

**PERSONAL INCOME TAX GENERATION AND UTILIZATION IN
TARABASTATE BOARD OF INTERNAL REVENUE, NIGERIA**

By

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**A RESEARCH THESIS SUBMITTED TO THE COLLEGE OF ECONOMICS AND
MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
THE AWARD OF A MASTER'S OF SCIENCE (MSc) IN ACCOUNTING
AND FINANCE OF KAMPALA INTERNATIONAL
UNIVERSITY**

MAY, 2018

DECLARATION

I *Jamilu Babayo*, hereby declare that this is my original work, and to the best of my knowledge, it has never been submitted by any other person for any academic award in and out of Kampala International University.

Sign:.....

Date:.....

APPROVAL

I hereby certify that this research thesis was compiled under my supervision, and is herein submitted for examination with my approval as the designated University supervisor.

Sign:.....

Date:.....

DEDICATION

This work is dedicated to my parents Alhaji Babayo Mohammad and my late beloved mother Hajiya Amina Babayo Mohammad for their prayers and encouragement, without which I would not be what I am today. May God bless you all.

ACKNOWLEDGEMENTS

I thank Almighty ALLAH for giving me life and the wisdom to pursue my master's degree and everything in life. I extend my gratitude to my supervisors Dr Emenike Kalu O. for his guidance, intellectual comment and wise advice to complete this thesis.

I also acknowledge the effort of my HOD Dr. Kirabo Joseph and his deputy Mr mugemo Tom for their excellent contributions towards my success. A special thanks also goes to the college Principal Dr John Motunnyo his deputy Dr Sekajugo Derick and all my lecturers in the department for their support.

I wish to extend my sincere and deepest appreciation to my beloved parents for their constant prayers and other forms of support towards my success here and hereafter, may Allah reward them with Jannatul Firdausi. Also To my beloved wife and daughter Rukayyat Muhammad Nuhu and Aminat BabayoJamilu, for prayers and encouraging during my study.

At the same time my best wishes goes to my family members: Alhaji Sabo Jimeta, uncle Bello Mohammad, uncle Isa Aliyu (Israj) uncle Bashir Aliyu, my antis Hajiya Aisha(Fendo Dada), Hajiya Yelwa Jimeta, Hajiya Ummah Katsina/Ala, my late sister malama Aishatu Diddi, and my younger sister and brother Yahanasu Babayo and Abdulsalam Babayo, my step moms Malam khadija and Hajiya Rukayyatu, my in-laws Alhaji Muhammadu Maiharka with his wife Hajiya Zainab Usman and her daughter Bilkisu Mohammad for their encouragement and prayers upon my success.

I specially thank Professor Mohammad Sani Yahaya for his contribution in my life toward actualizing my dream to reality. May almighty ALLAH continue to bless him and his family.

I appreciate the love and supports displayed to me by my Ugandan mom Mrs Jovia Karwana (Dean of student) and my brothers Hon. Abdunaseer Bobboji, Malam Aliyu Adamu Imam with his wife Sister Zainab Haruna Ardo and Dr. Tajuddeen Sanni.

I also extend my sincere gratitude to all my friends and colleagues for their prayers. Thank you all.

LIST OF ACRONYMS

FIRS	-	Federal Internal Revenue Service
GST	-	General Service Tax
IMF	-	International Monetary Fund
NTPN	-	National Tax Policy of Nigeria
PAYE	-	Pay As You Earn
PIT	-	Personal Income Tax
TIN	-	Tax Identification Number
TBIR	-	Taraba State Board of Internal Revenue
UK	-	United Kingdom
USA	-	United States of America
VAT	-	Value Added Tax

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ABSTRACT

The personal income tax is one of the major sources of income to the government. However, personal income tax has not yielded the much expected results in Taraba state. The study focused on how personal income tax generation affects tax utilization in Taraba state, Nigeria. The objectives of the study were; to assess the relationship between tax identification and tax utilization: to examine the relationship between tax assessment and tax utilization: to investigate the relationship between tax collection and tax utilization in Taraba state, Nigeria. The study employed a descriptive survey design using quantitative method of enquiries. The study population comprised of 600 people, from which a study sample of 234 respondents were selected using simple random and purposive sampling methods. To ensure reliability and validity of the instrument cronbach alpha and Content validity index calculation were used. The outputs of the cronbach alpha were above 0.70 for the instrument, which declare the instrument reliable. The content validity index is 83.3%, which declare the instruments used to be valid. Data was analyzed using SPSS, descriptive, bi-variate and multivariate analysis was done. The findings of the study showed a positive relationship between tax identification and tax utilization ($r = 0.616$). It also showed a positive relationship between tax assessment and tax utilization ($r = 0.673$), and a positive relationship between tax collection and tax utilization ($r = 0.650$). The study concluded that the various components of income tax generation, that is tax identification, tax assessment and tax utilization have positive and significant influence on tax utilization. The researcher recommended that the need for reductions in the direct tax rates and increases in the indirect tax rates, that government should pass new tax laws, that tax authorities should properly review and evaluate the assessment and collection procedures so as to encourage compliance by the tax payers, that qualified personnel with the right attitude should be recruited, trained and retrained to man the Internal revenue board, and that deliberate effort should be made to educate tax payers on the need to pay taxes while the government should embark on aggressive infrastructural development to justify taxes received. This study contributes to the existing knowledge/research on taxation in Nigeria and Taraba state, it as well provide befitting recommendations to improve the taxation system.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This study aimed to assess the personal income tax generation and utilization in Taraba state, Nigeria. This chapter is a presentation of the background of the study, the statement of the problem, purpose of the study, objectives, research question, scope and significance of the study.

1.1 Background to the Study

1.1.1 Historical perspective

Income tax was introduced by William Pitt nearly 200 years ago to finance the wars against France during the reign of Napoleon. The schedules of the new tax listed sources of income. The list began with property, moved on to woodlands, through trade, profession or vocation, crown appointments and ended with a final catch-all for income which did not come within any of the other categories (Patton, 2015). In the history of the tax system, the idea that employees were people of sufficient standing to be liable for income tax was not conceived of. However, in Victorian Britain, aside from the burden of running a blue-water navy, this was the era of the night watchman state (Adam, 2004). There was only one rate of income tax and the highest it reached was 62/3 per cent, during the Crimean War.

The first step to progressive rates of income tax came with Lloyd George in his “people’s budget” of 1909. His ‘super tax’ was only eight per cent - charged on incomes (the equivalent of £200,000 in 2015). But in the First World War top rates rose to over 50 per cent. On the eve of the Second World War, those paying income tax still amounted to less than one in five of the working population (Patton, 2015). By the end the number of taxpayers had tripled to 12 million and the pay-as-you-earn system was devised, though the Inland Revenue had insisted that deducting tax before income was paid could not be done. Today, over 25 million people in the UK pay income tax, which accounts for a quarter of government revenue. In the US, the government has been taxing its citizens for most of its history. However, during the early years, the tax was minimal and applied only to the affluent. Beginning with the Great Depression, the government has been growing larger and requiring more and more revenue. During the American Revolution (1775-1783), most states levied a faculty tax, which was a tax on a person’s property and ability to earn income from commerce or a trade. For several years after the Revolution, there was no national tax and the government provided very little for its citizens (Patton,

2015). The constitution of 1789 gave taxation powers to the federal government to “pay the debts and provide for the common welfare of the United States.”

Because of the Civil War (1861-1865), the U.S. government levied a temporary income tax on individuals (Adam, 2004). Decades later, in 1894, Congress enacted the Wilson-Gorman Tariff Act, which included a 2% flat tax on incomes over \$4,000 (the equivalent of \$111,111 in 2015). This tax affected fewer than 10% of households and was the first income tax levied during peacetime. One year later, in *Pollock v. Farmer’s Loan & Trust Co.*, the U.S. Supreme Court held in a 5-4 decision that portions of this tax law were unconstitutional (Patton, 2015). Fourteen years later, in 1909, President William Howard Taft proposed the 16th Amendment to the Constitution. The states ratified the Amendment four years later in 1913 and the modern income tax era was born (Patton, 2015).

The history of taxation in Nigeria dates back to the pre-colonial period. According to Lekan and Sunday (2006) before the colonization of the different entities which were later amalgamated under the name Nigeria, there were different systems of taxation existing in the form of compulsory services, contribution of goods, money, labour and so on amongst the various kingdoms, groups and tribes controlled by the Obas, Emirs, Ezes, Attah of Igala, Tor Tiv, Ohinoyi of Ebira and so on in order to sustain the monarchs. According to Yerokun (1997), during the colonial era the imposition of any type of tax on citizens (individuals and corporate) took the form of promulgation of laws by the colonial authority. Examples of such law include Native Law ordinance cap 74 of 1917 applicable to Western Nigeria.

The Taraba State Board of Internal Revenue came into being following the creation of Taraba State on 27th August, 1991. Like Many government departments, the board started operation in a temporary accommodation and moved to the present location at 56, Hammaruwa way, Jalingo in October, 2003. On creation in 1991, the board had area offices at Jalingo, Wukari, Takum, and Gembu. However, due to increased volume of work and in order to bring tax and administration closer to the people, additional offices were opened at Bali, Mutum Biyu and Karim Lamido. In addition to these area offices are collection centres located at Zing, Pantisawa, Lau, Sunkani, Donga, Ibi, Kurmi, Serti and Lissan. Similarly, driver’s license processing centers have been opened in Jalingo, Zing, Takum and Gembu.

1.1.2 Theoretical perspective

A fundamental characteristic of modern societies is the emergence of a political order that endows the state with legitimacy and regulate its interaction with the citizens. This political order is grounded on three basic institutions: the state itself, the rule of law, and accountability. Modern liberal democracies combine all these three institutions into a stable equilibrium (Abdullahi, 2012). The set of rules and institutions that provides the basis for the establishment of a voluntary agreement between the people and the state is usually denominated by the social contract. This agreement gives rise to the organized society, whose objective is the well-being and security of its members and the regulation of their relationships. To that extent, the social contract shapes the rights and duties that constrain the behavior of individuals, social groups and the state. This consensual agreement depends fundamentally on the existence of social rules that regulate the collective interactions among the members of the society and are recognized as just and trustworthy. They legitimize the social order and are able to engender a cooperative behavior, even if self-interested, among the citizenry. Otherwise, the social contract would only give rise to an evasive and distrustful behavior in relation to the collective agreement, with the collective action becoming predatory and inefficient.

Contract is a commitment or pledge agreed by both parties, although only a metaphor because there is no signature above paper between the taxpayer and government. In taxation context, taxpayer is party who offers while the government accepts the offer. Taxpayer offer is to provide economic resources to obtain welfare, whereas the government accepts the offer and use the economic resources to create wealth for society (James, 1999). The social contract theory of Rousseau and Hobbes provide three principles for government to fulfill taxpayer compliance: They are freedom, common interests, and reciprocity principle. The background of social contract theory is enshrined in man's freedom to control economic resources in order to survive. Government stakeholders must take into account the fact that the taxpayer has to sacrifice the economic resources to pay the taxes that will be enjoyed by all people; many of them do not pay the tax.

Social contract theory stresses an understanding between the ruled and their rules, characterizing the right and obligations of everyone accordingly (Abdullahi, 2012). Social contact theory helps the profit standards of taxation which expresses that each taxpayer ought to hold up under tax burden in connection to the benefit which he or she get from open administrations or public services. The social

contract perspective outlines means through which government controls the taxpayer's freedom to become rational and more selfish through ownership of their economic resources. With social contract, taxpayer's freedom is under government control as a selected or appointed institution to regulate people's welfare. Through tax payment; the taxpayer contributes economic resources owned in order to be distributed evenly by government to whole society.

According to Britannica, (1995) new reference book state that in primitive times as indicated by the theory, individuals were naturally introduced to an anarchic state of nature, which was content or troubled as per the specific version, they then by practicing common reason framed society (Government) by means a contract between themselves. Notwithstanding comparative thoughts can be traced back to the Greek critic social contract scholar had their most notable century in the seventeenth and eighteenth hundreds of years and are connected with so many names as Thomas Hobbes (1851), John Locke (1960), and Jean-Jacques Rousseau (1762).

The equity principle means an individual or tax payer should not pay more than a fair share of taxes. This principle is divided into two: benefit principle that is taxpayer or a person is asked to contribute to the general revenue according to the benefits received from the payment of taxes. The benefit principle can be applied to certain forms of taxation where the benefactions are easily identified. This form of taxation includes fuel levies, highway tolls and other user charges. The second principle is the ability to pay principle is the ability to pay principle. Under this criterion a tax is not linked directly to the benefit received. The government fixes a revenue target and the citizens are asked to contribute accordingly to their ability to pay. The ability to pay principle rests on the concept of equal sacrifice introduced by John Stuart Mill. The equal sacrifice has three concepts: the equal marginal sacrifice principles, the equal absolute sacrifice principle and the proportionate sacrifice principle. The ability pay criterion can be divided into two further principles: the horizontal and vertical equity. The horizontal equity principle means people in equal position or enjoying equal level of welfare should be treated equally and contribute equal amount. The vertical suggest that people in unequal positions should be treated unequally. This principle is sometimes interpreted to mean progressive tax.

1.1.3 Conceptual perspective

Revenue generation is ways through which government raise revenue for the purposes of meeting its capital and recurrent expenditure (Enahoro, 2012). Tax administration reform is a process by which government change the existing administration pattern, tax laws, and principles in order to enhance tax revenue collection (Owens, 2006). Several governments around the world embarked on tax administration reforms in order to increase government tax generated revenue (Taliercio, 2004).

According to Seera (2005) there are three main sources by which government raise revenue for the purposes of financing its expenditure these are tax sources, non-tax, and capital receipts. Tax sources comprises of revenue received by the government from all available components of tax in a given country (Okafor, 2012) while, non-tax revenue sources are aid from inter-governmental or another level of government (James, 1999). On the other hand, capital receipts include all revenue received by the government from investment made in other countries or investment within the country. Among these three sources, taxation is the most important because the level of government expenditure is to a great extend dependent on tax revenue which further relied on the ability and efficiency of tax administration to generate adequate revenue from taxation (Bird, 2005).

All over the world, tax is one major source of government revenue (Ariwodola, 2000; Okpe, 1998). For government to be able to undertake most of its activities, government raises funds through taxation. To this extent, tax is regarded as a compulsory payment from the private sector to the public sector. It is also a fractional part of income an individual or a body corporate pays to the government to carry out its expenditure. However, not every national government has been able to effectively exploit this great opportunity of revenue generation. This can be attributed to number of reasons including the system of taxation, tax legislation, tax administration and policy issues, over reliance on other sources of revenue such as foreign aid/ grants and so on.

Tax utilization, the process through which the revenues realized through taxation are put to use. This is through the government policy of delivering public goods and services are mutually beneficial to all citizens, mostly in form of the provision of economic, political and social infrastructure of any given country depends on the amount of revenue generated by the government. One way of generating adequate revenue is through well-structured tax system. A tax plays a vital role in every nation

economy and constitutes primary sources of revenue for developed countries (Abata, 2014). But in most developing economies, revenue from tax has been moderately low this is because the countries are characterized by in adequate personal and modern facilities (Ogbonna and Appah, 2012).

Furthermore, the study of Bird (2015) stated that weak tax revenue in most developing countries is as a result of so many reasons among which include: Inefficient tax administration; as well as corruption and distrust from tax administration; and inefficient outcome that change taxpayers' attitude toward compliance. Several studies among which include Ogbonna and Appah (2012); and Aminu and Eluwa (2014) suggested that lower tax revenue can be addressed through tax administration reform.

1.1.4 Contextual Perspective

Nigeria's tax system is tasked with the responsibility of providing the government with enough resources to finance the country's development. The Nigerian tax regulation defines a Nigerian resident as an individual who is living in Nigeria for more than 6 months a year. A foreigner holding a Nigerian residence permit is also deemed to be a tax resident. Individual residents in Nigeria are taxable on their worldwide income, whereas a non-resident is only taxable on the income earned from business activities performed in Nigeria. People simply pay their income tax through the Pay As You Earn (PAYE) system, whereby employers deduct the due tax at source from the salaries and transfer it directly to the Internal Revenue Service on a monthly basis, while independent workers and beneficiaries of additional income are required to file their own tax returns (Akintoye, 2013; Asabor, 2012). Income tax in Nigeria is levied at a progressive rate ranging between 7% and 24%.

Following the creation of the Taraba State Board of Internal Revenue 27th August, 1991, the principal tax laws administered by the board were the ITMA (1961) and PTL (1962). These laws were however repealed by the enactment of PITA in 1993 being a uniform tax law in the country. The Chief Executive of the Board is the Executive Chairman who is also a member of the Joint Tax Board. The functions of the Taraba state tax board consist of the following: Assessment, Collection and Accounting for all taxes in the State and may do all such things as may be deemed necessary or expedient for the assessment and collection of such taxes: Supervising the collection of all revenue due to the state which other Ministries or departments collect: Review of obsolete rates collectible by the Board: Liaise with the Federal and other State Governments through the Federal Joint Tax Board on tax and revenue matters. The taxes collected by the Taraba state board of tax are pay as you earn, direct

assessment, withholding tax, stamp duties, motor vehicle registration. Driver license (ENDL), motor vehicle license, motor vehicle registration booklets, proof of ownership, learner permit, and vehicle number plates and capital gains tax.

The enabling legislation, which is the Personal Income Tax (PIT) Act, provides the conditions for deeming income taxable in Nigeria. It provides, among others, that the gain or profit from an employment shall be deemed to be derived from Nigeria if the duties of the employment are wholly or partly performed in Nigeria or the employer is in Nigeria, unless the duties of the employment are wholly performed, and the remuneration paid, in a country other than Nigeria except during a temporary visit or leave in Nigeria.

The importance of taxation in the activities of any government cannot be overemphasized. Generally, in Nigeria the law of Personal Income Tax is of tremendous importance as a source of revenue for the government. This importance assumes an accelerated dimension, in the face of the present economic recession in Nigeria (Oduh, 2012; Angahar & Sani, 2012.). Personal Income Tax is also a weapon, which could be used to reduce inequality in society, encourage manufacturing industries, by the use of tax incentives, and discourage undesirable industries (Akintoye, 2013; Asabor, 2012; Oduh, 2012; Ariwodola, 2000; Angahar, &Sani, 2012; Okpe, 1998).

1.2 Problem Statement

The place of taxation need not be over emphasized. Expectedly, the Personal Income Taxes should be a major source of income to the government. However, PIT has not yielded the much expected results in Nigeria (Asabor, 2012). PIT generation remains far below target, while administration of the taxes for the benefit of all taxpayers also remains a challenge. A study by Agya et al., found out that the Taraba state taxation system is lagging behind the standard of taxation system and did not yield effective results, the factor which hinder the activities include revenue machinery are inadequate and out dated, inadequate staff and lack of professional personnel in revenue section, inadequate salaries and incentives for revenue collectors, inadequate provision of social services, Market and Motor Park and political interference in appointment into task force board (Agya et al., 2015).It is quite regrettable that despite all the series of amendments ensued by many governments on Personal Income Tax Act; it still faces a many limitations especially as is evident in the assessment and collection machinery. The institutional framework within which the revenue administration operates directly affects the

effectiveness and efficiency of the tax administration (Akintoye, 2013; Asabor, 2012). The institutional framework in operation in Nigeria varied. Despite the fact that Taraba system board of taxation have pledge to use technology to drive tax administration in order to promote accountability and transparency, the taxation system still lagging behind. The taxation system in Taraba is faced by various challenges, which include: lack of staff and adequate training of the available tax collectors, lack of sensitization on the part of tax payers as regards to the importance of taxation and administration as well as the corrupt alliance of tax collectors with tax payers to avoid tax for them (tax collectors) to make fast money.

Another feature and problematic aspect of Nigeria especially Taraba state tax system is the location of the assessment and collection functions within the tax administration. According to Oduh (2012), problems also emanate from the frequent changes in the tax laws; every year the annual budget estimate introduces new measures and procedures, amends or cancels existing ones. Another institutional arrangement that seems to impede the efficiency and effectiveness of tax administration in Nigeria which happens at Taraba state as well is the linkage of the revenue administration with the civil service. The revenue administration, therefore, reflects the weaknesses and structural defects existing within the civil service organization, especially executive bureaucracy, low morale and inadequate resources (Angahar, & Sani, 2012). It is true that problem of tax collection and administration is universal but developing countries such as Nigeria and a typical state of it such as Taraba state seem to be more plagued and inflicted both in weight and magnitude. On this note, given the importance of having an efficient taxation system for the development of the country, its necessary that a study is conducted to assess the framework for personal income tax generation and utilization in the country.

1.3 Purpose of the Study

The purpose of this study was to evaluate the effect of personal income tax generation on utilization in Taraba state, Nigeria.

1.4 Specific Objectives of the Study

- i. To assess the relationship between tax identification and tax utilization in Taraba state, Nigeria.
- ii. To examine the relationship between tax assessment and tax utilization in Taraba state, Nigeria.
- iii. To determine the relationship between tax collection and taxutilization in Taraba state, Nigeria.

1.5 Research Questions

- i. What are the relationship between tax identification and utilization in Taraba state, Nigeria?
- ii. What are the relationship between tax assessment and utilization in Taraba state, Nigeria?
- iii. Is there any relationship between tax collection and utilization in Taraba state, Nigeria?

1.6 Hypotheses

Hypothesis One

H_0 – There is no significant relationship between tax identification and utilization in Taraba state, Nigeria

H_1 ---- There is significant relationship between tax identification and utilization in Taraba state, Nigeria

Hypothesis Two

H_0 – There is no significant relationship between tax assessment and utilization in Taraba state, Nigeria

H_1 ---- There is significant relationship between tax assessment and utilization in Taraba state, Nigeria

Hypothesis Three

H_0 – There is no significant relationship between tax collection and utilization in Taraba state, Nigeria.

H_1 ---- There is significant relationship between tax collection and utilization in Taraba state, Nigeria.

1.7 Scope of the study

1.7.1 Geographical Scope

The study area for this research was Jalingo Local Government Area, the capital of Taraba state, Nigeria. Taraba state is bordered by Bauchi and Gombe states to the north, Adamawa state to the east, the Republic of Cameroun to the south, as well as Benue, Nasarawa and Plateau states to the west. It's found in the north east zone of the country, and is approximately 610 kilometers east of the Federal capital of Abuja.

1.7.2 Content scope

The study investigated the various mechanisms used in the identification of taxable individuals and entities examined the methods used in tax assessment among tax payers as well as investigated how the

challenges in personal income tax generation affect the utilization of taxation Nigeria, with specific reference to Taraba State Board of Internal Revenue in Taraba state.

1.7.3 Time Scope

The study was carried out between the months of January 2017 to May 2018.

1.8 Significance of the study

The study will be useful in understanding the current framework for personal income tax generation and utilization in Taraba state, and Nigeria as a whole, exploring its impact on the ability to provide social services at local, state and federal levels.

The study will also be instrumental in exposing and evaluating the role played by the government institutional frameworks in supporting effective taxation systems in the country, examining the strengths and weaknesses in the government institutional framework.

The study will also assess the linkages between the various government institutions involved in tax administration, as a way of establishing whether the many institutions, both federal, state and local, work in complementarily or not. It will also help in designing effective coordination mechanisms between these various institutions.

The study will also help to explore the challenges faced in trying to realize an effective personal income tax generation system as well as lay out measures of addressing these challenges.

The study will help the author to acquire practical research skills, as well as help him to partially fulfill the requirements for the award of a Master of Science Degree in Accounting and Finance of Kampala International University.

1.9 Operational Definition of Key Terms

Tax identification: Is the process of selecting the various individuals and business entities whose incomes fall within the scope of taxation. Here tax authorities are able to separate those individuals/entities that are eligible to pay tax.

Tax assessment: Is the process of calculating and determining the amount of tax that each individual or entity is supposed to pay. After assessment, the potential tax payer is informed of his/her tax burden.

Tax collection: is the process of soliciting and receiving the proceeds from taxation. It is done by the authorized tax collectors mandated by law.

Tax generation: is the process/methods or mechanisms through which tax deductibles are realized. It can either be through direct taxation where people are required to remit their tax, or through indirect methods where tax is levied on goods and services

Tax Utilization: Is the process through which the revenues realized through taxation are put to use. This is through the government policy of delivering public goods and services are mutually beneficial to all citizens.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This is a review of the theories which are relevant to this study, and the existing literature about the personal income tax generation and utilization. It explored the findings of the various previous researchers who have studied the same or related topics to analyze the applicability of their findings.

2.1 Theoretical Review

According to the social contract theory, taxpayers as rational human beings make the assumption that when they pay taxes, they should get the benefits from the tax payment. The rationalism of the taxpayer being motivated by the fact or perception that tax is a cost. Taxpayer compliance or resistance to pay taxes is also motivated by the principle that every economic sacrifice must give economic benefit in return (Benk et al., 2015). When paying the taxes, the taxpayer does not get a direct return for the tax payment but the benefits will be provided in form of public service, good facilities and infrastructure built by government as results of tax payments. The problems exist if return from tax payment cannot be felt by taxpayer.

Hobbes develops social contract arguments with assumption that humans are rational beings who have freedom to control their own lives without the need to be bound by law provisions. Humans, in Hobbes' view, are inherently selfish and will pursue their best interest. Hobbes sees humanity as an extensive freedom, including freedom to control economic assets to maximize wealth of each individual in any way as an effort to sustain life (Bodea and LeBas, 2016). Autonomy becomes a superior character in social contract theory of Hobbes. All resources and efforts are made by humans in order to sustain life, including deceit, fraud, theft and murder as the implementation of their freedom.

In social contract, Rousseau also emphasize on common will as a power and spirit to realize the goodness and common interests (Alm, 2016). The social compact sets up among citizen an equality of such a kind, that all bind themselves to observe the same conditions and should therefore all enjoy the same rights (Benk et al., 2015). In social contract theory, the system must provide reciprocal contracts

for two parties, namely the people and government. Contract stipulation is based on an agreement of two parties. People will surrender their resources to state with a condition that the state also returns with the same amount. Social contract theory raises three main principles, namely the liberty, common needs and reciprocity. Meaning of taxes payment in social contract theory is people surrender their economic independence through the taxes payment in order to realize common interests to state. In return, the state through elected governments uses the tax payments to create prosperity for all people.

Social contract theory stresses an understanding between the ruled and their rules, characterizing the right and obligations of everyone accordingly (Abdullahi, 2012). According to Britannica, (1995) new reference book state that in primitive times as indicated by the theory, individuals were naturally introduced to an anarchic state of nature, which was content or troubled as per the specific version, they then by practicing common reason framed society (Government) by means a contract between themselves. Notwithstanding comparative thoughts can be tracked back to the Greek critic social contract scholar had their most notable century in the seventeenth and eighteenth hundreds of years and are connected with so many names as Thomas Hobbes (1851), John Locke (1960), and Jean-Jacques Rousseau (1762).

What differentiates this theory from the others is its endeavor to support political power on grounds of individuals toward oneself interest and typical assent. The Britannica (1995:920) new reference book expressed that theory of the social varies as indicated by individual's motivation; some were intended to support the force of the saving. Then again some planned to safe monitor the individuals from persecuting by a very power full disjoining. Summarily, the social contract theory is stating that the citizens will be ready to surrender their entitlement to the government just when government Guarantees them of satisfactory protection and procurement of social amenities. This is relevant to taxation in which the citizens are eager to pay their taxes just when the government guarantees them of sufficient procurement of social amenities. For example, provision of power/electricity, good roads/streets networking, schools, job opportunities, hospitals/medical facilities, security and so forth. As a rule the taxpayers are frustrated when government neglects to give these civilities regardless of tremendous tax loads that they bear. Therefore, social contact theory help the profit standards of taxation which expresses that each taxpayer ought to hold up under tax burden in connection to the benefit which he or she get from open administrations or public services.

2.2 Conceptual Framework

The conceptual framework in this study examines the interconnection between the variables in the study. It explores how the independent variable interacts with the dependent variable.

The independent variable is the personal income tax generation which comprises of the following constructs tax identification, tax assessment and tax collection. Tax identification will explore the identification of the potential personal or company to pay tax, tax assessment will explore the assessment of the required tax to be paid by the person or company and tax collection will explore the process of collecting the tax. The dependent variable is personal income tax utilization, this consist of attributes such as disbursement of funds to various levels, value for money in public works and service delivery, transparency and accountability

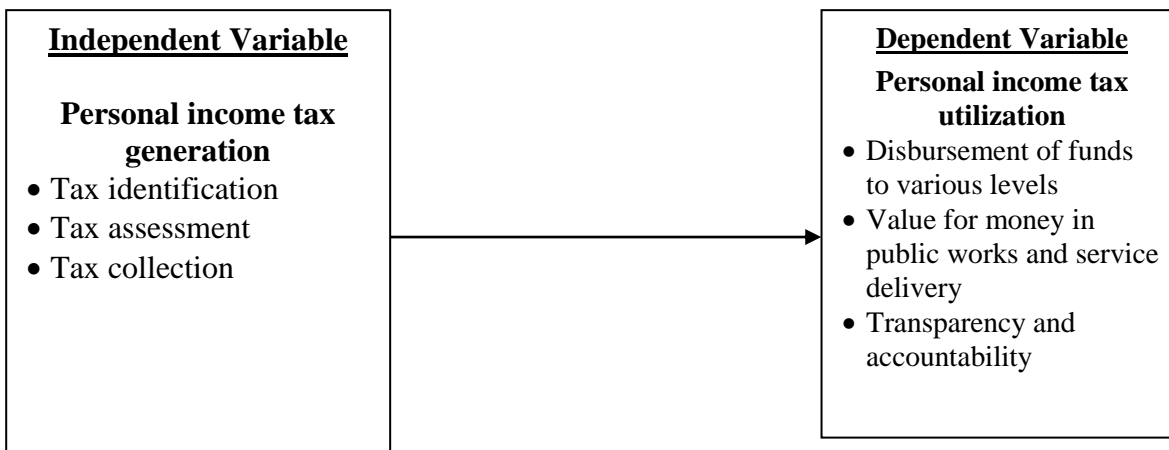


Fig 2.1: Conceptual Framework

Source:(Conceptual framework adopted From LutfiHassen Ali,2014, Al-Ttaffi&Hijattullah,2013, Abdul-Jabbar,2015. Conceptual Framework: A Conceptual Framework for Tax Non-Compliance Studies in a Muslim Country.)

2.3 Relationship between tax identification and tax utilization in Taraba state, Nigeria.

Income tax revenue is one of the major sources of revenue for Nigerian government (Angahar&Sani, 2012; Okpe, 1998). Its importance cannot be overstated. The Nigerian tax system even though has been employed to achieve various economic objectives at notable periods, has basically been structured as a tool for revenue generation which are used to finance the provision of social amenities to the citizenry by the government (Oduh, 2012). This importance assumes an accelerated dimension, in the face of the present economic recession in Nigeria. Taxation is an instrument of fiscal policy used by government

(Asabor, 2012; Oduh, 2012; Ariwodola, 2000). It can be used to stimulate growth in certain sectors of the economy as well as discourage investment in others.

Taxation affects the lives of nearly every member of the society. No major accountancy or financial problem can be satisfactorily solved without taking into consideration the tax effect. Taxation is used as an instrument of economic regulation and control for the purpose of discouraging certain forms of anti-social behavior in the society. Taxation according to Musgrave and Musgrave (1980) can be extensively used in regulating the consumption pattern resulting in economic stabilization. Anti-social behavior such as drinking of alcohol, smoking and pool betting can be controlled by imposition of higher taxes on production of such goods.

Taxation also serves the purpose of income and wealth distribution, where the use of transfer payments and benefits to those members of the society who are less well-off according to Musgrave and Musgrave (1980) is to promote social equality. Taxation as a mechanism for income and wealth distribution holds that the burden of taxation should be heavier for the rich in the society than for the poor so that that taxes collected are used to pay for social services for the less fortunate (Akintoye, 2013; Oduh, 2012; Angahar&Sani, 2012). The essence of taxation is to raise revenue for government expenditure or finance government projects, control consumer demand, encourage investment and savings, fight economic depression, inflation and deflation, guarantee equitable distribution of income and wealth, control the general trend of the national economy, and ensure a proper allocation of national resources (Akintoye, 2013; Oduh, 2012).

Taxation is perceived as a critical instrument for National Development and growth in most societies of the world. One of the significant records by which development and growth can be measured in any general public is the degree of wealth, which is made by economic activities in that society. Furthermore, one of the methods for formation of wealth for nationals is through significant employment, so that citizens have the capacity to earn income to cater for their needs and additionally support taxes to the Government as a portion of their commitment to National Development. According to National Tax Policy of Nigeria cited in Compendium of tax and related laws (FIRS, 2012) taxes don't just give economical revenue to Government to complete its expenditure and provide development to its populaces; it additionally places citizens in the part of stakeholders, who are

specifically facilitating national development. In response in this manner, the Nigerian Tax System ought to be used by Government as an economical stage for guaranteeing growth in the Nigerian economy. Thusly, wealth and employment opportunities can be made for the individuals who are presently outside the tax net, because of low or no income, so that they thus additionally earn income on which taxes are paid and the loops of growth and development in the economy is maintained in this way. The economic meaning of tax is obviously different, in which they view it often, not to consider many payments submitted to government as a taxes. Frequently, some allocations made to the public utilities are comparable to prices. For instant, student school fee (tuition) at tertiary public own (Universities and colleges) and other fees paid for the services provided by federal, state and local governments. Moreover, modern tax system is emphasizing levying taxes in money and monetary materials. As state government agency, board of internal revenue is empowered by the law (tax act, 1993) to collect taxes due for the state. Overall, the procedures of taxation and the public expenditure shouldered by government is been topic of discussion in a global contemporary economics and political environment.

Taxes the most useful ingredient source of income to the modern economies and different government across the countries. Effective and efficient utilization of the collected revenue from 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 17th century Adam Smith (1776) posits the followings as prospect of good tax collection:

- Tax 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 re-training 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 foreign trade accordingly
- 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.

Personal income tax generation in Nigeria is confronted with complex and multi-dimensional challenges. According to Ola (2001) 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 taxpayers, insufficient number of qualified and competent accountant among the staff of tax authorities. Untrained and unqualified tax personnel lack 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.

Another challenge is the shortage of staff for tax collection. For tax collection to be effective and efficient there must be adequate staff. However, there is an acute shortage of qualified and trained personnel in the tax offices. This leads to contraction in tax collection efforts and as a consequence, tax collections are in arrears. There are a lot of problems associated with the generation of personal Income tax. The senior tax analyst with the International Monetary Fund (IMF), Peter Griffith as cited in (Asada, 1997; Angahar&Sani, 2012) identified three principle factors that cause great fluctuation in tax revenue. These he described as exogenous; such as changes in the substance of the law, changes in the base to which the tax applies, and changes in the quality and efficient of the administration.

Changes in the base to which the tax applies is illustrated by the rise and fall of revenue from taxes from year to year on export commodities due to fluctuations in prices in the international market; changes in the substance of the law is amply illustrated by the erratic nature of our taxation laws whereby say revenue is increased through raising the rate of tax or is lost through increasing the exemptions from income tax; changes in the quality and efficiency of tax laws, lack of trained personnel, lack of a database of taxable persons, lack of adequate penalties for tax evaders, these are just a few constraints that hinder the quality and efficiency of tax generation (Sani, 2012; Okpe, 1998).

Experience has shown that the institutional capacity to administer taxes effectively is woefully lacking in this country. Procedures, reinforced by third party audits, appear to ensure that taxes are paid and

received albeit with potentially serious and costly internal lags. However, Nigeria lacks capacity to assess the reasonableness of the returns submitted by tax payers, including costs and staffing, skills, pay scale and other funding. A recurring problem with PIT is the non-compliance of employers to register their employees and to remit such taxes to relevant authorities. To address this, in 2011 the government amended the 2004 PIT Act to make non-compliant employers liable to penalties. Absence of Competent tax administrators due to incompetence and absence of honest administrators, the problem of tax avoidance and evasion has reached an alarming proportion. The problem with Income taxation in Nigeria is the administration of the tax system bordering on the tax collection, assessment and widespread corruption.

Ambiguity of tax laws is a major problem of personal Income tax Act in Nigeria. The state tax laws and the federal Income management Act have been so subjected to series of piecemeal amendments that it is difficult even for the personal Income tax officials to determine the structure of personal Income tax and its assessment and there is no literature in the tax laws which will help for easy understanding of the laws. Furthermore, poor legal structure impairs the objectives of personal income tax. There is also a problem of improper orientation of tax payers as to the need and purpose of tax. Most tax payers see taxes as a burden since the perception is that they derive no benefit from paying tax. Such group of individuals should be properly enlightened. The revenue authority should embark on aggressive public enlightenment and education of tax payers on the various taxes.

The need to improve tax generation system cannot be overemphasized. Only an efficiently managed tax system is capable of maximizing tax revenue necessary for development. The PITA 2011 has contributed immensely on revenue generation in Nigeria through so many ways. Increase in the rate of minimum tax in section 37 which was formerly 0.5% has been reviewed and increased to 1% minimum tax. As a result of this increase, a higher percentage of income tax revenue will be realized thereby increasing revenue accruing to the state. (Asabor, 2012; Asada, 1997; Akintoye, 2013; Oduh, 2012).

Penalties in the Act were also reviewed; such reviews include the penalty for a person engaged in banking services who fails to give the necessary information, documents or books to the relevant tax authority. Penalty for failing to keep the proper books of account have been reviewed and increased tenfold. This enhances the increase in revenue generation in Nigeria economy. According to Asabor

(2012), the Nigerian tax system has undergone significant changes in recent times. Tax laws are being reviewed with the aim of repealing obsolete provisions and simplifying the relevant ones.

2.4 Relationship between tax assessment and tax utilization in Taraba state, Nigeria.

The assessment and collection of personal Income tax from taxable individuals have been difficult Nigeria (Asada, 1997; Angahar&Sani, 2012). In Nigeria, it is safe to say that personal Income tax is mostly paid by civil servants. This is because the taxes are deducted before the employees receive their pay (Oduh, 2012; Ariwodola, 2000; Okpe, 1998). In private sectors, most employers do not bother with P.A.Y.E deductions. Those that do make deductions do not remit said deductions to the state. Majority of the self-employed citizens mostly do not pay income tax (Akintoye, 2013). Due to this, a lot of money is lost; money that could have been gainfully used to improve the lot of the populace. Lack of adequate fraud control provision in our tax laws is another problem encountered in personal income tax generation. Experience has shown that our tax collections are usually susceptible for financial inducement and therefore help tax payers to evade tax. If the tax collectors do collect these taxes, they fail to remit the sums to the state (Asada, 1997; Angahar & Sani, 2012; Okpe, 1998).

Tax Administration revolves around salient functions, including accountability of all taxes collected. Therefore, to deal with the administrative problems of taxation alone is enough to solve all the problems of taxation in Nigeria including tax evasion. Quite a good number of scholars are of the view that the operation of any tax system and the attitude of taxpayers are strongly influenced by the quality of its administration, Mohammed as cited in Dandago and Alabede, (2006), observed that a good tax system could be turned into an instrument of oppressing the taxpayers by a bad tax administration, While a good tax administration may convert a bad tax system into a very good one. It will suffice now to mention that a good support from a tax system is needed in the form of sensible tax laws to aid the efficiency of the administration.

According to Jenkins (1991), tax system can never work better than its administration, but that even the best tax administration would certainly fail to turn a bad tax system into a well operating one. He added that there cannot be a good tax policy without efficient tax administration. Quintana (1986), on her part,

states that, without the permanent reorganization of tax administration and an almost daily improvement in methods of its management, it is impossible to expect that tax reforms could be realized successfully. Alabede (2004), however, observes that the establishment of a comprehensive and efficient tax system, in which the tax administration holds an important role, is one of the most complex and serious macroeconomic problems that countries in transition are faced with.

Dandago and Alabede, (2006) clearly state that no real regression in the indirect tax administration could be made unless there was a concerted effort by both agencies to assess the taxes due properly and enforces collection at a predictable and stipulated time, Mohammed (2004), emphasizes the necessity for taxation. He opined that no matter how efficient the tax laws and tax policies are, unless the implementation and execution machineries are equally efficient and effective, the entire system may crumble. He therefore considers tax problems as purely administrative. To ensure efficient tax collection and accounting, he recommends the following; right orientation of staff, right working environment, staff development programme, need for information procurement and dissemination, and use of budgetary system for tax collection etc. The foregoing and many other reasons clearly indicate the need for an efficient tax administration and that, if the tax officials are adequately remunerated and given immense training, there would be significant increase in their productivity and collection.

2.5 Relationship between tax collection and tax utilization in Taraba state, Nigeria.

For any tax system to be effective and efficient, it must conform to certain principles that are universally recognized. Ariwodola, (2000); Angahar and Sani (2012) submit that a good tax system should possess the following attributes:

Equality: Equality refers to the notion that tax payers should pay according to their ability. This is known as progressive taxation where the tax rate rises as the income rises. This is different from proportional or regressive systems of taxation because a tax payer in the same Income group pays equal tax. Every citizen is expected to pay tax according to his earnings unless otherwise stated. It is frequently identified as the wealthy individuals pay higher share of their income in taxes due to high earnings than the poor people who earn lower. However, sometimes certain amounts of income are exempted from tax and even individuals to shelter the destitute citizens (N. Gregory Mankiw, 1998).

Certainty: The tax laws should be stated in such a way that a tax payer can ascertain with minimum of difficulty what is due to the state from him. Tax rates and methods of calculating the amount payable should be clearly stated. Ambiguity should be avoided where there is certainty, people cannot easily avoid or evade paying tax. The assessment authority must send to the tax payer a notice of assessment showing the rate and the amount to be paid (M Haug, 2009).

Convenience: The time and method of payment of taxes should be convenient for tax payers. For example, the pay-as-you-earn (PAYE) method of tax collection is convenient because the tax is deducted by the employer before the employee receives his or her pay. A convenient tax system would allow both the taxpayers and tax collectors to easily exercise their function effectively. A good tax system that is very convenient would minimized the cost of administering the collection and hence encourage compliance which in the long run cut off the level of tax evasion. Moreover, convenient tax system would also reduce time taken to collect the due taxes and facilitate the process as a whole (N. Gregory Mankiw, 1998).

Flexibility: The tax system should be flexible. It should be easy to change or amend when conditions and situations change. The tax system should be adaptable enough so as to raise money for the government urgently if the need arises. It must not be rigid (N. Gregory Mankiw, 1998).

Neutrality: A good tax system interferes as little as possible with the supply and demand of goods and services. It should not affect people's willingness to work, save or invest. A tax system that is said to be neutral is expected to be free from any bias through economic activities and hence not excessively castigate effort in support of leisure. This may also include tax income set for saving and even investment more deeply than earnings used for consumption (N. Gregory Mankiw, 1998).

Economy: A good tax system is one that is economical to run. The cost of tax collection should be small compared with the total tax revenue from a particular tax. Productive tax system is the system that would provide adequate revenue to the Government. Meanwhile tax payment contains the discharge of money by the taxpayers; where some of them (taxpayers) have assumed various approaches in evading taxes. Therefore, a productive tax system should always look into the loop holes

of the tax laws and block them to prevent leakage and improve the revenues due to the government (N. Gregory Mankiw, 1998).

Visibility: Taxpayers are always after to see the impact of their taxes to encourage them continue paying. A reasonable number among the populace are not clearly informed and aware that running public affairs by government costs money, therefore, government need monies from taxes to cut across the needs. Precautionary measures should be taking while spending collected proceeds from taxes to match its cost and benefit. This is a crucial factor in many developing nations (include Nigeria) where the public consider that tax revenues are not properly being effectively administered (M Haug, 2009).

Simplicity: A good tax system have to be simple so that government would easily administered and enforced, and also, less costly from the government side and the taxpayers as well. The eradication of several layers of tax also would provide a simpler tax system that should be ample and relaxed to enforce, comply to and administered. In Nigeria, these are crucial matters concerning the tax systems that need critical consideration. This is due to the facts that, most of the tax laws are complex to understand and above all too old this allowed room for different understandings as well as interpretations when come to practices (M Haug, 2009).

Administrative Efficiency: The method of imposing and collecting taxes essentially be administratively effective, efficient, economical and transparent without any ambiguity or distortion. Failure to administer in an efficient manner would course the collection and enforcement of taxes to be more expensive. This may sabotage the aims of having convenient process of any good and effective tax system. It is un wise administration to spend even half of the taxes on collection and administration process talk less of beyond the half of total taxes (Onoja, 2000).

The assessment of tax is carried out by trained personnel known as the inspector of taxes of the relevant tax authority. In addition, the personnel recognized by law as tax collectors carry out the collection. Tax collectors are mainly unskilled personnel. They are charged with the responsibility of collecting taxes from individuals and corporate bodies and issuing them with tax receipts. Tax collectors also assist in tracking down tax evaders. This means that the tax collectors are as important as the inspectors for

without them the efforts of government on taxation can hardly be realized. This is because they (collectors) perform the function of tax collection (Onoja, 2000)

2.6 Empirical Review

One major challenge of tax generation in a country is the high tax evasion. Tax evasion is reprehensible acts committed by taxpayer or expert advisors that deliberately violating the provisions of tax legislation (Alm, 2016). Tax evasion is a taxpayer resistance to law provisions. For example, Russia had a bad experience when taxpayer compliance level reached the lowest figure of 26%. Low tax compliance in Russia was happened because of taxpayer distrust to government in relation with accountability of tax revenue management. Taxpayer criticized the government's performance because of high and massive corruption and government failure to provide public services; it makes taxpayer refuse to pay taxes (Rothstein, 2010) Based on Russia's case, performance of tax collection in Indonesia was also concerned. The current data from Directorate General of Taxation shows that from 250 million population of Indonesia, number of people who have jobs are 44.8 million people, but they who have a Taxpayer Identification Number (TIN) is only 26.8 million. From 26.8 million, only 10 million taxpayers report the tax return. Meanwhile, 1.2 million corporate taxpayers who have a TIN, only 550 thousand were reported the tax return. As anticipation of lower tax compliance, government more focuses on approach to create a deterrent effect by providing sanctions and administration fines. Allingham and Sandmo (2012) uses Theory of Economic Crime to understand behaviour of tax compliance, explains that taxpayer is not afraid to fines and administrative sanctions if the utility gained for tax evasion is greater than the fines and penalties.

Taxpayers who do tax evasion are more motivated by principle of cost and benefit. Risk calculation also motivates the tax evasion. Taxpayers as rational human beings will evade tax if evasion detection is lower than acceptable risk (Alm, 2016) For Indonesia, high cases of corruption committed by bureaucrats, both at regional and centre, become an important concern for taxpayer. Perceptions are formed by taxpayer, that tax payment is used for construction of public facilities and infrastructure, such as highway facilities, schools, bridges, hospitals, health centres, subsidized food, clothing and shelter. But the fact is different. Tax revenue actually becomes a means to share the money among officials. News in *Republika* (online), Thursday, March 7, 2013 showed news cases of corruption committed by public officials. "... District Government Association of Indonesia (APKASI) showed

that there were 222 regional heads in Indonesia who were suspected as corrupt...." Both the taxpayer and government should analogize tax liability as a social contract between the taxpayer and government.

Tax compliance is no longer motivated by neoclassical paradigm where taxpayer is rational, selfish and purely economic, but they are motivated by aspect of social norms, morality, altruism and justice (Alm, 2016). Government should realize that there has been a reasoning shift to understand why taxpayers pay the taxes. Therefore, government must promote the principle of common interest of taxpayer to tax administration system to create a good environment to maintain the commitment of taxpayer compliance. Returns received by taxpayer for the tax payment are good public service, adequate public facilities and infrastructure, such as roads and bridges, schools, health centres, and hospitals. Public service benefit is a manifestation of reciprocity principle. Benefit from tax payment in Indonesia is still not maximum. Poor public services, public facilities and infrastructure are inadequate, and corruption is real examples government's contract violation with taxpayer, as informed by viva.co.id below: "..... The five ministries that received red report to improve the standard of public services are Ministry of Public Works, Ministry of Education and Culture, Ministry of Social Affairs, Ministry of Agriculture, and Ministry of Manpower and Transmigration" Cases of tax evasion were committed by Indonesian horrendous tax apparatus, namely Gayus Halomoan Tambunan. It breaks the taxpayer's confidence to affect the taxpayer compliance to pay their tax liability. Informants also explained that state is still not maximum to give return from their tax payments, as told by informants below: "..... Managing country properly will make the taxpayer more willing to pay taxes. But what is happened in Indonesia? Better to pay tax for orphanage ... it is clearer.

Rather than pay the tax to state, but it is corrupted..... "In some countries such as Nigeria, Russia and Tanzania, taxpayer correlates between the taxes payment and benefits in form of adequate public services. Taxpayer stated that they would willingly pay taxes if they get real benefits from the government for such payments (Bodea & Lebas, 2016; Fjeldstad & Semboja, 2013; Rothstein, 2010). Governments need to understand that tax evasion by taxpayer cannot solved by sanctions and fines as a deterrent. But in a different dimension, a taxpayer may become resistant and attack behind the government by questioning the commitments and seriousness of government to provide public services (Alm, 2016). Taxpayers build a perception that tax payment is identical with benefits and costs

principle. Costs of taxpayer in form of tax payments must be commensurate with benefits that will be received in form of public service (Prabhakar, 2012) Together with poor public services that become hot highlight of taxpayers, corruption of bureaucrats and bureaucracy are the reason for taxpayers to evade taxes (Picur&Belkaoui, 2016). Picur and Belkaoui (2016) describes a survey over 30 developed and developing countries that high tax compliance is high if the government did a maximum supervision of budget and possibility of irregularities in bureaucracy. There is a relationship between the social contract principles and tax evasion. Tax administration systems to promote voluntary compliance are very difficult if upheld by deterrent effect as administrative fines for tax evasion mitigation. Basically, people will not violates the provisions of law because fear of the violation consequences. But they think that the crime is not the action that they choose (Wikstrom, Tseloni, and Karlis, 2016). Taxpayers in Turkibahkan said that tax evasion is not a serious crime. They are not afraid of deterrent effect that will be accepted from tax evasion (Benk, Slaves, Puren, and Erdem, 2015). Irianto and Jurdi (2015) explain that taxpayer has regarded the obligation to pay the tax as part of social contract that has been agreed with government. Not only an obligation, taxpayer also demands the fulfillment of his right within social contract. Tax evasion by taxpayers not only for profit but rather as a way to address non seriousness of government to fulfill the taxpayers rights within social contract. These rights are availability of adequate public services, tax revenue management that free from abuse, and breaking the long chains of bureaucracy. Conversely, if the taxpayer rights are not met, tax evasion becomes a justification for taxpayer.

The taxpayers bind their liberty to government within a contract which obliges them to give economic resources for common welfare. The consequence is government must fulfill taxpayer right as a benefit on tax payment commitment through the availability of adequate public services and transparency and efficiency in tax revenue management. Taxation in a social contract perspective is based on quality of government's performance to manage a country's financial capacity from tax revenue. If the government gives high performance in providing high-quality public services, benefits of these tax payments can be received by taxpayer in order to create a good environment for tax generation as mitigation of tax evasion.

2.7 Research Gaps

Different study have been carried out on these variables but most of them were carried out in some other areas like: the problems of tax administration in Nigeria [Duru And Tanda, 2005], the impact of taxation on revenue generation in Nigeria [Okoye Emmanuel, 2014] tax revenue generation and Nigeria economic development by [Okafor R.G [2012], the impact of tax systems and environment on federal collectible tax revenue by [ovule f. ei and Eyisi A.S. 2014], problem of personal income tax generation and administration in Enugu State. [A case study of board of internal revenue Enugu North Local Gov't Area], personal income taxation in Nigeria; problems and prospects Bsc Project, MautechYola, personal income taxation. University of Chicago press By Simons H. [2002].

According to Mohammed (2014) taxation is a necessity, but no matter how efficient the tax laws and tax

policies are unless the implementation and execution machineries are equally efficient and effective, the entire system may crumble therefore considers tax problems as purely administrative.

To ensure efficient tax collection and accounting, he recommends; right orientation of staffs, right working environment, staff development programme, need for information procurement and dissemination, and used of budgetary system for tax collection etc. however, these are not adequately documented in Taraba State board of internal revenue, thereby necessating this study to ascertain the status of administrative efficiency in the tax body. Also, Ariwodola, (2000) Angahar and sani (2012) postulate that for any tax system to be efficient and effective, it must conformed to certain principles that are universally recognized. So therefore, based on the previous researchers no research has been done on exactly “personal income tax generation and utilization” in my study area that is why I wanted to close that contextual gap. Under this based that the researcher is set to carry out this study.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The chapter presents the research design, research population the sample size, sampling procedures, the research instrument, validity and reliability, data gathering procedures, data analysis, ethical consideration and limitation of the study.

3.1 Research Design

The study employed a descriptive survey design, with the goal of establishing the role played by government institutions in tax generation and utilization in Tarabastate, Nigeria. The study adopted a descriptive design because this research was concerned with describing the characteristics of the problem with narration of facts and characteristics of individuals, group or situation that the research is investigating. The justification for the adoption of descriptive research design was based on its ability to generate the required data from the sampled respondents for analysis.

3.2 Research population

The population of the study comprised of 600 people including employees of the Taraba state Board of Internal Revenue, local political leaders, as well as the business community within Jalingo Local government area in Taraba state (Data extracted from Jalingo Bureau of Statistic). According to the Taraba staff structure manual, Taraba state Board of Internal Revenue employs 94 people. The Jalingo Local Government Area also employs 288 people. An additional 218 were randomly sourced from selected members of the business community in Jalingo. Here, lists of registered businesses within Jalingo were obtained from the local authorities, and simple random selection was used to identify 218 businesses whose owners/managers would be invited to participate in the study.

3.3 Sample size

The sample size used in the study comprised of 234 respondents, It was determine based on the Krejcie and Morgan's sample size calculation which same as using the Krejcie and Morgan's sample size determination table. The sample size determination is derivative from the sample size calculation which expressed as below equation (Krejcie and Morgan, 1970). The Krejcie and Morgan's sample size calculation was based on $p = 0.05$ where the probability of committing type I error is less than 5 % or p.

$$S = X^2 NP (1-P) \pm d^2 (N-1) + X^2 P (1-P)$$

Where, s required sample size. The table value of chi-square for 1 degree of freedom at the desired confidence level ($0.05 = 3.841$). N the population size, P the population proportion (assumed to be 0.50 since this would provide the maximum sample size. d the degree of accuracy expressed as proportion (0.05).

3.4 Sampling Procedure

Considering the large number of the research population, the researcher used purposive and simple random sampling techniques to select the required sample for the study. Purposive sampling was used to select the respondents from among the local political leaders and business community in Jalingo local government area, and simple random sampling was used to select respondents from among the employees of the Taraba state Board of Internal Revenue.

Table 3.1: showing the sample size determination

Category	Population	Sample	Sampling method
TBIR officials	94	33	Simple random
Political leaders	288	103	Purposive
Business leaders	218	98	Purposive
Total	600	234	

3.5 Research Instruments

3.5.1 Questionnaires

The study used questionnaires, which is a set of carefully designed, written down, and tested questions, which are asked of individual respondents to gather information in research. The researcher used structured self-administered questionnaires covering all the variables in the study. During the course of the study, the researcher printed the questions and distributes them to selected respondents (who can read and write), the respondents answered the questions and returned them to the researcher. In these questionnaires, a five point Likert scale was used to ease data processing and analysis. The scale was marked 1-5 where; 1 represented strongly disagrees, 2 represented disagree, 3 represented not sure, 4 represented agree and 5 strongly agree.

3.6 Validity and reliability of instruments

3.6.1 Validity

In order to test the validity of the instruments, the researcher availed the questionnaire to experts to check each item for language, clarity, relevance, and comprehensiveness of the content. The item was rated as follows:

3 – Very relevant

2 – Quite relevant

1 – Somewhat relevant

The researcher then put the items in 2 groups, with category 1 in one group and the other 2 and 3 in the other group. The researcher then calculated the Content Validity Index (CVI) using the formula below:

$$\text{CVI} = \frac{\text{Question as relevant}}{\text{Total number of questions in the questionnaire}}$$

Table 3.2: determination of validity of the instrument

	Relevant items	Non relevant items	Total
Reter 1	21	3	24
Reter 2	20	4	24
Reter 3	19	5	25
Total	60	12	72

$$\text{Average} = 0.88 + 0.83.79 = \underline{2.48} = 0.83$$

3

$$\text{CVI} = \frac{60}{72} = 83.3\%$$

72

From the above computation CVI for reter 1 and 0.88 reter 2 0.83 and reter 3, 0.79 making all average of 0.83 which shows that the instrument was valid because is above the minimum level of 0.20 Amin (2005)

3.6.2 Reliability

To test the reliability of an instrument cronbach and alpha is used to assess the reliability or internal consistency of a set of test items. Reliability of the instruments was done with the application of Cronbach Coefficient Alpha for the computations so as to check for the internal consistency of the

scales. According to Kline (2000), a commonly accepted rule for describing internal consistency using Cronbach's alpha is as follows:

Table 3.3 cronbach alpha reliability and items of study variable

Table 3.3: cronbach alpha

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.7 \leq \alpha < 0.9$	Good
$0.6 \leq \alpha < 0.7$	Acceptable
$0.5 \leq \alpha < 0.6$	Poor
$\alpha < 0.5$	Unacceptable

Construct variables	Number of items	Cronbach alpha
Tax generation	13	0.82
Tax utilization	11	0.78
Mean	24	0.80

The mean of the reliability was established at 0.80 therefore the internal consistency (reliability) of the instrumental was confirmed.

3.7 Data Gathering Procedure

3.7.1 Before data gathering

In this stage the researcher obtained a reference letter from the College of Economics and Management, Kampala International University, which he presented to the local authorities in the field. He then made preparations based on the conditions in the field of study. The researcher made an assessment of the weather conditions, literacy levels and linguistic characteristics in the study area so as to determine the best methods to use as well as preparing questionnaires and interview guide.

3.7.2 During data gathering

At this stage the researcher made appointment schedules with all the respondents so as to enable him meet all respondents at the scheduled time. This helped the researcher to keep time and ensure the convenience of respondents.

3.7.3 After data gathering

At this stage, the researcher organized the data obtained from the field systematically in preparation for presentation, analysis and presentation.

3.8 Data Analysis

The researcher used simple linear regression and multiple regression to analyze the variable under study with the help of using statistical package for social sciences (SPSS) 20 version while factor analysis was used in reducing the main variables to few important factors for purposes of making an analysis before drawing valid conclusions. The hypothesis was tested using p-value at 5% significant level.

To achieve this assumptions probabilistic regression model was used:

Multiple regression $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$, and

Simple linear regression $Y = b_0 + b_1 x_1 + e$;

where Y= dependent variable,

b_0 = regression constant,

b_1 = regression coefficient for independent variable,

e = error term.

Table 3.4 Decision rules for regression analysis

Rules	Decisions	
If computed value is > critical	Reject Ho	Accept Ha
If computed value is < critical value	Accept Ha	Reject Ho

3.9 Ethical Consideration

- This involved seeking permission by the researcher from the relevant authorities. Permission was also sought from the relevant authorities with respect to the respondents' views.
- It also involved explaining to the respondents the purpose of the study. Respondents were assured that the information obtained from them would be used for academic purposes only.
- The researcher ensured that he uses only those techniques for which he is qualified by education, training and experience. Whenever in doubt, the researcher sought clarification from the research community especially the immediate supervisor and research colleagues.
- The researcher also ensured that data is interpreted according to general methodological standard and also ensured that elements that are irrelevant to data interpretation are excluded from the report.
- The researcher kept all the information given to him very confidential and used it only for purposes indicated as the justification of the study.

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter focuses on the presentation, analysis and interpretation of data that was collected for this study. The methodology described in the previous chapter provided the baseline for data-gathering. In this chapter, the presentation of data is systematically linked to the format of the self-administered questionnaire attached in the appendices. 234 responses were retrieved which reflect 100% response rate.

4.2 Bio Data

4.2.1 Gender of Respondents

The table 4.1 presents the distribution gender of the respondents.

Table 4.1: Gender of Respondents

	Frequency	Percentage
Valid		
Male	152	65
Female	82	35
Total	234	100

Source: Primary Data

The result in table 4.1 above shows that 65% of the respondents were male, and 35% of them were female. This explains that a bigger percentage of male respondents answered the questionnaire as compared to the females.

4.2.2 Age Group of Respondents

The distribution of the respondents who participated in this study is shown in table 4.2.

Table 4.2: Showing Age of the Respondents

	Frequency	Percentage
Valid		
18 – 27	83	35
28 – 37	54	23
38 – 47	38	16
48 – 57	25	11
58 – 67	13	6
68 and above	21	9
Total	234	100.0

Source: Primary Data

The results in table 4.2 shows the age distribution of respondents, where 35% of the respondents were aged between 18 – 27 years, 23% of them were aged 28 – 37 years, 16% of them were aged 38 – 47 years, 11% of them were aged 48 – 57 years, 6% of them were aged 58 – 67 years, and 9% of them were aged 68 years and above. This implied that majority of the people involved in business in Taraba states are in their youth, a true reflection of Nigeria’s youthful population.

4.2.3 Academic level

The results in table 4.3 show the academic level of the various respondents.

Table 4.3: showing the academic levels of respondents

	Frequency	Percentage
Valid		
Master’s degree	49	21
Bachelor’s degree	70	30
Diploma	60	26
Certificate	55	23
Total	234	100.0

Source: Primary data

The information in table 4.3 above shows the academic levels of the respondents. Majority of the respondents (30%) were categorized as Bachelor’s degree, others included 23% with certificate quantification, 21% of the respondents are master’s degree quantification. 26% of the respondents are with diploma quantification. This implied that most of the respondents who ventured in business were those with bachelor’s degree academic qualifications.

4.2.4 Occupation of the Respondents

The results in Table 4.4 present the position of the people who were involved in this research.

Table 4.4: Occupation of the Respondents

	Frequency	Percentage
Valid		
Taraba SBIR official	33	14
Politician	58	25
Business leader	51	22
Business man/woman	92	39
Total	234	100.0

Source: Primary Data

The results in table 4.4 above shows that on the occupation of the respondents, majority (39%) were businessmen/women. Also, 22% of the respondents were business leaders, 25% of the respondents were political leaders, and 14% of them were officials from the Taraba State Board of Internal Revenue.

4.2.5 Duration

The number of years/duration that respondents have spent in their current position is shown in table 4.5.

Table 4.5: showing the duration

	Frequency	Percentage
Valid		
1 - 3 years	88	38
3 - 5 years	65	28
5 – 8 years	40	17
8 – 10 years	29	12
Over 10 years	12	5
Total	234	100.0

Source: Primary data

The results in table 4.5 show the duration/time spent in the current position. Here, the majority (38%) had been in their positions for 1 – 3 years, 28% of the respondents had been in their current positions for 3 – 5 years, 17% of the respondents had been in their position for 5 – 8 years, 12% of the respondents had been in their current position for 8 -10 years, and 5% of the respondents had been in their current positions for more than 10 years. This information implied that majority of the respondents had been in their current position for 1 – 3 years; therefore, they were familiar with the various operations within the tax system in Taraba state.

4.3 Factor Analysis

To study this factor structure, this research used factor loadings in order to ensure that variables load into their respective factors. Principal Component Analysis was used to establish which linear components exist within the data and how a particular variable might contribute to that component.

Varimax rotation method was used for factor rotation and any values greater than 1.0 were considered during factor extraction. In this research, factor loadings with values less than 0.5 were suppressed. Also, measures (questions in the questionnaire) that loaded on two or more factors and those without any loadings were eliminated.

4.3.1 Factor Analysis for Tax identification

The table 4.6 below shows the factor analysis results for tax identification in the Taraba State Board of Internal Revenue in Nigeria, using the principal Component Analysis and Varimax Rotation Methods.

Table 4.6: Rotated Component Matrix^a for level of tax generation

Rotated component Matrix ^a for level of managerial skills	Component		
	1	2	3
There are mechanisms in place to identify tax payers	.891		
Tax returns are used in identifying tax payers		.858	
The payroll system is used to identify tax payers	.818		
Tax clearance certification and verification is used to identify tax payers	.746		
VAT registration and remittance is used to identify tax payers	.411		
Salary/remuneration and other benefits-in-kind records are used in identifying tax payers	.527		
Tax assessment is based on taxpayers' returns		.653	
Tax assessment is based on minimum tax method		.644	
Tax assessment is based on treatment of capital allowances when minimum tax is applicable		.602	
Tax assessment is based on minimum tax on dormant cases		.576	
Tax assessment is based on best of judgment method		.594	
Tax assessment is based on amended/revised method		.527	
Tax is collected through PAYE deductions			.723
Tax is collected through self-assessment tax return payments			.631
Tax is collected through voluntary tax remittances			.474
Tax is collected through direct bank deductions on interest or dividends			.487
Tax is collected through VAT deductions and remittances			.451
Tax is collected through direct deductions on transaction fees			.516
Eigen Values	3.043	1.858	1.588
% of Variance	25.355	15.484	13.212
Cumulative percentage of variance	25.355	40.839	54.051

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser

Normalization. a. Rotation converged in 5 iterations.

Source: primary Data

Key

- 1- Tax identification
- 2- Tax assessment
- 3- Tax collection

Factor analysis yielded the three components which were interpreted as: tax identification (25.355%), tax assessment (15.484%) and tax collection (13.212%) explaining the 54.051% of the variance in the level of tax generation.

4.3.1.1 Tax identification

The researcher observed agreement that there are mechanisms in place to identify tax payers, explained by (.891), that tax returns are used in identifying tax payers, explained by (.858), that the payroll system is used to identify tax payers, explained by (.818), that tax clearance certification and verification is used to identify tax payers, explained by (.746), that VAT registration and remittance is used to identify tax payers, explained by (.411), and that that salary/remuneration and other benefits-in-kind records are used in identifying tax payers, explained by (.527)

4.3.1.2 Tax assessment

Further analysis observed that tax assessment is based on taxpayers' returns, explained by (.653), that tax assessment is based on minimum tax method, explained by (.644), that tax assessment is based on treatment of capital allowances when minimum, explained by (.602), that tax assessment is based on minimum tax on dormant cases, explained by (.576), that tax assessment is based on best of judgment method, explained by (.5943), and that tax assessment is based on amended/revised method, explained by (.527).

4.3.1.3 Tax collection

Also observed was that tax is collected through PAYE deductions, explained by (.516), that tax is collected through self-assessment tax return payments, explained by (.516), that tax is collected through voluntary tax remittances, explained by (.516), that tax is collected through direct bank deductions on interest or dividends, explained by (.516), that tax is collected through VAT deductions and remittances, explained by (.516), and that tax is collected through direct deductions on transaction fees, explained by (.516).

4.3.2 Analysis of Variance

4.3.2.1 Analysis of variance for tax identification

Table 4.7: showing the ANOVA for tax identification

		Sum of squares	Df	Mean square	F	Sig
Tax identification						
Gender of respondents	Between groups	62.005	28	1.590	31.470	.041
	Within groups	3.208	64	.047		
	Total	65.213	92	1.634		
Age of respondents	Between groups	65.123	28	.051	36.767	.391
	Within groups	5.142	64	1.822		
	Total	67.211	92	1.061		
Level of education of respondents	Between groups	71.068	28	1.683	32.525	.248
	Within groups	4.118	64	.057		
	Total	74.892	92	1.578		

Source: Primary data

The results in table 4.7 indicate that there is a significant difference between gender groups towards tax identification strength to influence tax utilization in Taraba state, Nigeria. This is evidenced by the results (31.470; 0.041). on the other hand, it indicates a significant difference of age groups towards tax identification strength to influence tax utilization in Taraba state, Nigeria as evidenced by the results (36.767; 0.391). Lastly, it indicates a significant difference of education levels towards tax identification strength to influence tax utilization in Taraba state, Nigeria as evidenced by the values (32.525; 0.248).

4.3.2.2 Analysis of variance for Tax assessment

Table 4.8: showing the ANOVA for tax assessment

		Sum of squares	Df	Mean square	F	Sig
Tax assessment						
Gender of respondents	Between groups	60.696	31	1.349	19.935	.038
	Within groups	4.517	61	.073		
	Total	65.213	92	1.423		
Age of respondents	Between groups	62.342	31	.534	15.766	.037
	Within groups	6.432	61	1.671		
	Total	70.232	92	1.645		
Level of education of respondents	Between groups	75.185	31	1.234	18.610	.045
	Within groups	.000	61	.645		
	Total	74.892	92	1.543		

Source: Primary data

The results in table 4.8 indicate that there is significant difference between gender groups towards tax assessment strength to influence tax utilization in Taraba state, Nigeria. This is evidenced by the results (19.935; 0.038). on the other hand, it indicates no significant difference of age groups towards tax assessment strength to influence tax utilization in Taraba state, Nigeria as evidenced by the results (15.766; 0.037). Lastly, it indicates a significant difference of education levels towards tax assessment strength to influence tax utilization in Taraba state, Nigeria as evidenced by the values (18.610; 0.045).

4.3.2.3 Analysis of variance for Tax collection

Table 4.9: showing the ANOVA for tax collection

		Sum of squares	Df	Mean square	F	Sig
Tax collection						
Gender of respondents	Between groups	60.258	21	1.545	19.766	.054
	Within groups	4.955	70	.073		
	Total	65.213	92	1.534		
Age of respondents	Between groups	64.453	21	.634	17.982	.069
	Within groups	5.122	70			
	Total	63.212	92			
Level of education of respondents	Between groups	69.731	21	1.788	15.458	.062
	Within groups	5.455	70	.080		
	Total	74.892	92			

Source: Primary data

The results in table 4.9 indicate that there is a significant difference between gender groups towards tax collection strength to influence tax utilization in Taraba state, Nigeria. This is evidenced by the results (19.766; 0.054). on the other hand, it indicates a significant difference of age groups towards tax collection strength to influence tax utilization in Taraba state, Nigeria as evidenced by the results (17.982; 0.069). Lastly, it indicates a significant difference of education levels towards tax collection strength to influence tax utilization in Taraba state, Nigeria as evidenced by the values (15.458; 0.062).

4.3.2.4 Analysis of variance for Tax utilization

Table 4.10: showing the ANOVA for Tax utilization

		Sum of squares	Df	Mean square	F	Sig
Tax utilization						
Gender of respondents	Between groups	62.467	32	1.337	21.206	.023
	Within groups	4.832	60	.049		
	Total	67.455	92	1.429		
Age of respondents	Between groups	66.671	32	.654	16.345	.032
	Within groups	5.539	60			
	Total	65.942	92			
Level of education of respondents	Between groups	68.664	32	1.712	17.321	.042
	Within groups	5.617	60	.080		
	Total	74.892	92			

Source: Primary data

The results in table 4.10 indicate that there is a significant difference between gender groups towards tax utilization in Taraba state, Nigeria. This is evidenced by the results (21.206; 0.023). On the other hand, it indicates a significant difference of age groups towards tax utilization in Taraba state, Nigeria to influence other variables as evidenced by the results (16.345; 0.032). Lastly, it indicates a significant difference of education levels towards tax utilization in Taraba state, Nigeria strength to influence other variables as evidenced by the values (17.321; 0.42).

4.4 Regression Model

To further confirm the relationships obtained in the relationship analysis using Pearson correlation given in Table 4.11, the researcher carried out a regression analysis not only to determine the relationships between the variables, but also predict the influence/effect of one variable on another.

4.4.1 Model Fit for tax identification and utilization

The regression fit model analysis results used to determine the degree to which tax identification influences tax utilization in Taraba state, Nigeria is given in Table 4.11

Table 4.11: Regression model Analysis for tax identification and utilization

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	B	Beta	Sig. F Change
1	.793(a)	.763	.777	.178	.263	44.632			.000
Constant				.274			1.631		.000
Tax identification				.093			.402	.473	.000

Source: Primary Data

Table 4.11 provides the value of adjusted R^2 for the model that has been derived for how tax identification influences tax utilization for these data. This value represents a simple correlation between tax identification and tax utilization. This finding confirms the findings obtained in Table 4.6. This study, therefore, established that tax identification influences tax utilization. This means that tax utilization is based on the ability of the Taraba State Board of Internal Revenue to identify the taxable individuals and entities in the state. The value of adjusted R^2 (0.777), shows that tax identification accounts for about 77.7% of the variation in the level of tax utilization in Taraba state, Nigeria.

4.4.2 Model Fit for tax assessment and Utilization

The regression fit model analysis results used to determine the degree to which tax assessment influences tax utilization in Taraba state, Nigeria is given in Table 4.12

Table 4.12: shows regression model Analysis for tax assessment and Utilization

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	B	Beta	Sig. F Change
1	.813(a)	.744	.761	.144	.234	547.125			.000
Constant				.274			1.231		.000
Tax assessment				.093			.602	.473	.000

Source: Primary Data

Table 4.12 provides a simple correlation between tax assessment and tax utilization adjusted $R^2=0.761$). This study, therefore, established that tax assessment influences tax utilization. This means that tax utilization is based on the efficiency of the tax assessment processes. The value of adjusted R^2 (0.761), shows that tax assessment accounts for 76.1% of the variation in the level of tax utilization. The value of $B = 1.231$ means that when there is efficient tax assessment processes in place, the model predicts that tax utilization will increase by 1.231 units.

4.4.3 Model Fit for tax collection and tax utilization

The regression fit model analysis results used to determine the degree to which tax collection influences tax utilization in Taraba state, Nigeria is given in Table 4.13

Table 4.13: shows regression model Analysis for tax collection and tax utilization

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	B	Beta	Sig. F Change
1	.673(a)	.663	.667	.173	.263	74.632			.000
Constant				.274			1.731		.000
Tax collection				.093			.402	.473	.000

Source: Primary Data

Table 4.13 provides a simple correlation between tax collection and tax utilization. This study, therefore, established that tax collection influences tax utilization. This means that tax utilization is shaped on the capacity of the Taraba State Board of Internal Revenue personnel to collect taxes. The value of adjusted R^2 (0.667), shows that tax collection accounts for about 66.7% of the variation in the level of tax utilization in Taraba state, Nigeria. The table also gives the model parameters (Beta values) and their significance which tell us about the individual contribution of the variable in the Model Fit for tax collection and tax utilization. The value of $B = 1.731$ means that when there is efficient and competent tax collection processes, the model predicts that tax utilization in Taraba state, Nigeria will increase by 1.731 units.

4.5 The relationship between variables using Pearson’s Correlation

Table 4.14: *shows Pearson’s correlation on the relationship between variables*

	1	2	3	4
Tax identification (1) – IV	1			
Tax assessment (2) – IV	.396	1		
Tax collection (3) – IV	.399	.474	1	
Tax utilization (4) – DV	.616**	.673	.650**	1

** Correlation is significant at the 0.01 level (2-tailed).

Source: Primary Data

4.5.1 Relationship between tax identification and utilization

The results in table 4.14 above show a positive relationship between tax identification and tax utilization in Taraba state, Nigeria ($r = 0.616$, $P\text{-value} < 0.01$).

4.5.2 Relationship between tax assessment and utilization

The results in table 4.14 above also shows a positive relationship between tax assessment and tax utilization in Taraba state, Nigeria ($r = 0.673$, $P\text{-value} < 0.01$).

4.5.3 Relationship between tax collection and utilization

The results in table 4.14 above also shows a positive relationship between tax collection and tax utilization in Taraba state, Nigeria ($r = 0.650$, $P\text{-value} < 0.01$).

4.6 Hypothesis testing

The study took the null hypotheses that; there is no significant relationship between tax identification and utilization in Taraba state, Nigeria; that there is no significant relationship between tax assessment and utilization in Taraba state, Nigeria; and that there is no significant relationship between tax collection and utilization in Taraba state, Nigeria.

Table 4.15: Variables correlated

	PLCC	P-VALUE	Interpretation of Correlation	Decision on H₀
Tax identification Vs Tax utilization	0.616	.001	Significant	Rejected
Tax assessment Vs Tax utilization	0.673	.001	Significant	Rejected
Tax collection Vs Tax utilization	0.650	.001	Significant	Rejected

The table 4.15 shows that tax generation is positively and significantly correlated with tax utilization in Taraba state, Nigeria. Tax identification is positively and significantly correlated with tax utilization (PLCC=0.616, P-VALUE=.001). Tax assessment is positively and significantly correlated with tax utilization (PLCC=0.673,P-VALUE=.001). Tax collection is positively and significantly correlated with tax utilization (PLCC=0.650, P-VALUE=.001). Accordingly, the null hypotheses are rejected. Therefore; there is a positive and significant relationship between tax generation and tax utilization in Taraba state, Nigeria.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the discussion of the findings, the conclusions reached in the study and the recommendation made by the researcher in relation to the findings as documented in the study on income tax generation and utilization in the Taraba State Board of Internal Revenue, in Nigeria.

5.1 Bio-data of respondents

The biggest percentage of respondents was male. This was because there were more males in the research population than females. The smaller number of female participants may be attributed to the patriarchal setting in the country where most women are not yet emancipated or empowered to fully take part in the economic activity or decision making process.

The biggest number of respondents was aged 16 – 24, and the number reduces with age. This is explained by the fact that the largest number of Nigeria's population is youthful, as well as the low life expectancy where there are fewer people in advanced ages.

The biggest number of respondents was categorized as 'others', which included secondary and primary school dropouts as well as those that did not have any formal education at all. This can be explained by the fact that people who are more qualified academically, their opportunities for employment increase, and therefore it's those who are less educated that are inclined to pursue careers in business.

The biggest number of respondents was businessmen/women, followed by political leaders, business leaders and then the officials from Taraba State Board of Internal Revenue were the least. This can be explained by the fact that whereas business owners are more suited to provide relevant information, it cannot be adequately verified without the views of supervisory authorities, and thus the inclusion of TBIR officials and political leaders.

The biggest of respondents had been in their current positions for 1 – 3 years, followed by those that had been there for 3 – 5 years. This can be explained by the fact that the failure rate for businesses, especially small and medium enterprises is very high, and therefore fewer people are able to sustain their businesses for more than five years.

5.2 The Factor Analysis on income tax generation and utilization

The study revealed three factors that were extracted which were: tax identification, tax assessment and tax utilization, and eigenvalues over Kaiser's criterion of 1 (5.789, 2.767, 2.319 and 2.118), and in combination explained 57.005% of the variance. The results show that factor loadings after rotation which corresponds to the three factors. These factor loadings are clustered for each of the factors with respect to the measures, i.e., the questions in the questionnaire. Each cluster of the factor loadings shows that there is an attribute (factor) that measures income tax generation and utilization.

5.2.1 Analysis of Variance for tax identification

The results indicate that there is a significant difference between gender groups towards tax identification strength to influence tax utilization. This is evidenced by the results (31.470; 0.041). In addition, it indicates a significant difference of age groups towards tax identification strength to influence tax utilization as evidenced by the results (36.767; 0.391). Lastly, it indicates a significant difference of education levels towards tax identification strength to influence tax utilization as evidenced by the values (32.525; 0.248). This therefore implied that gender groups, age groups and education levels were considered in determining tax identification strategies for effective tax utilization in Taraba state, Nigeria

5.2.2 Analysis of variance for Tax assessment

The results indicate that there is a significant difference between gender groups towards tax assessment strength to influence tax utilization. This is evidenced by the results (19.935; 0.038). In addition, it indicates a significant difference of age groups towards tax assessment strength to influence tax utilization as evidenced by the results (15.766; 0.037). Lastly, it indicates a significant difference of education levels towards tax assessment strength to influence tax utilization as evidenced by the values (18.610; 0.045). This therefore implied that the level of gender groups, age groups and education levels were considered in determining tax assessment for effective tax utilization in Taraba state, Nigeria.

5.2.3 Analysis of variance for tax collection

The results indicate that there is a significant difference between gender groups towards tax assessment strength to influence tax utilization. This is evidenced by the results (19.766; 0.054). In addition, it indicates a significant difference of age groups towards tax assessment strength to influence tax

utilization as evidenced by the results (17.982; 0.069). Lastly, it indicates a significant difference of education levels towards tax assessment strength to influence tax utilization as evidenced by the values (15.458; 0.062). This therefore implied that the level of gender groups, age groups and education levels were considered in determining tax collection strategies that influence tax utilization in Taraba state, Nigeria.

5.2.4 Analysis of variance for Tax utilization

The results indicate that there is a significant difference between gender groups towards tax utilization. This is evidenced by the results (21.206; 0.023). In addition, it indicates a significant difference of age groups towards tax utilization to influence other variables as evidenced by the results (16.345; 0.032). Lastly, it indicates a significant difference of education levels towards tax utilization strength to influence other variables as evidenced by the values (17.321; 0.42). This therefore implied that the level of gender groups, age groups and education levels were considered in determining strategies for efficient tax utilization in Taraba state, Nigeria.

5.3 Relationship between variables

5.3.1 Tax identification and tax utilization

One of the objectives of the study was to assess the Relationship between tax identification on tax utilization. The results show a positive relationship between tax identification and tax utilization in Taraba state, Nigeria ($r = 0.616$, P-value <0.01). This implies that tax identification capacity has an effect on tax utilization in Taraba state, Nigeria.

These findings were partly in agreement with earlier reports by Musgrave and Musgrave (1980), who said that taxation serves to promote social equality. They (Musgrave and Musgrave) added that taxation as a mechanism for income and wealth distribution holds that the burden of taxation should be heavier for the rich in the society than for the poor so that that taxes collected are used to pay for social services for the less fortunate. Additionally, Akintoye (2013); and Oduh (2012) said that the essence of taxation is to raise revenue for government expenditure or finance government projects, control consumer demand, encourage investment and savings, fight economic depression, inflation and deflation, guarantee equitable distribution of income and wealth, control the general trend of the national economy, and ensure a proper allocation of national resources.

Also, Angahar & Sani (2012) said that taxation is perceived as a critical instrument for National Development and growth in most societies of the world. One of the significant records by which development and growth can be measured in any general public is the degree of wealth, which is made by economic activities in that society. Furthermore, one of the methods for formation of wealth for nationals is through significant employment, so that citizens have the capacity to earn income to cater for their needs and additionally support taxes to the Government as a portion of their commitment to National Development. Also, according to National Tax Policy of Nigeria cited in Compendium of tax and related laws (FIRS, 2012) taxes don't just give economical revenue to Government to complete its expenditure and provide development to its populaces; it additionally places citizens in the part of stakeholders, who are specifically facilitating national development. In response in this manner, the Nigerian Tax System ought to be used by Government as an economical stage for guaranteeing growth in the Nigerian economy.

According to Oduh (2012), experience has shown that the institutional capacity to administer taxes effectively is woefully lacking in this country. Procedures, reinforced by third party audits, appear to ensure that taxes are paid and received albeit with potentially serious and costly internal lags. However, Nigeria lacks capacity to assess the reasonableness of the returns submitted by tax payers, including costs and staffing, skills, pay scale and other funding. A recurring problem with PIT is the non-compliance of employers to register their employees and to remit such taxes to relevant authorities. Absence of Competent tax administrators due to incompetence and absence of honest administrators, the problem of tax avoidance and evasion has reached an alarming proportion. The problem with Income taxation in Nigeria is the administration of the tax system bordering on the tax collection, assessment and widespread corruption.

5.3.2 Tax assessment and tax utilization

The study also aimed to analyze the relationship between tax assessment and tax utilization in Taraba state, Nigeria. The study results show a positive relationship between tax assessment and tax utilization ($r = 0.673$, $P\text{-value} < 0.01$), implying that tax the assessment process has a significant effect on tax utilization in Taraba state, Nigeria.

These findings are supported by the literatures from various authors; Asada (1997) said that assessment and collection of personal Income tax from taxable individuals have been difficult in Nigeria; Angahar&Sani (2012) said that in Nigeria, it is safe to say that personal Income tax is mostly paid by civil servants. This is because the taxes are deducted before the employees receive their pay, but that in private sectors, most employers do not bother with P.A.Y.E deductions, and those that do make deductions do not remit said deductions to the state. Majority of the self-employed citizens mostly do not pay income tax according to Akintoye (2013). Due to this, a lot of money is lost; money that could have been gainfully used to improve the lot of the populace. Lack of adequate fraud control provision in our tax laws is another problem encountered in personal income tax generation. According to Akintoye, experience has shown that our tax collections are usually susceptible for financial inducement and therefore help tax payers to evade tax. If the tax collectors do collect these taxes, they fail to remit the sums to the state.

Also, according to Dandago & Alabede (2006), tax assessment and realization revolves around salient functions, including accountability of all taxes collected. Therefore, to deal with the administrative problems of taxation alone is enough to solve all the problems of taxation in Nigeria including tax evasion. Quite a good number of scholars are of the view that the operation of any tax system and the attitude of taxpayers are strongly influenced by the quality of its administration. They (Dandago and Alabede), observed that a good tax system could be turned into an instrument of oppressing the taxpayers by a bad tax administration, While a good tax administration may convert a bad tax system into a very good one, and that a good support from a tax system is needed in the form of sensible tax laws to aid the efficiency of the administration.

5.3.3 Tax collection and tax utilization

Another aim of the study was to establish the relationship between tax collection methods have a significant effect on tax utilization in Taraba state, Nigeria. Here, the study results show a positive relationship between tax collection and tax utilization ($r = 0.650$, $P\text{-value} < 0.01$). This implies that tax collection methods significantly affect the level of tax utilization in Taraba state, Nigeria

These findings are supported by literature from Jenkins (1991), who said that the tax system can never work better than its administration, but that even the best tax administration would certainly fail to turn

a bad tax system into a well operating one. He added that there cannot be a good tax policy without efficient tax administration. Quintana (1986), on her part, states that, without the permanent reorganization of tax administration and an almost daily improvement in methods of its management, it is impossible to expect that tax reforms could be realized successfully. Alabede (2004), however, observes that the establishment of a comprehensive and efficient tax system, in which the tax administration holds an important role, is one of the most complex and serious macroeconomic problems that countries in transition are faced with.

Also, Dandago and Alabede, (2006) clearly state that no real regression in the indirect tax administration could be made unless there was a concerted effort by both agencies to assess the taxes due properly and enforces collection at a predictable and stipulated time, Mohammed (2004), emphasizes the necessity for taxation. He opined that no matter how efficient the tax laws and tax policies are, unless the implementation and execution machineries are equally efficient and effective, the entire system may crumble. He therefore considers tax problems as purely administrative. To ensure efficient tax collection and accounting, he recommends the following; right orientation of staff, right working environment, staff development programme, need for information procurement and dissemination, and use of budgetary system for tax collection etc. The foregoing and many other reasons clearly indicate the need for an efficient tax administration and that, if the tax officials are adequately remunerated and given immense training, there would be significant increase in their productivity and collection.

5.4 Conclusion

From the findings of the study, the following conclusions were made:

That tax identification influences tax utilization, since there was a positive and significant relationship between the two variables. Tax identification is significant in a way that its only when there are efficient means of identifying taxable individuals and entities that there can be adequate mechanisms to assess and collect the taxes. Therefore tax identification is a crucial part of tax generation in Taraba state, Nigeria.

The study also established that tax assessment has a positive and significant influence on tax utilization. This is underscored by the fact that an efficient tax system is based on accurate assessment of the taxes

due to be paid by each individual/entity. Therefore, tax assessment is also crucial for tax generation in Taraba state, Nigeria.

The study further concluded that collection has a positive and significant influence on tax utilization. This is so because without an effective collection mechanism in place, the taxes identified and assessment cannot be actually realized. Therefore tax collection is also crucial for generating adequate taxes for the government in Taraba state, Nigeria.

In order for a given government to generate adequate revenue from tax system, tax administration is expected to work in the most effective and efficient manner. And for the tax administration to generate adequate revenue, the various components of tax identification, assessment and collection are expected to work in an integrated approach. Therefore, inappropriate fit among any of the tax generation components can lead non-achievement of objectives. For instance, in the absence of good integration in the transformation components between informal structures and formal or between individuals and their task requirement etc. can create enormous problems. More so, reforming one or two components while leaving others unreformed will bring about the others to fall.

5.5 Recommendations

From the findings of this study the following recommendations were made:

- In order to improve the tax identification process, government should embark upon other means of publicity such as radio messages, television advertisement, post bills as well as the use of town criers to inform tax payers of changes in tax legislation and need for compliance. Tax payer's information and history should be computerized and this will facilitate effective monitoring and coordination of tax and Income data. Deliberate effort should be made to educate tax payers on the need to pay taxes while the government should embark on aggressive infrastructural development to justify taxes received.
- The tax authorities should properly review and evaluate the assessment and collection procedures so as to encourage compliance by the tax payers. The usual practice of reprinting parts of the tax laws and sending same to the tax payers expecting that they would understand is not encouraging since these laws are written in legal jargons or terms that are not easily understood. Moreover, tax forms should be made less complex.

- In order to improve the tax collection process, qualified personnel with the right attitude should be recruited, trained and retrained to man the internal revenue board. Revenue Personnel generally trained and restrained to cope with the demands of the job. Staff should also be motivated through good salary package to insulate them from fraud and other corrupt practices. In-service training should also be instituted, the staff should be conversant with applicable tax laws and this is only possible with the training. Cash incentives should be given for best performance. This will increase their effectiveness as well as reduce the need for corruption.

5.6 Contribution to new knowledge

The study has contributed to the Federal government resource knowledge about tax by highlighting the challenges that are faced in internal revenue collection, which need legislation to rectify. To the state governments, particularly Taraba state, the study has exposed the weaknesses in the existing personal income tax regime by investigating the causes of tax non-compliance, as well as laid forward mechanisms to improve it. This will as well contribute to the existing knowledge on tax utilization which will further help researchers to lean on when conducting their studies.

5.7 Limitations of the study

The research instruments on data integrity and security was not standardized. This was however, solved by pre-testing the questionnaire among a few respondents who did not participate in the actual study.

Some of the people chosen to participate in the study decided to withdraw their participation. This pushed the researcher to reduce on the total number of respondents, to eliminate those who refused to be responsive.

Some of the respondents may have not been honest in their responses for fear that it's an indirect investigation into their businesses/operations. In order to minimize this, the researcher clearly explained the reason for carrying out the study and also assured respondents that the information provided would be used for academic purposes only.

5.8 Suggestions for further research

Further studies should be conducted to investigate the factors influencing tax compliance among individuals and businesses in Nigeria. This is necessitated by the fact that majority of the people and businesses in Nigeria do not pay tax, and most of the collections come from direct salary deductions from civil servants.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Dear Respondent,

My name is *Jamilu Babayo*, a student of Master of Science in Accounting and Finance at Kampala International University. I am conducting study titled “**Income tax generation and utilization in Taraba State Board of Internal Revenue, Nigeria**”. I request you to take part in this study by answering this questionnaire. The information obtained will be strictly for academic purposes and it will be treated with at most confidentiality. I kindly request you to fill this questionnaire.

Thank you.

Section A: Demographic characteristics of respondents

To help us to classify your responses, please supply the following facts by circling the right option as appropriate.

Section A: Demographic information

No.	Question	Coding categories
1.	What is your gender?	1. Male 2. Female
2.	What is your age bracket?	1. 18 – 27 2. 28 – 37 3. 38 – 47 4. 48 – 57 5. 58_67 6. 68 and above
3.	What is your highest level of education?	1. Master’s Degree 2. Bachelor’s degree 3. Diploma 4. Certificate 5. Others
4.	What is your occupation	1. Taraba SBIR official 2. Politician 3. Business leader 4. Businessman/woman
5.	How many years have you lived/worked in this community?	1. 1 – 3 years 2. 3 – 5 yars 3. 5 – 8 years 4. 8 – 10 years 5. More than 10 years

SECTION B: Tax identification

In this section, please rate the following statements using the following Likert scale; Where: 5 – Strongly Agree (SA)

- 4 – Agree (A)
- 3 – Undecided (U)
- 2 – Disagree (D)
- 1 – Strongly Disagree (SD)

No.	Tax identification	Responses				
		SA	A	U	D	SD
1.	There are mechanisms in place to identify tax payers					
2.	Tax returns are used in identifying tax payers					
3.	The payroll system is used to identify tax payers					
4.	Tax clearance certification and verification is used to identify tax payers					
5.	VAT registration and remittance is used to identify tax payers					
6.	Salary/remuneration and other benefits-in-kind records are used in identifying tax payers					

SECTION C: Tax assessment

In this section, please rate the following statements using the following Likert scale; Where: 5 – Strongly Agree (SA)

- 4 – Agree (A)
- 3 – Undecided (U)
- 2 – Disagree (D)
- 1 – Strongly Disagree (SD)

No.	Tax assessment	Responses				
		SA	A	U	D	SD
1.	Tax assessment is based on taxpayers' returns					
2.	Tax assessment is based on minimum tax method					
3.	Tax assessment is based on treatment of capital allowances when minimum tax is applicable					
4.	Tax assessment is based on minimum tax on dormant cases					
5.	Tax assessment is based on best of judgment method					
6.	Tax assessment is based on amended/revised method					

SECTION D: Tax collection

In this section, please rate the following statements using the following Likert scale; Where: 5 – Strongly Agree (SA)

4 – Agree (A)

3 – Undecided (U)

2 – Disagree (D)

1 – Strongly Disagree (SD)

No.	Tax collection	Responses				
		SA	A	U	D	SD
1.	Tax is collected through PAYE deductions					
2.	Tax is collected through self-assessment tax return payments					
3.	Tax is collected through voluntary tax remittances					
4.	Tax is collected through direct bank deductions on interest or dividends					
5.	Tax is collected through VAT deductions and remittances					
6.	Tax is collected through direct deductions on transaction fees					

SECTION E: Tax utilization

In this section, please rate the following statements using the following Likert scale; Where: 5 – Strongly Agree (SA)

4 – Agree (A)

3 – Undecided (U)

2 – Disagree (D)

1 – Strongly Disagree (SD)

No.	Tax utilization	Responses				
		SA	A	U	D	SD
1.	Tax is utilized for paying public workers' salaries and wages					
2.	Tax is utilized for paying for construction of public infrastructures					
3.	Tax is utilized for repairing and rehabilitating existing public infrastructures					
4.	Tax is utilized for acquiring essential services such as medical expertise					
5.	Tax is utilized for paying public debt					
6.	Tax is utilized for investing in profitable ventures					

END

Thank you for your cooperation