Tax Administration and Pay-As-You-Earn System of Revenue Generation in Yobe State

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Abstract

The study investigated the effect of Tax Administration on revenue generation under Pay-As-You-Earn (PAYE) system in Yobe State. Both primary and secondary sources of data were used. 50 questionnaires were administered to staff Yobe State Internal Revenue Service at random, all the 50 questionnaires were returned. Tables and simples percentage were used to analyze the data. SPSS version 16 was used to test the hypothesis. The findings revealed that there is a significant relationship between tax administration and revenue generation in Yobe State. The study recommends that Yobe State Government should put in place a tax system that can enhance better tax administration and that tax collection should be left in the hand of private consultants..

Keywords: **Tax, Administration, Revenue, Generation, Yobe State**

I.   Introduction

Taxation and system of revenue generation are inseparable in economic flow of any state and/or country, over the years becomes a researchable concern taking a look at the fluctuation in the price of oil in Nigeria, economic instability and downturn, with effect on the inflow and outflow of income distribution to the federal and state government. The need for the all arms of government to generate revenue from internal sources has become a matter of urgent concern. The situation has made the government to look inward for a new source of revenue or to be more aggressive and innovative in the mode of collecting revenue from the existing sources.

Taxation is defined as an enforceable contribution of money enacted pursuant to legislative authority. If there is no valid status by which it is imposed. A CHARGE IS NOT TAX. Taxation is targeted towards all evasion and social welfare (Oyedokun, 2020). Taxation is used as an instrument of economic regulation for the purpose of discouraging or encouraging certain form of socio-economic behavior. In addition it can be used to achieve specific economic objectives of nations. It is also a device to improve gross domestic product, induce economic development and influence favorable balance of payments with other countries (Magashula, 2010). The PAYE directly on the individual's "income as a result of employment and the employee "s income are taxed using a graduated scale. The tax calculated is usually deducted from the source and is done by the employer who will remit the amount to the tax authorities (Osho, Ogunyakin & Fadakinte, 2020).

Taxation is very contributive to the revenue generation process of any state. However, there is the problem of how to properly manage tax administration in Yobe State, the extent to which the tax laws is properly interpreted and implemented. The problem of whether or not adequate tax revenue is generated from various taxes through tax administration machinery which translate into economic growth. Also the problem of tax evasion and tax avoidance, the problem of non-compliance, deficiency in tax collection system, obsolete tax laws, complex legislation and corrupt practices which affect revenue generation for the growth of the economy of Yobe State.

In view of the above, there is the question whether or not the economic growth of Yobe State is justifiable given the revenue that is accrued to the government from taxes. In an effort to solving the problem aforementioned, the Yobe State Government recently introduced a new tax policy and administration model on income arising from an employment, trade, business, profession or vocation. The assessment compels the civil servants and the self-employed to pay more taxes of up to 100% increase of the previous year's liabilities. So far, 90 percent compliance has been achieved. Actually, there is need to acutely understand the system to which taxation and revenue generation operates. Therefore, this study seeks to examine the level at which taxation processes relates with the Pay-As-You-Earn System of revenue generation towards revenue generation.

II. Literature Review/Conceptual Framework

Concept of Taxation

Taxation is not a new word in Nigeria or the world as a whole. In Nigeria, taxation has been in existence even before the coming of the colonial men or the British. Taxation can be defined as the system of imposing a compulsory levy on all income, goods, services and properties of individuals, partnership, trustees, executorships and companies by the government (Samuel and Simon, 2011; Yunusa, 2003). Taxation is the art or process of being taxed. It is the primary source of governmental revenue. Specifically, it is an instrument for moving resources from the private hands to the public in order to achieve some of the country's economic and social goals (Ekine, 2011). The primary purpose of taxation is to raise revenue to meet huge public expenditure. That is, to generate or create revenue capable of financing the expenditure of government at all levels (Emmanuel and Charles, 2015).

Taxation is a powerful tool in the hands of the governments (federal, state or local) to achieve stated economic and social goals among which is economic growth. Taxes could be direct and indirect. Yunusa (2003) and Aguolu (2004) defined direct taxes as taxes levied on the income of individual, group of individuals, and business firms and are paid directly by the person or persons on which it is legally imposed by the tax authority. Direct taxes can be classified into Personal Income tax, Company Income tax, Capital Gain tax, Petroleum Profit tax, and Capital Transfer tax. Indirect taxes are taxes levied on expenditure that is, goods and services. These taxes are paid as part of payment for goods and services purchased by the ultimate users or consumers. The incidences of this type of taxes are usually borne by the third-party. Indirect taxes can be classified into the following: Import duties, Export duties and Value Added Tax (Yunusa, 2003). Taxation is described as a compulsory contribution by the government and he concluded

that even though tax payers may receive nothing identifiable in return for their contribution, they nevertheless have the benefit of living in a relatively educated, healthy and safe society (Oyedokun, 2020).

Taxes can be used to control anti-social behavior such as smoking, drinking of alcohol and pool betting or gambling by imposition of higher tax rate on production of such goods (Cornelius, Ogar & Oka, 2016). Onyele & Nwokoacha (2016) submitted that the purposes of taxation include raising revenue for the government for administration purpose and improvement of the society. As such, it is believed that payment of tax is helpful to the person paying and the citizenry, since tax revenue is used to accomplish some economic and social goals of the country. Examples of countries that have used tax revenue to create prosperity include Netherland and Canada. In addition, tax system provides a path for government to bring together additional revenue besides income from other sources, which is needed or required in discharging the imperative obligation.

A good system of taxation also presents itself as one of the most effective means of assembling a country's domestic resources and it lends itself to make sustainable environment that will encourage growth and development. Tax revenues are usually used for the provision of public goods including the defense of country against external aggression, maintenance or upholding of law and order, and regulation of trade and business environment to guarantee social and economic justice. Strictly speaking, the entire essence of taxation is to generate revenue to advance the welfare of the inhabitants of a nation with focus on promoting the growth and development of the country's economy through the provision of essential amenities for improved public services through proper managerial system and structures. However, over the years, these benefits in Nigeria have been in significant and revenue from taxes has been the explanation or cause of a little proportion of total government revenue in Nigeria.

III.   Concept of PAYE System of Revenue Generation

Although, all withholding taxes aim to tax income when it is earned, only withholding on wages is commonly known as pay-as-you-earn (PAYE). This tax plays an important role in nearly all national tax system The PAYE is an important and easy-to-collect revenue item. Its claim on the resources of the tax administration is limited, particularly if return filing by employees is restricted to those who earn substantial other income or are entitled to significant special deductions, or both. A simple PAYE does not complicate the employer's wage administration. Compliance control can focus on employers only, rather than on individual employees. Non-consolidation with other income is more acceptable when other income is also subject to withholding taxation (Uwaoma & George, 2015). The PAYE is a high-yielding revenue collector in many countries. It generates a lion's share of the personal income tax and, in industrial countries, usually exceeds the revenue of the general sales tax or value added tax (VAT) by an ample margin.

Maryam (2011), conducted a study on Tax collection and Revenue Generation in Gombe State. The study aimed to identify the problems associated with tax collection in the State. Simple random sampling technique was used and 51 questionnaires were distributed to the staff of Gombe state internal revenue

service and some selected tax-payers in the state. The findings of the research shows that, tax avoidance, evasion, bribe and corruption are the major problems affecting revenue generation in the state.

IV.   Legal Framework in Taxation and Revenue Generation in Yobe State

Yobe State Internal Revenue Service is the only body empowered by law to collect all taxes, levies, fines, fees and any other revenues due to the State as enshrined in the establishment law. It is also to account for all such taxes and revenue collected appropriately as prescribed by the law.

The approved list of taxes and levies collectable by the State Internal revenue Service as per (Approved list for collection) Act Cap T 2 Laws of the Federation of Nigeria 2004 as amended are:

1.   Personal Income Tax
2.   Withholding Tax (individual only)
3.   Capital Gain Tax (individual only)
4.   Stamp Duties on Instruments executed by individual
5.   Pools, betting, lotteries ,gaming and casino taxes
6.   Road Taxes
7.   Business Premises registration fees in respect of Urban and Rural Areas which include registration fees and per-annum renewable as fixed by the state.
8.   Development Levy (individual only) on all taxable individuals
9.   National Information Technology Development Levy
10. Naming of street registration fees in the State Capital
11. Right of Occupancy (R of O) fees on lands owned by the State Government in urban areas of the state
12. Market Taxes and Levies where State finance is involved
13. Land Use Charge, where applicable
14. Hotel, Restaurant or Event Centre consumption Tax where applicable
15. Entertainment Tax, where applicable
16. Environmental (Ecological) fee or levy
17. Mining, milling and quarrying fee, where applicable
18. Animal Trade Tax, where applicable
19. Produce Sales Tax
20. Slaughter or Abattoir Fees, where State finance is involved
21. Infrastructure Maintenance Charge or Levy where applicable
22. Fire Service Charge
23. Property Tax, where applicable
24. Economic Development Levy, where applicable
25. Social Services contribution Levy
26. Signage and Mobile Advertisement

To secure payments and ensure seamless tax payment, use the Yobe State Government E-Collection platform, POS and Internet banking facilities on your devices. The platform can be used for the payment of all taxes, levies, and other government revenues such as:

i. Personal Income Tax (PAYE and Direct Assessment)
ii. Withholding Tax (WHT)
iii. Stamp Duty (Individual)
iv. Contract Registration and Revenue Fee
v. Signage and Adverts
vi. Business Premises Registration Fee
vii. Private Schools Registration and Renewal Fee Right of Occupancy
viii. Development Levy
ix. Road Taxes
x. Fines
xi. Fees
xii. Any other taxes/revenue due to the Yobe State Government.

V.   Methodology

Data for this study were collected from both primary and secondary sources. Primary business organization, civil servants etc. the questionnaire was validated using face and content validity and the reliability text was conducted among a group of 50 employees in FIRS and SIRS to ascertain if there correlation between the dependent and independent variable.

VI.   Results and Discussion

Demographic Characteristics of Respondents

Table 1: Sex

	Frequency	Valid Percent
Male	30	60.0
Female	20	40.0
Total	50	100.0

Out of 50 respondents, 30 (60%) are males, 20 (40%) are females. This implies that there were a higher number of males that participated in the study than female.

Table 2: Marital Status

	Frequency	Valid Percent
Single	10	20.0
Married	23	46.0
Divorced	10	20.0
Widowed	7	14.0
Total	50	100.0

Out of 50 respondents, 10 (20%) are single, 23 (46%) are married, 10 (20%) are divorced, and 7 (14%) are widowed.

Table 3: Work Experience

	Frequency	Valid Percent
1-5years	11	22.0
6-10years	19	38.0
11-15years	16	32.0
Above15years	4	8.0
Total	50	100.0

Table 3 shows that out of 50 respondents, 11 (20%) had a work experience of 1-5 years, 19 (38%) had 6-10 years of experience, 16 (32%), 4 (8%) above 15 years.

Table 4: Qualification

	Frequency	Valid Percent
FSLC	11	22.0
SSCE	6	12.0
ND/NCE	12	24.0
HND	4	8.0
BSC	10	20.0
MSC	5	10.0
PhD	2	4.0
Total	50	100.0

Table 4 shows that 11 (22%) had obtained FSLC, 6 (12%) SSCE, 12 (24%) ND/NCE, 4 (8%) HND, 10 (20%) BSC, 5 (10%) MSc and 2 (4%) had PhD.

Table 5: Ranks Attained

	Frequency	Valid Percent
JuniorStaff	18	36.0
SeniorStaff	32	64.0
Total	50	100.0

From table 5, the total number of senior staff exceeded junior staff with 18 (36%) for junior staff and 32 (64%) for senior staff.

Table 6: Responses on the Effectiveness of Tax Administration

		Frequency	Valid Percent
	Strongly Agree	20	40.0
	Agree	12	24.0
	Disagree	6	12.0
	Strongly Disagree	6	12.0
	Neutral	6	12.0
	Total	50	100.0

Table 6 shows that 20 (40%) respondents strongly agreed that tax administration is effective, 12 (24%) agreed that it Is effective, 6 (12%) disagreed, 6 (12%) strongly disagreed, and 6 (12%) were neutral

Table 7 : Responses on tax administration providing a way of communicating tax policy to payers

		Frequency	Valid Percent
	Strongly Agree	16	32.0
	Agree	16	32.0
	Disagree	10	20.0
	Strongly Disagree	5	10.0
	Neutral	3	6.0
	Total	50	100.0
	Total	50	100.0

Table 7 shows that 16 (32%) respondents strongly agreed that tax administration provides a way of communicating tax policy to payers, 16 (32%) agreed that tax administration provides a way of communicating tax policy to payers, 10 (20%) disagreed, 5 (10%) strongly disagreed, and 6 (12%) were neural.

Table 8 : Responses on the tax payers' compliance with the tax policy

		Frequency	Valid Percent
	Strongly Agree	15	30.0
	Agree	13	26.0
	Disagree	10	20.0
	Strongly Disagree	8	16.0
	Neutral	4	8.0
	Total	50	100.0

Table 8 shows that 15 (30%) respondents strongly agreed that the tax payers comply with the tax policy, 13 (26%) agreed that the tax payers comply with the tax policy, 10 (20%) disagreed, 8 (16%) strongly disagreed, and 4 (8%) were neutral.
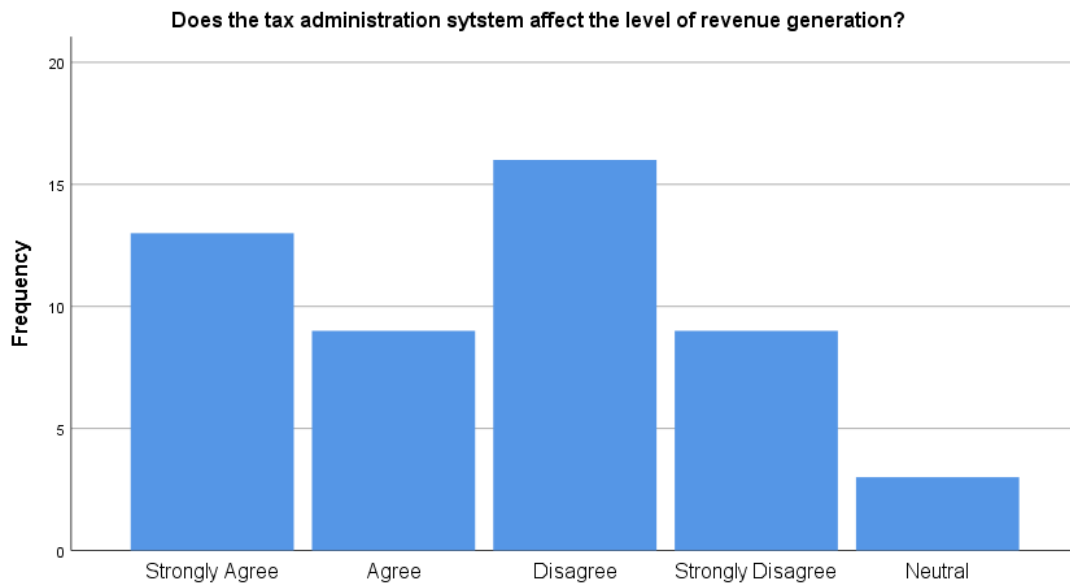
Does the tax administration sytstem affect the level of revenue generation?

Fig. 1 : Responses on The tax administration system affecting the level of revenue generation

Table 8 shows that 13 (26%) respondents strongly agreed that tax administration system affects the level of revenue generation, 9 (18%) agreed that tax administration system affects the level of revenue generation, 16 (32%) disagreed, 9 (18%) strongly disagreed, and 3 (8%) were neutral.

Table 9: Responses on the relevant tax authority in the State showing appropriate behavior towards the assessment of tax and compliance

		Frequency	Valid Percent
Valid	Strongly Agree	5	10.0
	Agree	10	20.0
	Disagree	20	40.0
	Strongly Disagree	10	20.0
	Neutral	5	10.0
	Total	50	100.0

Table 9 shows that 5 (10%) of the respondents strongly agreed that the relevant tax authority in the State showing appropriate behavior towards the assessment of tax and compliance, 10 (20%) agreed that the relevant tax authority in the State showing appropriate behavior towards the assessment of tax and compliance, 20 (40%) disagreed, 10 (20%) strongly disagreed, and 5 (10%) were neutral.

Table 10: Responses on The revenue generation using PAYE System is adequate

		Frequency	Valid Percent
Valid	Strongly Agree	16	32.0
	Agree	18	36.0

	Disagree	6	12.0
	Strongly Disagree	6	12.0
	Neutral	4	8.0
	Total	50	100.0

Table10showsthat16(32%)of the respondents strongly agreed that the revenue generation using PAYE System is adequate, 18 (36%) agreed that the revenue generation using PAYE System **is** adequate, 6 (12%) disagreed, 6 (12%) strongly disagreed, and 4 (8%) were neutral.

Table 11: Responses on the PAYE System enhances easy tax compliance monitoring system

		Frequency	Valid Percent
Valid	Strongly Agree	3	6.0
	Agree	29	58.0
	Disagree	13	26.0
	Strongly Disagree	4	8.0
	Neutral	1	2.0
	Total	50	100.0

Table 11 shows that 3 (6%) of the respondents strongly agreed that the PAYE System enhances easy tax compliance monitoring system, 29 (58%) agreed that the PAYE System enhances easy tax compliance monitoring system, 4 (8%) disagreed, 1 (2%) strongly disagreed, and 4 (8%) were neutral.

Table 12: PAYE System has technological limitations in operating it

		Frequency	Valid Percent
Valid	Strongly Agree	5	10.0
	Agree	10	20.0
	Disagree	17	34.0
	Strongly Disagree	13	26.0
	Neutral	5	10.0
	Total	50	100.0

Table 11 shows that 5 (10%) of the respondents strongly agreed that PAYE System has technological limitations in operating it, 10 (20%) agreed that PAYE System has technological limitations in operating it, 17 (34%) disagreed, 13 (26%) strongly disagreed, and 5 (10%) were neutral.

Table 12 : Responses on Revenue generation by PAYE is very effective

		Frequency	Valid Percent
Valid	Strongly Agree	20	40.0
	Agree	12	24.0
	Disagree	5	10.0

Strongly Disagree	7	14.0
Neutral	6	12.0
Total	50	100.0

Table 12 shows that 20 (409) of the respondents strongly agreed that PAYE System has technological limitations in operating it, 12 (24%) agreed that PAYE System has technological limitations in operating it, 5 (10%) disagreed, 7 (14%) strongly disagreed, and 6 (12%) were neutral.

VII.   Testing of Hypothesis

Hypothesis 1

Ho: There is no significant relationship between tax administration and the PAYE Revenue Generation System Effectiveness

Hi: There is a significant relationship between tax administration and the PAYE Revenue Generation System Effectiveness

Correlations

		Tax Administration	PAYE Revenue Generation System Effectiveness
Tax administration	Pearson Correlation	1	.84
	Sig. (2-tailed)		.034
	N	50	50
PAYE Revenue Generation System Effectiveness	Pearson Correlation	.84	1
	Sig. (2-tailed)	.034	
	N	50	50

The result of the analysis above shows that there is strong relationship between Tax Administration and PAYE Revenue Generation System Effectiveness. From the correlation summary table, it could be observed that the correlation coefficient R of 0.84 tells us that there is a high positive relationship between Tax Administration and PAYE Revenue Generation System Effectiveness in Yobe State. The value of R^2 of 0.706 (known as the coefficient of determination) tells us that 70.6% of PAYE Revenue Generation System Effectiveness in Yobe State could be explained by effective Tax Administration.

Hypothesis 2:

Ho: There is no significant impact of compliance monitoring on the payer's compliance with tax policy

Hi: There is a significant impact of compliance monitoring on the payer's compliance with tax policy

Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	22.742[a]	16	.121
Likelihood Ratio	24.421	16	.081
Linear-by-Linear Association	2.376	1	.123
N of Valid Cases	50		

a. 22 cells (88.0%) have expected countless than 5. The minimum expected ountis.08.

Symmetric Measures

		Value	Asymptotic Standard Error[a]	Approximate T[b]	Approximate Significance
Nominal by Nominal	Contingency Coefficient	.559			.121
Interval by Interval	Pearson'sR	.220	.128	1.564	.124[c]
Ordinal by Ordinal	Spearman Correlation	.213	.140	1.509	.138[c]
N of Valid Cases		50			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

The Chi-square analysis obtained a Pearson chi-square value of 22.742 with the degree of freedom of 16 and the $p>0.05$. This implies that the there is no significant impact of compliance monitoring on the payer's compliance with tax policy.

VIII.   Findings of the Study

The study examined the relationship between tax administration and PAYE System of Revenue Generation in Yobe State. From the results and analysis of this study, it was found that:

1. Tax Administration is effective and there is a system on grounds in Yobe State
2. Tax administration provides a way of communicating tax policy to tax payers and that the compliance level is average due to
3. Some tax payers are not involved in payment of tax as a result of the corrupt practices of tax officials and the tax authority's behavior towards tax assessment and compliance.
4. There is no significant relationship between tax administration and PAYE revenue generation system.
5. There is no significant impact of compliance monitoring on the payer's compliance with tax policy.

IX.   Conclusion

From the findings of this study, taxation is a instrument for revenue generation in Nigeria across three tiers of government namely federal, state and local governments. This study found out the gap between policy

and implementation most especially in the level of compliance by taxpayers. Nigeria has one of the best tax administrations in world; organized according to the levels of government with autonomous power for each level of government. The PAYE system of revenue generation is simple but it requires serious monitoring for compliance. Therefore, there is need to consistently setup away of assessing the compliance level.

The following are the recommendations arising from this study:

i. Cognizant efforts should be made to enhance the successful operations of revenue officers of the Yobe State internal Revenue Board at training and re-training, provision of incentives for the personnel better working environment for productivity.
ii. Adequate machinery should be put in place and strengthened and there should be continuous education for the citizens on the importance of tax payment and the consequences attached to non-compliance.
iii. State Government should make good use of the revenue generated to better the areas in which they operate. When government does her part, the citizens will not default in the payment if tax which at the end will affect the overall tax system;
iv. Private companies should be employed to manage revenue activities to ease the monitoring and assessment of compliance
v. A simplified income tax assessment from and a tax table should be introduced to assist people in determining their own tax liability and smooth compliance to tax policy. Mini tax offices should be established in all the major markets to effect and simplify the collection of tax collectors.

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