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Effect of Tax Administration and Revenue on Economic Growth in Nigeria

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Abstract
This study examines the effect of tax administration and revenue on economic growth of Nigeria. To achieve the objective of this paper, data was collected from primary and secondary sources. The secondary sources were from scholarly books and journals while the primary source involved a well structured questionnaire of three sections of sixty five items with an average reliability of 0.78. The data collected from the questionnaire and secondary data were analyzed using relevant regression analysis. The results reveal that there is a significant relationship between there is significant relationship between Personal income tax revenue (PITR) and per capita income, Company income Tax Revenue and Gross Domestic product of Nigeria, VAT revenue and PCI of Nigeria, Petroleum Profit Tax revenue and GDP of Nigeria and tax administration and Gross domestic product of Nigeria. Hence, the study concludes that tax administration and revenue does affect the economic growth of Nigeria for the period under study. The paper recommends amongst others that more reforms in the tax administrations and collection is needed so as to eliminate, if possible the areas that can cause revenue leakage as a result of loopholes in tax collection and remittances from the authorities, and this is capable of limiting the economic growth of the nation.
Keywords: Taxation, Economic Growth, Tax Administration, Tax Revenue

Introduction

Tax administration is the framework upon which Nigeria tax system is based. It deals with the powers and duties of relevant tax authorities as contained in the tax laws. Tax administration involves the procedures, principles and strategies adopted by any government in order to achieve effective tax planning, compulsory levying of tax, easy collection and proper accounting and utilization of the revenue collected (Aguolu, 2004; Appah and Oyadonghan, 2011; Appah, 2014).

Taxation is a dynamic subject which grows with the constant changes in the economic environment in which it operates, hence the need to examine the relevance of this subject to the economic advancement of Nigeria. According to Appah (2014), the development of any nation depends on the amount of revenue generated for the provision of infrastructural facilities for the common good of all. One major source of generating this revenue is taxation. Azubike (2009) state that tax is a major source of government revenue all over the world, including Nigeria. Governments use tax proceeds to render their traditional functions such as the provision of public goods, maintenance of law and order, defense against external and internal aggression, regulation trade and business to ensure social and economic justice. Musgrave and Musgrave (2004) also maintain that the economic effects of taxation include micro effects on the distribution of income and efficiency of resource use as well as macro effects on the level of capacity output, employment, prices and growth. Nwezeaku (2005), reports that the government has certain functions to perform for the benefit of its citizens. The scope of these functions depends, inter alia, on the political and economic orientation of the people, their needs and aspirations as well as their willingness to pay tax. Tax is a compulsory payment made by a citizen for which there is no immediate commensurate return. It is a burden which every citizen must bear to sustain his government (Nwezeaku, 2005). Tax, thus, becomes a burden that everyone must bear to support the government. On their part, governments' uses tax revenue to perform their functions. According to Aguolu (2004), a tax is a levy by a government or its agencies on individuals, companies and (or) on goods and services, homemade, imported, exported and so on. Bhartia (2004) argue that a tax is a generalized exaction, which may be levied on one or more criteria upon individuals, or other legal entities. However, Nzotta (2007) gave a more embracing meaning of tax. A tax is a compulsory levy contribution made by the citizens to the state or even an alien, subject to the jurisdiction of the government, for reasons of residence or property and this contribution is for general common use. Secondly, a tax imposes a general obligation on the taxpayer. This means the tax payer has a duty to pay the tax, if he is liable and should not in any circumstances evade it. Thirdly, there is the presumption that the contribution to the public revenue made by the taxpayer may not be equivalent to the benefit received from the public sector. Finally, a tax is not levied on a citizen by government because it has rendered specific services to him or his family. Tax is a compulsory payment made by individuals and organizations to the government in accordance with predetermined criteria for which no direct or specific benefit is received by the tax payer

(Bassey 2013). It is therefore generally believed that for there to be economic growth in any society, the provision of basic infrastructures is quite necessary (Fagbemi, Uadale and Noah, 2010). The provision of basic infrastructure and various social services to the people calls for adequate tax revenue to support government expenditure.

The problem of how to properly manage tax administration in Nigeria, the extent to which the tax laws is properly interpreted and implemented and knowing the actual impact of tax revenue on economic growth. The problem of whether or not adequate tax revenue is generated from various taxes through proper tax administration machinery which translate into economic growth. Secondly, the problems of the challenges facing tax administration in Nigeria which include tax evasion and avoidance, non compliance, deficiencies in tax collection system, obsolete tax laws, complex legislation and corrupt practices which affect tax revenue generation for the growth of the economy. The problem that generated from taxes over the years, there is the question whether or not the economic growth of Nigeria in terms of the various economic indicator is justifiable given the relative revenue that accrue to government from taxes.

Therefore, this present study attempts to investigation the impact of tax administration and revenue generation on economic growth of Nigeria. Hence, to achieve this objective, the study is divided into five interconnected sections. The next section presents literature review. The third section discusses the materials and methods. Section four presents the results and discussion and the final section presents the conclusion and recommendations.

Literature Review

Theoretical Framework: Ordinarily, people abhor tax payment due to its effect on their income. Owens (2006) noted that only a few people are enthusiastic about paying tax. Tax policy must be generally acceptable by the people if it will gain compliance in order to achieve greater revenue generation. It therefore means that for compliance by taxpayers to be achieved, a good efficient and effective tax system must be in place. There are models and theories of tax payer behaviours and tax compliance in tax administration. These theories are Economic deterrence, Fiscal exchange, Social influences, Comparative treatment, and Political legitimacy, the theory of planned behaviours and voluntary compliance theory.

Economic Deterrence: Economic deterrence theory otherwise known as A-S model of tax compliance was propounded by (Allingam and Sandmo 1972). This theory is based on tax evasion compliance behaviour by taxpayers. The theory is of the assumption that taxpayer's behaviour towards taxation is determine or influenced by tax audit, detection of evasion and the extent of the severity of penalties that is melted on tax evaders. In other words when severe penalties is melted on tax evaded there is the tendency that few people will evade tax. On the other hand more people will evade tax if the penalties are relaxed thereby giving room to non compliance. (Andreoni etal 1998), posited that the model relies upon a wide range of major assumptions that are generally unrealistic for determining taxpayer's behaviour. Focusing on the use of coercion on compliance rather than the use of consensual method lead to more criticism of the model. However, despite the criticism of the model, it is widely used in tax administration especially when enforcement strategies involving the use of penalties and tax audit is to be adopted as people become indifferent when it comes to taxation. There are some evidence to support the relevance of deterrence theory in addressing taxpayer's non compliance (Mckerchar and Evans 2009). Due to the fear of tax audit, the detection of evasion and the penalties that follows, it is seen as an effective strategy to induce taxpayer's behaviour towards compliance. It can be therefore said that when situation demands that coercive measure be adopted for tax compliance and penalties on defaulters these will make people to comply with the resultant effect of increase in tax revenue generation.

Fiscal Exchange This theory is of the assumption that taxpayer's compliance behaviour will be influence by the provision of public goods and services by government (Moore 2004). This means that when government discharges its traditional functions and obligation to the citizen, it therefore influences their behaviour toward tax payment compliance as the main concern of taxpayer is what they receive in exchange of the taxes they paid. This theory is seen as a contractual relationship between taxpayers and the government as the taxpayer could be said to be exchanging purchasing power in the market in return for government services. The benefit expected to be received by the tax payer aid in voluntary compliance rather than coercion. It is the bargaining over taxes which is central to building relations of accountability between the government and society based on mutual rights and obligation rather than on patronage and coercion (Brautigam 2009; Moore 2004). Therefore, Fiscal exchange theory is more or less a game of politics and power by the government in authority to provide the basic public goods and services to the citizenry so as to influence the behaviour toward tax payment. By the motivation of the citizen through the provision of social and economic goods needed by the citizen, taxation will be accepted as a normative act hence there is the tendency that increase tax revenue will be generated due to tax compliance.

Social Influences: This is of the assumptions that the behaviour of human being towards taxation is influenced by the social interactions (Snavely 1990). The interaction of people for instance peer group towards taxation affects taxpayer's compliance behaviour. When a taxpayer notice that certain type or group of people he expect

to pay tax are not paying he will tends to evade taxes like them. On the other way round social relationship may also help preventing people from evading taxes for fear of social sanctions imposed for failure to pay taxes. Hence, it can therefore affect compliance especially the perceived probability of detection and penalties.

Comparative Treatment: The idea behind comparative treatment theory is based on equity principle of taxation. The compliance of people with rules governing taxation is perceived to be determined by the impartiality (Mckerchar and Evans 2009). This is to say that where there is partiality and inequalities the behaviour to compliance will be negative on the other hand where there is equity treatment the relationship of taxpayer and government will tend to improve on tax compliance.

D'Arcy (2011) posited that the treatment of government to citizen has a lot to do with taxpayer's compliance behaviour. If the state treats certain groups of people preferentially it may affect the relationship with the state and the group receiving preferential treatment therefore equity theory is very crucial in addressing the issue of taxpayer's compliance behaviour.

Political Legitimacy: Legitimacy means the belief or trust people have in the authorities, institutions and social arrangement to be appropriate, proper just and work for the common good. Tax compliance behaviour is influenced by the level of trust people have and the perceptions about government authorities and institutions. The higher the legitimacy for political institutions the higher the level of tax compliance (Torgler and Schneider 2007). It is of the notion that the more accountable the government is with taxpayer's money, the more legitimate its actions becomes. In turn, citizens become increasingly willing to assent to and comply with taxation. Legitimacy theory is said to work well or could be better applied when there is higher degree of trustworthiness of tax authorities. It is said to be positively related to tax compliance and perception about government on tax matters (Tayler 2006, Kirchler etal. 2008). The trust bestowed on government makes taxpayer to have cooperative behaviour and the willingness to pay taxes voluntarily. People are more compliant when they feel the government is politically legitimate and accountable towards taxation.

Theory of Planned Behaviour: This theory focus on the intention of people or individual to pay or not to pay taxes. Under this theory one may decide to perform its civic responsibility of paying taxes to the government hence such payment is govern by his will to do so. Ajzen (1991) posited that intentions are the motivational factor that influences behaviours which is under the control of an individual. Therefore, since the will or intention of choosing for oneself to do or not to do, it is referred to planned behaviour. However, other motivation factors can influence the behaviour of an individual towards the payment of taxes.

Voluntary Compliance: Voluntary compliance is a situation whereby an individual or taxpayer voluntary complies with the discharge of his obligation. The taxpayer does not need to be coerced or forced into paying taxes and he does not see tax payment as a burden to him, rather he sees it as a duty he or she owe to the government. Voluntary compliance is therefore an important determinate in tax administration and hence help in achieving greater tax revenue.

Theories of Taxation: The following theories of taxation are discussed in this study:

Benefit Received Theory: This theory dictates that the state should levy taxes on individuals according to the benefit they derived from government expenditure. The more benefits a person derived from the activities of the state, the more he should pay tax to the government. In other words this theory proceed on the assumption that there is basically an exchange or contractual relationship between a tax payer and the state. Tax revenue is expected to be used by the government to provide common benefit to the citizen. It is not intended to provide a direct or specific benefit to any individual. One of the objectives of taxation is to redistribute income by taxing the rich more than the poor. It then means that if the benefit received theory is to be applied; the poor will end up paying more tax than the rich because most of the government expenditures are intended to benefit the poor more than the rich. Secondly, taxation based on the benefit theory will not yield enough revenue to the government because many people who can afford to pay high taxes may end up paying less since they do not receive much benefit from government activities. This theory therefore kicks against the principle of justice.

Ability to Pay Theory: This theory dictates that every taxpayer should be taxed based on his ability to pay. Under this theory people with higher income should pay more taxes than people with lower incomes. In this case taxes should be levied on the basis of taxable capacity of an individual. This approach considers tax liability in its true form of compulsory payment to the government without quid pro quo and does not assume any commercial or semi commercial relationship between the government and the individuals. An individual is to pay taxes just because he can, and his relative share in the total tax burden is to be determined by his relative paying capacity. This theory ensures justice or equity in taxation (Musgrave and Musgrave, 2004; Bhartia, 2010; Jhingan, 2012; Appah, 2014).

Cost of Service Theory: This theory is of the opinion that if the state charges actual cost of services rendered from the people it will satisfy the idea of equity or justice in taxation. The theory can no doubt be applied to some extent in those cases where the services are rendered out of prices and are a bit easy to determine. Examples of such services are postal, railway services, supply of electricity and the likes. But most of the expenditure incurred by the state cannot be fixed for each individual because it cannot be exactly determined.

For example how can we measure the cost of the service of the police, armed forces, judiciary etc. to different individuals? This theory was rejected on the ground that there is no quid pro quo in a tax (Musgrave and Musgrave, 2004; Bhartia, 2010; Jhingan, 2012; Appah, 2014).

Equitable Taxation: The equitable taxation stresses equity and leaves no room for efficiency concern. The ability-to-pay approach concentrates on equivalent taxable capacity and measures the ability by defining the comprehensive tax base in terms of comprehensive income (Simons, 1938). Besides, other tax bases, such as consumption and lifetime income, are proposed to assess the ability. The sacrifice approach interprets equality as equal sacrifice of individual utility, be it absolute, proportional or marginal, when paying tax. Thus, a progressive taxation is advocated. In other words, this school of thought advocates that when an individual earns more, he or she should pay more, hence taxation can be adjudged equitable (Musgrave and Musgrave, 2004; Jhingan, 2012; Appah, 2014).

Optimal Taxation: Optimal taxation on its own Acknowledges the necessity of trade-off between equity and efficiency, the optimal taxation seeks an optimal tax structure to maximize a social welfare function subject to constraints. A large literature of optimal taxation has grown up, such as for income taxation, commodity taxation and the like (Musgrave and Musgrave, 2004; Bhartia, 2010; Jhingan, 2012; Appah, 2014).

Conceptual Framework: The conceptual Framework for this study involves the issues in tax and tax administration and revenue generation.

Meaning of Taxation: Taxation can therefore be defined as a system of taxing or executing the collection of tax by the authorities. Ola (1999) defined taxation as a compulsory levy imposed on a subject or upon his property by the government to provide security, social amenities and create conditions for the economic well-being of the society. In a similar vein, ICAN (2009) defined taxation as a form of levy, imposed on all residents living in, as well as non-residents doing business, within a tax jurisdiction. It is a civic and patriotic responsibility of citizens, to pay taxes imposed, which also come to the government as income or revenue yielding device to finance the provisions of socio-economic and infrastructural amenities and also to enhance industrial efficiency. According to Nzotta (2007), a tax is a compulsory levy contribution made by the citizens to the state or even an alien, subject to the jurisdiction of the government, for reasons of residence or property and this contribution is for general common use. Secondly, a tax imposes a general obligation on the taxpayer. This means the tax payer has a duty to pay the tax, if he is liable and should not in any circumstances evade it. Thirdly, there is the presumption that the contribution to the public revenue made by the taxpayer may not be equivalent to the benefit received from the public sector. Finally, a tax is not levied on a citizen by government because it has rendered specific services to him or his family.

Although, there are various taxes collected by the government such as company income tax, personal income tax, petroleum profit tax, value added tax, capital gain tax, custom and excise duties, education tax as well as other levies, focus is on four of these taxes. These are personal income tax, company income tax, petroleum profit tax and value added tax.

PERSONAL INCOME TAX (PIT): This is a type of tax charged on the income of individual. The chargeable income of an individual is the aggregate amount from all sources (whether from employment, investment, profit from trade, profession or vocation etc) after deducting all non-taxable incomes and relief granted.

COMPANY INCOME TAX (CIT): Company Income Tax is regulated by Companies Income Act 2004. All income accruing to a company chargeable to CITA is taxed on preceding year basis not on actual year basis. Therefore, companies income tax is a tax imposed on the profit of companies (excluding profit from companies engaged in petroleum operations) accruing in, derived from, brought into or received in Nigeria in respect of any trade or business, rent, premium, dividends, interest, loyalties and any other source of annual profit. The tax is charged at the rate of 30%.

PETROLEUM PROFIT TAX (PPT): Petroleum profit tax involves the charging of tax on the income accruing from petroleum operations. It is a tax applicable to upstream operations in the oil industry Odusola (2006). The importance of petroleum to the Nigeria economy give rise to the enactment of the different law regulating the taxation of incomes from petroleum operations. This means that companies engaging petroleum operations will not be subjected to tax on the CIT, but rather on the Petroleum Profit Tax Act. For this reason, the Petroleum Profits Tax Act, cap. P13 LFN 2004 imposes tax on the profit of companies engaged in petroleum operations.

A petroleum operation is defined as the winning or obtaining and transportation of petroleum or chargeable oil in Nigeria by or on behalf of a company for its accounts by any drilling, mining, extracting or other like operations or process of a business earned on by the company incidental thereto and any sale of or any disposal of, chargeable oil or on behalf of the company. Petroleum profit tax is charged at 85% on export.

VALUE ADDED TAX (VAT): Value added tax is a tax on consumption which is collected at each point of sales of goods and services from production to consumption but eventually borne by the final consumer. Each person is required to charge and collect VAT at a flat rate of 5% on all invoiced amounts. VAT was introduce by the Federal government of Nigeria in January 1993 Ochei (2010). Analyst says that the tax was intended to be a super tax to eradicate completely many other taxes related to goods and services especially sales tax. Under the

Value Added Tax Act 1993 as amended, every person whether resident in Nigeria or nonresident in Nigeria who sells goods or render services in Nigeria under the VAT Act is obligated to register for VAT within six months of it commencement of business in Nigeria. Registration is done with the Federal Board of Inland Revenue (FBIR).

Prior Empirical Studies

Several studies have been conducted by some scholars on the effect of tax administration and tax revenue on economic growth. Some of the studies that are relevant and related to the study are discussed as follows:

The use of tax compliance as the most veritable means of ensuring high tax revenue has been examined by some scholars. D'Archy (2011) analyzed the theoretical model of comparative treatment on tax compliance in several African countries, using survey method. The result of the study revealed a considerable support for comparative treatment in tax compliance. D'Archy (2011) found that to earn the right to collect tax, the state must fulfill its adjudicatory role by providing a judicial system that the citizens trust and in addition the state must be responsive to address the needs of the citizens through the delivery of services. In line with his work, given the African context, voluntary compliance will be achieved if citizen see the result of their tax payment in terms of visible developmental infrastructures that transform to growth.

Also, Timmon (2005) conducted his survey work and find a statistically significant and positive relationship between tax revenue i.e. compliance and government expenditure on social welfare in a cross-country analysis. In a similar study, Picur and Riahi –Belkaoui (2006) based their study on 30 developing and developed counties. The empirical study revealed that there is a positive relationship between attitudes of tax payer towards tax and trust in government and that compliance is highest in countries characterized by high control of corruption and low bureaucracy.

In agreeing with their work, if corruption is adequately controlled tax payers will be willing to pay taxes frequently and timely knowing that the tax revenue is judiciously used for overall well being of the economy.

Lee and Gordon (2004) in their study on tax structure and economic growth examine the effect of tax policies on economic growth of a nation. Their study work was based on cross-country data for the period of 1970 – 1997. The outcome of their work shows that tax rate are significantly negatively correlated with economic growth rate while other standard variables and other determinants of economic growth are put under control. Their finding also shows that in fixed-effect regression increase in corporate tax rate lead to lower future growth rate within countries. Although according to their study, high tax rate as a policy negates economic growth as low income will be generated, this can be applicable to Nigerians context as well as other developing economy. It might be slightly different and may not fully apply to developed economies. The rich are taxed more and they are happy with which ever tax rate applicable and this is not really a factor for their investing.

Ogbonna and Ebimobowei (2012) examined the impact of tax reforms and economic growth of Nigeria using relevant descriptive statistics and econometric analysis. Their finding revealed that tax reforms is positively and significantly related to economic growth. The study also revealed that tax reforms improves on the revenue generating machinery of government to undertake socially desirable expenditures that will transform to economic growth in real output and per capita basis. In line with their study, if tax policies are stringent, it makes tax revenue to decline; therefore, there is need for constant reforms in the system.

Yahaya (2009) carried out a study to investigate the challenges of taxation in Kwara State using survey research method. Primary data was collected through the administration questionnaire on tax officers in Kwara State Board of internal revenue. The data was analyzed using descriptive and inferential statistics. The study found that corruption, ignorance of tax procedure and tax evasion are the major societal factors hindering effective taxation. The study also revealed that ineffective utilization of collected taxes, improper record keeping, non enforcement of tax policies and inadequate facilities to monitor tax payment amongst others were expressed as the major administrative factors retarding effective and efficient taxation in Kwara State.

In agreeing with his study work, the administrative problems of taxation is not just peculiar to Kwara State as the study revealed, it cut across all the states in Nigeria. As such there is need for administrative overhaul to ensure adequate utilization of tax revenue for economic growth.

Expert groups of United Nations (2000) stated that tax revenue contributes to a greater extent to economic growth and thus the need to streamline a nation's tax system so as to ensure the realization of optimal tax revenue through equitable and fair distribution of tax burden. In reality, most developing countries are faced with severe budgetary pressure as a result of ever increasing demand for government expenditure while there is limited scope of raising extra tax revenue due to non compliance by corporate persons as a result of technicalities and tax avoidance, poor recording keeping etc. Whist their work has emphasized the need to streamline nation's tax system, for optimal tax revenue generation, it also implies that if the tax system is faulty revenue can still be generated, but not to an optimal unattained revenue base.

Ebeke and Ehrhart (2010), while examining the sources and consequences of the instability of tax revenue in Sub-Saharan African Counties, using a panel of 30 countries over the period of 1980 – 2005, found that tax revenue instability in Sub Saharan Africa is leading to public investment and government consumption

instability which in turn generate lower public investment ration and therefore detrimental to the long run economic growth.

This study revealed that fluctuation in tax revenue in any nation can lead to fluctuation in economic growth and infrastructural provision for the citizen. Ebeke and Ehrhant (2010) work also agree with the work of Bleany, Gemnel and Greenaway 1995 that high tax instability leads to revenue instability and expenditure instability which affects economic growth.

Similarly, Bleaney, Gemnel and Greenaway (1995) in their study, tax revenue instability with particular reference to Sub-Saharan African countries analyzed the sources and the consequences of revenue instability in developing countries. They found that tax revenue instability is more common in poor more open and more inflationary economies.

There was an evidence that countries with high tax revenue instability tend to have high total expenditure instability. Ken and Mansour (2010), in analyzing the revenue mobilization in Sub-Saharan African found that within Sub-Saharan African, revenue has performed more strongly in resources rich countries. In the same vein, Desai, Foley and Hines (2004) stated that government have at their disposal many tax instrument that can be used to finance their activities. These taxes include personal income tax, company income tax; value added tax, petroleum profit tax, capital gain tax etc. The revenue accrue from these taxes are used by government for investment and economic activities. In line with their work, it is evident that there are many instruments for financing government expenditure activities; however, taxes are some of the instrument apart from FDI.

Jubrin, Ejura and Ifurueze (2012) in their work, they examine the impact of petroleum profit tax on the growth of Nigerian economy for the period of 2000 – 2010. They adopted the use of ordinary least square method of analysis. Their finding revealed that petroleum profit tax impact positively on Gross domestic product of Nigeria and it is statistically significant. It was also found that total oil revenue impact positively on Gross domestic product of Nigeria and statistically significant. They have shown via their work that taxes contribute significantly to GDP of Nigeria; however, the highest contribution comes from petroleum profit tax. This also implies that Nigeria can tax more on petroleum products whereas less on other commodities. In other words, the policy makers can concentrate on policies that will marginally increase the petroleum profit tax while marginally reduce the rate for other taxes.

Ogbonna and Appah (2012), in their study, the impact of petroleum revenue and the economy of Nigeria. The study used primary and secondary data. Primary data was obtained through the use of questionnaires while secondary data was collected from central Bank of Nigeria Statistical Bulletin 1970 – 2009. Using ordinary least square regression and descriptive statistics, their finding reveals that petroleum revenue effects gross domestic product and per capita income of Nigeria positively.

Also, Abdul – Rahomoh, Taiwo and Adejani (2013) in their work the analysis of the effect of petroleum profit tax on Nigeria economy empirically examine the effect of petroleum profit tax on Nigeria economy, using secondary data obtained from Central Bank of Nigeria statistical bulletin for the period of 1970 – 2010. The study adopted the use of multiple regressions to analyze the data on variables such as gross domestic product petroleum profit tax; inflation and exchange rate were all found to have significant effects on the economic growth.

This also agrees with Jubrin etal (2012) that the abundance of petroleum in Nigeria is an opportunity for more revenue generated to the economy. This is done via petroleum profit tax if it is adequately administered.

Adereti et al (2011), in their study on Value Added Tax and Economic Growth of Nigeria, using Time Series data on Gross domestic Product GDP, VAT revenue, Total Tax Revenue and Total Federal Government Revenue for the period of 1994 to 2008. The study makes use f secondary data collected from Central Bank of Nigeria. Data collected was analyzed using simple regression analysis and descriptive statistics, their finding revealed that a positive and significant correlation exists between VAT revenue and GDP. This shows that VAT is an essential component of government income generated. This is very important in the sense that if VAT rate is reduced and more commodities produced, government revenue for economic growth can be increased.

Another study carried out on vat revenue to economic growth is the work conducted by Unegbu and Irefin (2011). In their paper, the impact of value added tax (VAT) on economic growth of emerging Nations from 2001 to 2009, using regression discrimant analysis. Their result revealed that VAT allocations have a very significant impact on expenditure pattern during the period. It was also their finding that the perception by the citizen across the administration areas of the state suggests that VAT has minimum impact level on the economic and human development of Adamawa State from 2001 to 2009. Although their study has shown the fact that VAT revenue is significant to economic growth, it also showed people's perception about VAT and its enforcement is generally low in Nigeria. Policy makers can focus on awareness creation about the need to collect and enforce VAT payment. Similarly, Owolabi and Okwu (2011) did a study and examined the contribution of value added tax to Lagos State economy.

The study made use of simply regression models as abstractions of the respective sectors considered in the study. The study considered a vector of economic development indicators as dependent variables and

regressed each on VAT revenue proceeds to Lagos State for the study period. The aspect of the economy considered included infrastructural development, environmental management, education sector youth and social development, agricultural sector of the economy. The result shows that VAT revenue contributed positively to economic development of the respective sectors. However, the positive contribution was statistically significant in agricultural sector of the economy. On the aggregate, the analysis showed that VAT revenue had a considerable contribution to the economy during the study period. In similar to the work of Unegbu and Irefin (2011) Vat revenue makes considerable contribution to economic growth in Nigeria as such equal attention should be given to enforcing vat collection just as other types of taxes are enforced.

Acti and Abigail (2014) in their paper, The Nigeria Tax System and Economic Growth: A Time Series Analysis, examine the Nigeria tax system and economic growth using a time series data. The data was collected from Central Bank of Nigeria statistical bulletin and Federal Inland revenue services. Regression analysis was used to analyze the data. Their result revealed a linear relationship between economic growth and tax revenue. The study also shows that indirect tax contributes more to the economy than direct taxes which include personal income tax. In view of the above it will be wise to concentrate on policy that will enhance the tax generation prospects from the direct taxes including personal income tax. In other words. Friendly tax rates for direct taxes such as personal income tax should be advocated by policy makers so as to increase revenue generation to the government from direct taxes for economic growth.

Ebiringa and Emeh (2012) in their paper, Analysis of tax formation and Impact on Economic Growth in Nigeria examined the empirical form of tax on the economic growth in Nigeria. Secondary data for the period of 1985 to 2011 was used, using the simple linear regression technique with E-view econometric software. Their finding revealed that from the analysis of GDP estimate, Company Income Tax and Value Added Tax have direct relationship with GDP. This implies that if Company Income Tax and Value Added Tax revenue increases, it leads to increase in GDP which is an indicator of economic growth.

Adegbie and Fakile (2011) in their work examine the relationship of company income tax revenue and Nigeria economy. The study use chi-square and multiple linear regression analysis in analyzing the primary and secondary data collected for the study. It was revealed that there exist a significant relationship between company income tax revenue and the Nigeria economy growth. The study also shows that tax evasion and avoidance are major hindrances to revenue generation.

Although, tax evasion and avoidance are major hindrances to revenue generations as they pointed out, however, they failed to provide the extent by which tax evasion and tax avoidance hinder revenue generation. It is also good to look at other studies that perhaps have shown some relationship or extent of tax avoidance and tax evasion affects revenue generation.

With the vast amount of studies so far reviewed, it shows that the issue of tax administration and tax revenue and economic growth of any country cannot be undermined. All past studies clearly support that tax revenue affect economic growth which is an indicator of development in any nation. Therefore, this work is in line with the work of other scholars. It will therefore contribute to the literature on the issue of tax administration, tax revenue and economic growth.

Therefore, on the basis of this review, the following hypotheses were formulated:

$H0_1$: There is no significant relationship between personal income tax revenue and per capita income of Nigeria.

$H0_2$: There is no significant relationship between company income tax revenue and gross domestic product of Nigeria.

$H0_3$: There is no significant relationship between value added tax revenue and per capita income of Nigeria.

$H0_4$: There is no significant relationship between petroleum profit tax revenue and gross domestic product of Nigeria.

$H0_5$: There is no significant relationship between tax administration and economic growth of Nigeria.

Materials and Methods

Data for this study were collected from both primary and secondary sources. Primary data were obtained through the use of questionnaire administered on staff of Federal Inland Revenue Service (FIRS) and State Internal Revenue Service (SIRS) on tax administration. The questionnaire was validated using face and content validity and the reliability test was conducted among a group of 50 employees in FIRS and SIRS to ascertain if the correlation between the dependent and independent variables. The rank correlation was 0.78, signifying that the instrument is reliable. On the other hand, time series data from secondary sources were also obtained. The relevant data were collected from Central Bank of Nigeria Statistical Bulletin (various years), Central Bank of Nigeria Annual Report and Statement of Accounts, Bureau of National Statistics and Federal Inland Revenue Service (FIRS) reports of various years data involving Gross domestic product GDP, per capita income (PCI) and tax revenue, the personal income tax, petroleum profit tax, company income tax, value added tax and petroleum profit tax revenue of 22years period (1990 – 2012) were obtained.

Results and Discussion

HO1: There is no significant relationship between Personal income tax revenue and Per Capita income of Nigeria within the period 1990 – 2012.

The regression table shows a sign Figure of .0044which is less than 0.05; we therefore reject the null hypothesis one and accept the alternate hypothesis which states that there is significant relationship between Personal income tax revenue (PITR) and per capita income of Nigeria within the period 1990 – 2012. To ascertain the strength of the relationship, we obtain a figure of r = .5716, showing a strong relationship between the variables.

Ho2: There is no significant relationship between Company Income Tax revenue and Gross domestic product of Nigeria within the period 1990 – 2012.

The regression table above depicts a sign Figure of .0000 which is less than 0.05. We therefore reject Ho_2 and accept the alternate hypothesis which states that there is a significant relationship between Company income Tax Revenue and Gross Domestic product of Nigeria within the period 1990 – 2012. Similarly, to ascertain the strength of the relationship, we obtain the r = .9562 which indicates a very high significant relationship between the variables.

$H0_3$: There is no significant relationship between VAT revenue and PCI of Nigeria within the period 1990 – 2012.

Again, we apply the decision rule of accepting the $H0_3$ if the significant value is greater than 0.05. Similarly, from the regression table, the significant figure shows a value of .0001 which is less than 0.05; therefore we reject the null hypothesis and accept the alternate which says that there is a significant relationship between VAT revenue and PCI of Nigeria within the period 1990 – 2012. The strength of the relationship was expressed in the value of .7777 depicting a strong relationship between the variables.

$H0_4$: there is no significant relationship between Petroleum Profit Tax revenue and GDP of Nigeria within the period 1990 – 2012.

The regression table shows a sign F value of 0.001 which is less than 0.05. The $H0_4$ is therefore rejected and accept the alternate hypothesis which states that there is a significant relationship between Petroleum Profit Tax revenue and GDP of Nigeria within the period 1990 – 2012. Testing the strength of the relationship via the Pearson's statistics, the value of .7374 is obtained. This shows a strong relationship that exists between the variables.

$H0_5$: There is no significant relationship between Tax Administration and Gross Domestic Product of Nigeria within the period 1990 – 2012.

The regression table portrays a sign F value of 0.0209 which is less than 0.05 while the Pearson statistical test is .0745. We therefore reject the null hypothesis $H0_5$ and accept the alternative hypothesis which states that there is a significant relationship between tax administration and Gross domestic product of Nigeria.

From the results, it is observed that a significant relationship exist among the variables tested. This applies to the entire hypothesis. It implies that tax administration and the various tax revenue contributed immensely to the Economic growth of Nigeria within the period under study. However, the result of the study also shows that Company income tax contributes more to the GDP, and PCI of Nigeria. This is evident in the relationships that are seen amongst the variables: Gross Domestic Product, and Per capita income of Nigeria. Furthermore, observe from the table that for Personal income tax revenue and per capita income (R^2 = 0.326; F=10.2; Sign F=0.0044); Company Income Tax and GDP (R^2 = 0.914; F=224.0; Sign F= 0.0000); VAT Revenue and Per Capita Income (R^2 = 0.604; F=26.0; Sign F= 0.0001); Petroleum Profit Tax Revenue and GDP (R^2 = 0.543; F=25.0; Sign F = 0.0001); and for Tax Administration and GDP (R^2 = 0.006; F= 23.0; Sign F = 0.0209). Therefore, for $H0_1$ tested, which shows that a significant relationship exists between Personal income tax revenue and per capita income of Nigeria within the period of study, the result further shows that a strong relationship exists between these variables. This is depicted by the correlation figure obtained from the test as shown in the table 4.8 Pearson's coefficient correlation analysis. The result is in line with the works of Acti & Abigail (2014), and Desai Foley & Hines (2004). Similarly, for $H0_2$ tested which shows that a significant relationship exists between Company Income Tax Revenue and Gross Domestic Product of Nigeria within the period of 1990 – 2012, it also shows that a strong relationship exist among these variables as depicted on the table as well (r = 0.9562). In addition, the strength of the relationship is stronger on CIT in relation to tax revenue. This also implies that CIT is a very essential source of government revenue for economic growth. This result is in line with the works of Ebringa & Emeh (2012) and Adegbie & Fakile (2011). For $H0_3$, a strong and positive relationship exists between VAT revenue and PCI within the period 1990 – 2012. This is seen from the correlation figure as well from the table (r = .7777). However, from the result, the relationship is stronger than that of PIT and PCI; PPT and GDP as well as Tax administration and GDP, but lower than that of CIT and GDP. This implies that apart from revenue from CIT, the most reliable sources of government revenue for economic growth purposes is revenue from Value added tax, hence the strong and positive relationship that is seen between VAT and GDP. The result toes along the same line as that of the researches of Unegbu & Irefin (2011); Owolabi

& Okwu (2011) and Adereti et al (2011).

The null hypothesis four ($H0_4$) tested showed a strong and significant relationship that exist between petroleum profit tax revenue of Nigeria within the period 1990 – 2012, from the result obtained as this can be seen from the result tables. This also implies that another strong and reliable source of revenue to government for stimulating economic growth is PPT. This result is in line with the works of Ogbonna & Appah (2012) as well as that of Jubrin, Ejura and Ifurueze (2012). These authors all agree through their works that PPT has a significant relationship with Economic growth of Nigeria.

In the same vein, $H0_5$ tested shows a positive and significant relationship between tax administration issues and economic growth of Nigeria within the period 1990 - 2012, as can be deduced from the tables. This also implies that administrative issues if tackled adequately will lead to increase in tax revenue generation for stimulating economic growth in Nigeria. This result is in line with the works of Ogbonna & Ebimobowei (2012), Yahaya (2009), Lee & Gordon (2004), and Abiola &Asiweh (2012). All these give credence to tax administration having a significant impact on tax revenue generated for economic growth purposes.

Conclusion and Recommendations

This study assessed the effect of Tax Administration and Tax Revenue generated on economic growth of Nigeria looking at the period of 1990 – 2012. Economic growth is characterized by increased GDP, increase in disposable income available to its citizens which is reflected in terms of the per capita income available to them. However, when sufficient revenue is generated, it leads to a beehive of economic activities which ultimately leads to growth in terms of volume of businesses, trade and industry as well as investment opportunities. But this is not always the case as several factors lead to slow economic growth including dwindling revenue base of the nation.

Proper or adequate tax administration so as to generate sufficient revenue to trigger economic growth is a matter of concern to Government and all stakeholders, as it may have adverse consequences on the systematic stability of the revenue base of the nation at any point in time. The magnitude of this effect depends on specific circumstances of each economy, such as regulatory framework, supervision practices, international financial integration, and policy issues. Furthermore, since taxation as a means of revenue generation for the nation, is likely to continue given its huge impacts on the revenue base, further policy measures may be necessary in order to maintain a competitive environment and strengthen the involved agencies for efficiency and profitability. The study recommends amongst others that there is the need to create more incentives for taxation especially the petroleum profit tax and personal income tax. This will help to boast the revenue base from those areas of taxation as seen in the study that their revenue base is low compared to others, incentives can come in the form of tax holidays or other kind of rewards that will make the operator of companies in the oil and gas sector to pay more of tax; government should create more awareness as well as train all people involved in the collection and remittance of VAT on the need for prompt payment of this tax; more reforms in the tax administrations and collection is needed so as to eliminate, if possible the areas that can cause revenue leakage as a result of loopholes in tax collection and remittances from the authorities, and this is capable of limiting the economic growth of the nation.

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