistically significant relationship between petroleum profit tax, personal income tax, company income tax, value added tax on revenue generation in Nigeria. This implies that increases in the various sources of tax lead to increase in revenue generation in Nigeria. In conclusion, the study found that personal income tax, company income tax, petroleum profit tax and value added tax have positive and significant effect on revenue generation in Nigeria. The study therefore recommended amongst other things that, efforts should be made to widen the tax net in Nigeria via aggressive campaign and punitive laws for the punishment of perpetrators of tax evasion and tax avoidance.*

***Keywords:** Taxation, Revenue Generation, Petroleum profit tax, company income tax, personal income tax, value added tax.*

I. INTRODUCTION

One of the recurrent problems of the three tier structure of the government in Nigeria is dwindling revenue generation as characterized by yearly budget deficits and insufficient funds for economic growth and development. Myles (2000) also states that financial capacity of any government depends among other things, on its revenue base, the fiscal resources available to it and the way these resources are generated and utilized. It is therefore, apt for the government to adequately mobilize potential revenue across the country to prevent economic stagnation. This mobilization involves the adoption of economically and political acceptable taxes that would ensure easy administration, accounting, verification, auditing and investigation based on the equality, neutrality and other attributes of a good tax (Otu and Adejumo, 2013).

Taxation is not a new word in Nigeria or the world at large. In Nigeria, taxation has been in existence even before the coming of the colonial men or the British. According to Azubike (2009) 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 800 AD and 1400 AD. 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, Jangalia, Kharant etc. the Zakat was imposed on educational and charitable purposes (Wambai and Hanga, 2013).

According to Ihenyen and Mieseigha (2014). 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 company's 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 (Keightley, 2014).

In Nigeria, where the federal system of government is in operation, the task of generating revenue and providing infrastructural facilities for the general public is the responsibility of three tiers of government: federal, state and local governments (John, 2011). They raise revenue through agricultural grants, oil and gas, borrowing taxation and federal allocation over the years, all the three tiers of governments depend on their share of the federal allocation as the major source of income. But due to the short fall of the federal allocation, all tiers of government have imbibed the culture of improving internally generated revenue (IGR) as an alternative source of meeting and sustaining the various financial problems (Joseph, *et al.*, 2018).

According to Asaolu, *et al* (2014) in all, taxes constitute about seventy five percentage (75%) of regular government. Revenue and about o¾ of public expenditure is founded from tax revenue. It is the most important source of revenue for modern governments, typically accounting for ninety percent or more of their income (Adams, 2011). Aguolu (2014), 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 important source of revenue to the government, from the point of view of certainly and consistency of taxation. Aguolu (2014) further mentioned that taxation is the most important source of revenue to the government. Owning to the inherent power of the government to impose taxes, the government is assured at all time of its tax revenue no matter the conditions. In a country like Nigeria, where great reliance is placed on one source of revenue by the governments, the federal allocation, the understanding of the impact or significance of tax as a source of revenue is very important. This will boost or increase the revenue generated from government which should be invested in other sectors like education, health, electricity, water and other areas that are useful to the life of people (Ogbonna and Appiah, 2017).

To this end, government have always enacted various tax laws and reformed existing ones to stand the taste of time these laws include: Income Tax Management Act (ITMA), Companies Income Tax Decree (CITD) (Okwori and Ochinyabo, 2014) and Nigeria's finance bill 2019.

The organs and or agencies in charge of tax policy implementation in Nigeria are referred to as the administrative organ or agency. Tax administration in Nigeria is the responsibility of the various tax authorities as established by relevant tax laws (Obadan, 2015). Citing section 100 of the personal income tax decree, 1993 and amended by decree No.18 Finance (miscellaneous Taxation provision) Decree 1998, Ebinringa and Emeh (2012) noted "Tax authority" to mean federal board of inland Revenue, the state board of internal revenue and Local government revenue committee together with the joint tax board (JTB) and joint state revenue committee or local revenue committee. All these are aimed at ensuring adherence to tax payment and discouraging tax evasion and tax avoidance.

Nigeria's over dependence on oil revenue to the total neglect of other revenue sources which was encouraged by the oil boom of 1973/1974 has left much to be desired. The serious decline in price of oil in recent years has led to a decrease in the funds available for distribution to the Federal, State and Local Governments in Nigeria. The need for government 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 government to look for new sources of revenue or to become aggressive and innovative in the mode of collecting revenue from existing sources. Aguolu (2014) 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 it, it is however the most important source of revenue to the government, from the point of view of certainty, and consistency of taxation. Aguolu (2014) further mentioned that taxation is 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.

An effective tax system, aside maximizing revenue for development, ought to, if well-structured and managed elicit a feeling of common purpose, joint responsibility or obligation amongst the taxable persons in a country. To this end, 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 Nigeria and to identify the use of taxation to promote economic growth and development in the country and further assist to increase the revenue generation through taxation in Nigeria. There is no doubt that taxation must have affected the economic development of Nigeria. Effort in this research is therefore tailored towards evaluating the effect of taxation on revenue generation in Nigeria from 1998 to 2019.

II. LITERATURE REVIEW

CONCEPTUAL REVIEW

Taxation is a study of how government imposes on and collects taxes from the income and wealth of individuals and corporations to finance its social and regulatory activities. The study of taxation usually covers the entire tax system which is made up of tax policy, law and administration.

The government therefore, derives its revenue from taxes. A tax is compulsory and mandatory contribution to the government from its subjects, it is mandatory in the sense that there is a legal document giving the government the mandate to collect such contribution: However, if carefully analyzed this definition may include such payments as fines and penalties paid to the government.

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 20013).

Okon (1997) states that income tax can be regarded as a tool of fiscal policy used by government all over the world to influence positively or negatively particular type of economic activities in order to achieve a desired objective. The primary economic goals of developing counties are to increase the rate of economic growth and hence per capital income, which leads to a higher standard of living.

PERSONAL INCOME TAX

It is a tax that is imposed on individuals who are either in employment or are running their own small business under a business name or partnership. (Adebisi and Gbegi, 2013). Though collection of personal income tax (PIT) is a federal responsibility, this tax is generally collected by state governments from those that are resident in their various states, regardless of whether they are federal, state, local government or private. The federal inland revenue services, however, also collects this tax but only from residents of the federal capital territory as well as what may be described as highly mobile federal workers-staff of ministry of foreign affairs and other Nigerians and foreigners outside the country but earning income in Nigeria (non-residents), expatriate workers resident in Nigeria, police officers, and military officers. Civilians working in police and military formations, however, pay to their respective states of residence. The current law guiding the taxation of personal incomes is the personal income tax act (Capp & LFN, 2004) two forms of taxes are administered under Act, namely**:** Pay-As-you-Earn (PAYE) i.e. taxes from employment and Taxes from self-employed persons.

PETROLEUM-PROFIT TAX

All companies engage in petroleum operation are subject to tax under the petroleum profits tax Act (PPTA) of 1959 as amended. This exempts such companies from being taxed under companies income tax Act (CITA), 1979 as provided in section 19 (11). Petroleum companies are those engaged in extraction of hydrocarbons which consist of crude oil and natural gas (Ogbonna, 2017).The federal board of Inland Revenue is the authority entrust with the power to assess and collect petroleum profit tax in Nigeria. Assessment in respect of the petroleum profit tax is made in any company engage in petroleum operations. Partnerships and individuals are forbidden by law from engaging in such operations (Saheed *et al.*, 2014).

COMPANY'S INCOME TAX

A company is defined as "Any company or corporation other than a corporation sole established by or under any law in force in Nigeria or elsewhere (Naomi and Sule, 2015). Company's income tax in Nigeria is administered by the Federal Inland revenue service (FIRS). The current enabling law is the company's income tax, cap 60 laws of the federation of Nigeria (LFN) 1990 as amended by decree 3 of 1993, and decree 30, 31 and 32 of 1996.

Responsibility for rendering of returns for tax purpose starts with incorporation of companies. When a company is incorporated, the registrar of companies is supposed to notify the FIRS, furnishing the details to include the name, location and address of the new company. This is not a legal requirement but rather an administrative arrangement that brings all potential corporate taxpayers into the tax net immediately they become legal persons. A file is then opened for the new company. For this purpose, there is a standard questionnaire which is sent to any of the directors to respond to.

CHARGEABLE PERSONS

A company is chargeable to tax in its own name; or in the name of any principal officer, attorney, factor, agent or representative of the company in Nigeria; or in the name of a receiver or liquidator.

CHARGEABLE PROFIT

Section 8 of the companies income tax Act provides that tax shall, for each year of assessment, be payable at the rate specified in section 29 (1) of the Act upon the profits of any company.

VALUE ADDED TAX

Okoye and Gbegi (2013) define value added tax as a multi stage tax imposed on the value added to goods and services as they proceed through various stages of production and distribution and services as they are rendered" which is eventually borne by the final consumer but collected at each stage of production and contribution chain. This definition brings out the three characteristics of value added tax which are: VAT is consumer tax, VAT incidence is on the final consumer. VAT is a multi-stage tax.

TAX ADMINISTRATION

According to Appiah (2010), a tax administration is the whole organizational set-up for the management of the tax system. Tax administration is the process of assessing and collecting taxes from tax individuals and companies by authorities in such a way that correct amount is collected efficiently and effectively with minimum tax avoidance or tax evasion (Gwandi and Abubakar, 2015).

The broad objectives of a tax system is to guarantee the long-run fiscal soundness of the policies and programs of government while the purpose of tax administration is to fully implement the tax system. Certain aspects of the tax system are pre-conditions for a successful tax administration. First the tax laws should be simple, clear and understandable both to those who must apply them and those who are subject to them. To quote Adam (1910), the tax which each individual is bound to pay ought to be certain and not arbitrary.

THE PRINCIPLES OF TAXATION

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

Equity /equality of sacrifices: Adams 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) conserved 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. In the same view, Prest and Barr (1985) said, equal amount per head should be levied.

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 regulation.

The Principle of Convenience: tax should be collected at a time convenient for the tax payers. For instance, the pay as you earn income tax on salaries and wages deducted weekly or monthly as the case may be as income is received.

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 be excessive.

FEATURES OF THE NIGERIAN TAX SYSTEM

Somonin (2011) stated that features of Nigerian tax system are as follows:

Simplicity, Certainty and Clarity: Tax payers should understand and trust the tax system and this can only be achieved if Nigerian tax policy keeps all taxes simple, creates certainty or consistent and produces clarity by educating the public on the application of relevant tax laws.

Low Cost of Administration: A key feature of a good tax system is that the cost of administration must be relatively low when compared to the benefits from its imposition of any taxes and the entire machinery of tax administration in Nigeria should be efficient and cost effective.

Fairness: Nigeria’s tax system should be fair and observe the objectives of horizontal and vertical equity. Horizontal equity ensures equal treatment of equal individuals. The Nigerian tax system should therefore seek to avoid discrimination against economically similar entities. Vertical equity on the other hand addresses the issue of fairness among different income in this regard, Nigerian tax system should recognize the ability to pay principle, and individual should be taxed according to their ability to bear the tax burden.

Flexibility: Taxes in Nigeria should be flexible to respond to changing circumstances. Pervading circumstances should also be considered before the introduction of new taxes or the review of existing ones.

Economics Efficiency: The Nigerian tax system shall at all times strive to minimize the Negative impact of taxes on economic efficiency by ensuring that the marginal tax rates do not distort marginal propensity to save invest.

THE ROLE OF TAXATION ON ECONOMIC AND SOCIAL DEVELOPMENT SUSTAINABILITY

Adeyemi (2012) state in achieving sustainable development in the social and economic sectors of a country, The government must consider the trade-off involved in attracting foreign direct investment (FDI) in terms of giving incentives and the impact of these on the country’s sustainable development.

Tax is a fiscal instrument used to encourage or discourage specific production or consumption behaviors that affect the economic, environmental or social sustainability. Taxation has the following impacts on the sustainability of economic development (Appiah and Oyandonghan, 2011).

Tax system provides a fiscal platform that encourages foreign direct investment (FDI) and also fosters bilateral, regional, and international trade relations among counties.

Taxation fortes a fair relationship between development and developing counties so as to ensure that developing counties get a fair allocation of tax base and tax room in emerging trade relations.

Taxation help developing counties in formulating effective policies and collection system that foster the funding of sustainability.

NIGERIA’S MAJOR TAXES

In order to allow 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:

Federal Taxes: federal tax includes; Companies income tax, custom and excise duties, value added tax, education tax, withholding tax on companies, petroleum profit tax, capital gain tax-abuja resident and corporate, stamp duties involving a corporate bodies entity, personal income tax in respect of Armed Forces, police, etc. nonresident individuals and companies, staff of Nigeria foreign services and individuals resident in the federal capital territory.

State Taxes: personal income tax, road taxes, pool 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.

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 area) market taxes and levies, motor park levies, domestic annual license fees, bicycle, truck, canoe, wheel barrow, 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, signboard and advertisement permit fees Abdullahi (2007).

PROBLEM OF TAX ADMINISTRATION IN NIGERIA

Tax administration is confronted with complex and thoughtful multidimensional problems. According to Maryam and Abubakar (2015) revenue collected from income tax of individual and corporate bodies is tend to be too low because of inadequate level of knowledge (tax literacy), poor association between tax authorities and tax payers, insufficient number of qualified and competent accountant among the staff of tax authorities, untrained and unqualified tax personnel's, lack of skills on how to reach information or other technical procedures on how to utilize information available for the assessment and calculating tax in a best suitable manner (Ayodiji, *et al.*, 2014). Abdullahi (2007) also identified the following problems that cause the low revenue generation to state, poor staffing system, Dysfunctional legal framework (Obsolete laws), absence of the necessary infrastructure to enhance revenue generation by tax collectors as well as administrators, often fraught with leakages, manual nature of tax collection processes. Chinyere (2000) cited in Abdullahi (2007) suggest that the problems related to tax administration and collection include the following: Insufficient tax personnel or manpower that are capable and competent to fit the collection exercise, Negligence and misconduct of the collected tax, Bribery, corruption and fraudulent among tax collectors, Absence of voluntary compliance behavior from the tax payers, Poor record keeping (Book Account) insufficient training and operational facilities

Frequently, the problem of tax administration and collection as identified by different findings are similar and tend to be unique.

Soyode and Kajola (2006).The problem cause low revenue realization which negatively impact on government expenditure. Furthermore, misused of tax collected, bribery and corruption, in competent tax personnel and poor proper accounting record all these increase noncompliance attitude and facilitate low tax return to the government. The situation led to an act of tax evasion as well as tax avoidance.

Tax Evasion: Tax evasion is a deliberate and willful practice of not disclosing full taxable income so as to pay less tax. In other worlds, it is a contravention of tax due or reduces tax liability by making fraudulent or untrue claims on the income tax form.

Tax Avoidance: Tax avoidance has been define as the arrangement of tax payers affairs using the tax shelters 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.

PROSPECTS OF TAX COLLECTION

Effective and efficient utilization of the collected revenue from the taxes will allowed the government to provide adequate infrastructure that may boost and improved the life quality of its citizen. Therefore, beyond any reasonable doubt with proceed from taxes, a nation or society will gain prosperity and their standard of living would be upgraded. A prominent economist of 17^{th} century Adams Smith (1776) posits the following as a prospect of good tax collection.

Tax administration and collection should be efficient and supported to safeguard required tax collection via creating awareness and enlightenment campaign on the important of paying tax, training and retraining of tax personnel and computerization of tax process.

Forceful action particularly should be deployed to table the leak of revenue especially on minor goods or services and as well as unpacked items.

Government on various level should ensure sufficient and effective policies regarding tariff was put in place to enable the domestic firms have ability to compete with their counter counterpart accordingly.

Fair tax administration must be ensured and maintained in accordance to the principles of taxation and sources of income through enacting new and amending existing tax laws.

General service tax (GST or VAT value added tax) is one of the indirect types of tax that yield government with revenue., with that, there is need for government to put more effort in strengthening and widening the scope of the tax base by bringing closer the administration of GST or VAT to the taxpayers. This will be achieved through establishing new offices and relevant collection point that would facilitate the process.

THEORETICAL FRAMEWORK

Theoretically, the importance of taxation to economic growth and development of Nigeria cannot be overemphasized, especially now that COVID 19 has brought down oil prices in the international market to an abysmal level. Hence, the three tiers of governments (federal, states and local) has now taken very seriously the issue of taxation to bridge revenue shortfall gap. There are many theories that guide taxation and as such, many people see taxation as a product of theories. In this study we look at Social political theory of taxation and Ibn Khaldun Theory.

IBN KHALDUN THEORY

The theory that helps to shape taxation is Ibn Khaldun theory on taxation. This theory was explained in term of two different effects that is the arithmetic effect and the economic effect which the tax rates have on revenues. The two effects have opposite results on revenue in case the rates are increased or decreased. According to the arithmetic, if tax rates are lowered, tax revenues will be lowered by the amount of the decrease in the rate. The reverse is true for an increase in tax rates. The economic effect however recognized the positive impact that lower tax rate have on work, output and employment and thereby the tax rate base used in providing incentives to increase these activities whereas raising tax rates here the opposite economic effect is used by penalizing participation in the taxed activities. At a very high tax rate, negative economic effect, dominates positive arithmetic effect, thereby, the tax revenue declines (Islahi; 2006).

SOCIAL POLITICAL THEORY OF TAXATION

The theory states clearly the responsibility of the government to tax payers. Adolph Wegner advocated that social and political objective should be the major factors in selecting taxes. The theory advocates that a tax system should not be designed to serve individuals but to cure the ills of the society as a whole. Taxation cures the ills of the society which has to do with the distribution or redistribution of wealth creation capacities between geographical components of a country need urgent attention. This is where tax package is granted to firms, who are located in rural areas; such taxes are granted to rural investment allowances, relief or tax credit and also tax holidays. These are the measures that are capable of subsidizing firms located in ruler areas for lack of amenities such as roads, water, electricity telephone etc. the social need is to stem rural-urban population drift while the political need is to avoid lop sided economic growth. Furthermore manufacturing and importation of harmful goods such as cigarettes, beer, jewelries etc. can be curtailed the application of discriminator rates of taxation. This is one of the important of social need in economic growth.

The study is guided by social political theory. Social political theory advocate that revenue generated is adequately spent for the wellbeing of society as a whole and thereby encouraging payment of taxes. The theory is relevant to this study since the researchers work is focused on taxation and revenue generation

EMPIRICAL LITERATURE

Empirically, there are several postulations on the topic under study as several studies have investigated effect of taxation on revenue generation in Nigeria, some of which are discussed below thus Samuel and Tyokoso (2016) Undertake a study on taxation and revenue generation; an Empirical investigation of selected states in Nigeria. The research used survey research design and regression analysis via spss version 17.0, the study considered the two major categories of the tax which are direct and indirect taxes collected by government. The research has a significant contribution on revenue generation and tax evasion and tax avoidance has negatively impact on revenue generation in Nigeria.

Okoye and Ezejiofor (2017) undertake a study on the impact of E-taxation on Revenue generation in Enugu State. The researcher adopted survey research and come with the findings that E-taxation can enhance internally generated revenue in Enugu State and E-taxation can resolve the issue of tax evasion and enhance compliance of tax payers in Enugu State. However, in developing country like ours, tax revenue collection depends on efficiency of government to prevent tax evasion hence accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption are important factors in determine the extend of tax revenue to be generated in a State.

Taiwo, Samson and James (2015) undertake a study on the impact of tax reforms on revenue generation in Lagos State. A time series approach. Time series data was used, Data collected were analyzed using ordinary least square regression techniques (OLS) The study showed that Lagos state capture more people into the tax net as there was a continuous in taxpayers cumulative growth more than 20 percent each year) and found that the primary source of revenue generation in Lagos state was the internally generated revenue constituted about 80 percent. The study concluded that tax reform had significantly contributed to revenue generation in Lagos state which had enable the state to carry her responsibilities to the citizenry with less reliance on the federal government.

Olajide (2015) undertake a study on revenue generation as a major source of income for the state government an empirical analysis of two parastatals. The research used descriptive research design to investigate the effect of revenue generation as a source of income for the state government and saw the problem of corruption, mismanagement, misappropriation, and manipulation as it affected the efficient utilization of revenue generated. The finding revealed that revenue allocation in local government is hindered by corrupt practices and efficient revenue generation enhances the performance of public sectors.

Oriakli and Ahuru (2015) conducted a study on the impact of tax reform on federal revenue generation in Nigeria. The researchers adopted time series design and come out with their findings that tax reforms will improve the ability of government to generate more revenue through taxation. This has the potential to improve both quantity and quality of public expenditure.

Afuberoh and Okoye (2014) conducted a study on the impact of taxation on revenue generation in Nigeria; A study of federal capital territory and selected states using survey research design and regression analysis computed with the aid of SPSS version 17.0. The study reveals the findings that taxation has a significant contribution on revenue generation and Gross Domestic product in Nigeria.

Okafor, (2014) conducted an empirically investigate on the impact of tax reform on Nigeria's economic growth. The study employed the use of ordinary least square. Where economic growth was peroxide by the gross demotes product (GDP) and tax reform peroxide by various income tax-petroleum profit tax (PPI), value added tax (VAT), custom and excise duties (CED) and company income tax (CIT). The regression result showed goodness of fit and all the income taxes have positive coefficients showing tax reform can stimulate economic growth.

Onaolapo, Aworemi and Ajala (2013) conducted a study on the assessment of value added tax and its effects on revenue generation in Nigeria. The study embraced the use of secondary data as its main sources of information. For the analysis of data that is useful for hypothesis testing, the tool used was inferential statistical analysis which was stepwise regression analysis. The result of the study revealed that value added tax is beneficial to the Nigeria economy. This can be understood from the behavior of the variables in the research which shows that value added tax is statistically significant to revenue generation in Nigeria. From the findings, for Nigeria to attain its economic growth and development, she must be able to generate enough revenue in order to meet up with the challenges of her expenditures in term of provision of social amenities and the running cost of government. The result of this study indicates that if more goods and services are taxed, the revenue base of the country will increase.

Edogbanya and Ja'afaru (2013) undertake a study on revenue Generation: its impact on Government developmental effort (A study of selected local council in Kogi East senatorial district). Simple least square regression method (SPSS version 17) was employed to analyze data that collected from both primary and secondary source. The objective of the research was to analyze the extent to which revenue generation had affected the development of the selected local government. The study finds out that, there is a significant relationship between revenue generated and developmental effort of government.

Adedeji and Obo, (2012) also under take a study on an empirical analysis of Tax leakages and economic growth in Nigeria economy. A survey research design was adopted and responses were obtained through the use of a well-structured questionnaire administered to 185 respondents. Findings from the empirical analysis using Kendall's W test and Chi Square test statistics reveal that tax evasion and avoidance have adversely affected economic growth and development in Nigeria and also lack of governance is the basis for which tax leakages activities is perpetrated. The study therefore recommends that the government should embrace and promote good governance so as to encourage voluntary compliance of tax liability by the citizen.

Asian (2012) conducted a study on tax system in Nigeria-challenges and the way forward. The paper discusses the challenging issues affecting the tax system in Nigeria it is characterized by lack of statistical data. Poor tax administration, and inability to prioritize tax effort, motility of taxes and increase in underground economy. It also proffer challenges so as to engender an efficient and effective tax regime in Nigeria. The study concludes that the foregoing offers a theoretical framework for improving some issue in Nigeria's tax system, suggesting challenges and possible remedies. As must be clear by now. Tax is a complex phenomenon that affect both the government and the citizen and they consider autonomy. Efficient and effective tax administration, use of computer technology, strengthening auditing, Tax Rates and use of tax money and public enlightenment as the remedies rose as crucial to overcoming the challenges inherent in the entire tax system with a view to enabling Nigeria desire the potential benefits of fiscal policy re-engineering.

Adeogun (2012) evaluates the effect of tax administration on revenue generation to the Enugu state government: a case study of the state board of internal revenue service Enugu state. The study employed the used of survey research design simple percentages and chi-square statistical method at 0.05 level of significant. The findings revealed that there was rampant incidence of tax evasion and avoidance in the state and the tax administration in Enugu state is ineffective and in efficiently managed as a result of inadequate staffs and facilities.

Angahar and Alfred (2012) conducted a research on personal income tax administration in Nigeria: challenges and prospects for increased revenue generation from self-employed persons in the society. The survey research design was used, the researches revealed that; personal income tax that is supposed to be paid by self-employed individuals in Nigeria constitutes a major source of revenue accruable to various state government of the nation. Unfortunately, the correct assessment and collection of taxes from these groups of tax payers remains a mirage due to myriad of factors. One among these factors is the failure of majority to register with revenue authority.

John and Olabisi (2012) conducted a study on tax administration and revenue generation of Lagos state government, Nigeria. A survey research design was used, the study reveals the finding that tax administration in Lagos state is not totally efficient. Hence tax administration affect the revenue generation by the government, also, there is a significant relationship between tax administration, tax policies and tax laws.

III. RESEARCH METHODOLOGY

The conceptual model in this study consists of the dependent variable, revenue and the independent variables of taxation and hence we are looking for a relationship between the variables, the regression model is used. The general form of the statistical relationship between all variables under the variable of taxation and revenue generation can be expressed below using the multiple regression model as;

$$RG = f(PIT, CIT, PPT, VAT) \ldots\ldots\ldots\ldots\ldots\ldots\ldots(1)$$

Where:

RG = Revenue Generation

PIT = Personal income tax

CIT = Company income tax

PPT= Petroleum profit tax

VAT = value added tax

The stochastic or explicit form of the model is expressed as;

$$RG = \alpha_0 + \alpha_1 PIT + \alpha_2 CIT + \alpha_3 PPT + \alpha_4 VAT + \mu \ldots\ldots(2)$$

Where:

α_0 = intercept term,

$\alpha_1 - \alpha_4$ = parameter estimates

μ = Error (Stochastic) term that covers other sources of tax revenue not covered in the model.

IV. RESULTS AND DISCUSSION

The variables of the study were subjected to unit root tests to determine the stationary levels of the series. The results of the tests are presented in Table 1.

Variables	ADF T-Statistic	Critical Value @ 5% level of sig.	Order of Integration
RG	-6.075570	-3.029970	I(1)
PIT	-3.496710	-3.040391	I(1)
CIT	-8.919535	-3.029970	I(1)
PPT	-4.209199	-3.040391	I(1)
VAT	-3.322343	-3.020686	I(0)

Source: Eviews version 9.0

Table 1: Augmented Dickey Fuller Statistics of the Variables

From the table above, it can be inferred that, only one of the variables (VAT) achieved stationarity at levels [I(0)] while the others (RG, PIT, CIT PPT) only became stationary after first differencing. This implies lost of long run relationship and therefore makes long run modeling difficult if not impossible. To overcome this, the test of cointegration is carried out to see if the relationship could be re-established with passage of time.

ENGLE-GRANGER TEST FOR COINTEGRATION

The time series are said to be cointegrated if the residual is itself stationary. In effect the non-stationary I(1) series have cancelled each other out to produce a stationary I(0) residual as shown in the residual ADF table below;

Variable	ADF t-statistics @ Level	Critical value 1%	5%	10%	Order of Integration	Prob.
Residual	-3.965910	-3.80854	-3.02068	-2.650413	I(0)	0.0072

Source: Eviews 9.0 output

Table 2: Co-integration Test for Long-Run Relationship (Engel-Granger Approach)

The process above produced a t-statistic of -3.965910. The critical value at 5% level of significance is -3.02068 and a probability of 0.0072 which is less than the 0.05 level of significance. Therefore, the null hypothesis of non-stationary time series is rejected and concluded that, the error term is stationary and the variables under study are cointegrated. This further implies that the variables are cointegrated in the long-run indicating that, there is a long run-relationship among the series.

ENGEL-GRANGER ERROR CORRECTION MODEL

According to this theorem, if two or more variables *y* and *x's* are cointegrated, then the relationship between them can be expressed as an error correction model (ECM), in which the error term from the OLS regression, lagged once, acts as the error correction term. In this case the cointegration provides evidence of a long-run relationship between the variables, while the *ECM* provides evidence of the short-run relationship. The basic error correction model for this study is presented in table 3 where *ECM* is the error correction term coefficient, which theory suggests should be negative and whose value measures the speed of adjustment back to equilibrium following an exogenous shock.

Dependent Variable: RGDP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CIT	0.021231	0.008273	2.566357	0.0495
PIT	0.147224	0.047039	3.129781	0.0428
PPT	0.128873	0.046307	2.783015	0.0423
VAT	0.658544	0.080323	8.198730	0.0000
RG	0.172301	0.056573	3.045614	0.0082
ECM	-0.279065	0.052668	-5.298612	0.0000
C	4.621975	0.531257	8.700066	0.0000
R-squared	0.869400	Mean dependent var	16.09854	
Adjusted R-squared	0.725867	S.D. dependent var	1.198537	
F-statistic	280.0233	Durbin-Watson stat	1.863946	
Prob(F-statistic)	0.000000			

Source: Eviews 9.0 output

Table 3: Engel-Granger Error Correction Model

The co-integrating relationship in table 3 above provides information for both the long-run and short run analysis. The long run model is expressed as;

$$RG = 4.621975 + 0.021CIT + 0.147PIT + 0.129PPT + 0.659VAT$$
$$(0.008273) \quad (0.047039) \quad (0.046307) \quad (0.080323)$$

From the model, the intercept is 4.621975 implying that, if all the variables are held constant, revenue generation will grow by 4.62% irrespective of exogenous influence. Company income tax (CIT) is positively and statistically related to revenue generation. A one percent change in CIT will lead to a 0.02 percent change in RG. Also, personal income tax (PIT) has a positive and statistical significance relationship with revenue generation (RG). A one percent change in PIT leads to a 0.147 percent in RG. Similarly, petroleum profit tax (PIT) and value added tax (VAT) have positive and significant relationship with revenue generation in Nigeria. A one percent change in PPT and VAT will lead to a positive change in RG by 0.128 percent and 0.658 percent respectively.

However, the low percent contribution of each of the tax components to revenue generation is due largely to the poor tax system in Nigeria and over dependence on the oil revenue.

The ECM which indicates the speed of adjustment is correctly signed and statistically significant at 5% level of significance. The coefficient provides evidence of the speed at which the variables will realign to the long run equilibrium in the event of external shocks. Given the coefficient of -0.279065, it implies therefore that, the speed of adjustment to the long run equilibrium is 27.9 percent when any past deviation will be corrected in the present period.

The coefficient of multiple determinations (R^2) is 0.869400 and the adjusted value is 0.725867 which indicates that about 73% of total variation or a change in the depended variable RG is explained by changes of in the explanatory variables while the remaining 27% is explained by other variation outside the model i.e. the error term. The Durbin Watson statistic of 1.864 is indicative of the near absence of autocorrelation in the model. The robustness of the model is further buttressed by the high value of the F-Statistic (280.0233) which explained the overall significance of the model. On individual grounds, all the variables passed the t-test of significance at 5% level of significance evidenced by small standard errors, high t-statistics and minimal probability values.

V. CONCLUSION AND RECOMMENDATION

The study examined the effect of taxation on revenue generation in Nigeria using personal income tax, company income tax, petroleum profit tax and value added tax as the tax components. The study made use of the Ibn Theory and the Social Political Theory. The data for the study was sourced from secondary sources such as Central Bank of Nigeria statistical bulletin and Federal Inland Revenue Services. The study made use of descriptive statistics and unit root test as preliminary tests. The effect of taxation on revenue generation was examined using the Engel-Granger approach. The study found a positive and statistically significant relationship between all the tax components (personal income tax, company income tax, petroleum profit tax and value added tax) and revenue generation in Nigeria.

Based on the findings from personal income tax, company tax, petroleum profit tax and value added tax all have positive and significant effect on revenue generation in Nigeria. The study therefore concludes that, if government established an effective and efficient tax system, it will enhance or boost revenue generation in Nigeria.

Based on the findings of the study, the following recommendations were made; Given that tax revenue remains an important contributor to revenue generation in Nigeria, efforts must be made to widen the tax net and as much as possible to capture all the eligible tax payers both individuals and corporate organisations. The introduction of Tax Payer Identification Number (TIN) by the Joint Tax Board (JTB) is one right step towards achieving this aim. To consolidate on the gains of company income tax, personal income tax, petroleum profit tax and value added tax to revenue generation, government should ensure strict compliance by both individuals and oil companies in Nigeria and as well increase the rate of value added tax (VAT) from the present 7.5% level to 10% in order to shore up revenue.

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