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Tax Revenue and Its Effect on Government Expenditure in Nigeria

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Abstract:

The research work examined tax revenue and its effect on government expenditure in Nigeria. Secondary data source was explored in presenting the facts of the situation. The secondary data were obtained from relevant literatures, Central Bank of Nigeria Statistical Bulletin and National Bureau of Statistics publications among other. Data were tested using the Ordinary Least Square Linear Regression model. From the Central Bank of Nigeria Statistical Bulletin and National Bureau of Statistics, information concerning Total Expenditure, Petroleum Profit Tax, Value Added Tax, Company Income Tax and Personal Income Tax in Nigeria were extracted. The findings show that tax revenue has significant effect on government expenditure in Nigeria. The study concluded that Increase tax revenue is a function of effective enforcement strategy which is the pure responsibility of tax administrators and Tax administration requires highly trained personnel to match up with the sophistication of tax evasion with the use of modern technology. The study then recommends among others, that a carefully planned tax policy which is consciously and faithfully implemented can help to generate revenue that can transform a nation in totality.

Keywords: *Company income tax, government expenditure, personal income tax, petroleum profit tax, tax administration, value added tax*

1. Introduction

According to Raji, (2015), the revenue that accrues to government is derived from two broad sources, viz: the external sources and the internal sources. The increasing cost of running government coupled with dwindling revenue has left various state governments in Nigeria with formulating strategies to improve the revenue base. More so, the near collapse of the national economy has created serious financial stress for all tiers of government. As a result of fall in the international price of oil and the collapse of the national economy, the direct allocation from federation account to the states has fallen. Despite the numerous sources of revenue available to the various tiers of government as' specified in the Nigeria 1999 Constitution, since the 1970s till now, over 80% of the annual revenue of the 3 tiers of government come from petroleum. However, the serious decline in the price of oil in recent years has led to a decrease in the funds available for distribution to the states. The need for states and state governments to generate adequate revenue from internal sources has therefore become a matter of extreme urgency and importance. This urgent need for improvement in revenue generation has underscored the reason why revenue from tax has been the focus of state government in improving the revenue generation. The importance of taxation as a source of revenue to any government cannot be overemphasized. The study of the teachings of Christianity, Islamic and other prominent religions in the world shows that tax is a religious duty based on social and civil responsibilities (Agbetunde, 2004).

Agu, (2010) opines that fiscal administration is tax policy making and collection as well as expenditure programming at all levels of government. It involves the controlling, organizing, directing, monitoring, planning and management of government revenues and expenditure. Furthermore, the long term role of fiscal administration is to collect all registered taxes at minimum cost, as well as execute government programmes as efficiently as possible by avoiding waste. There is no doubt that taxation must have affected the economic development of Nigeria. Effort shall therefore be made in this research to see how the Nigerian government has been able to achieve her economic goals with her tax policies and administration and identify the various challenges of tax administration.

2. Review of Related Literature

2.1. Concept of Taxation

Taxation is a tool employed by the government of a nation for generating public funds (Anyaduba, 2004). It is a required payment imposed by the government on the income, profit or wealth of individuals, group of persons, and corporate organisations. According to Brautigam, (2008), a well-designed tax system can help governments in developing countries prioritize their spending, build stable institutions, and improve democratic accountability. Lopez and Kadar (2001) posit that taxation among Organisation for Economic Development Countries (OECD) had uniformly been geared towards efficiency, increased tax revenue, equity and enforceability. Having stated some of the functions of government to the citizens using taxation as a tool, the objective of taxation can therefore be summed up as in Nightingale (2002) and Lyme and Oats (2010):

- Raising revenue to finance government expenditure.
- Redistribution of wealth and income to promote the welfare and equality of the citizens.
- Regulation of the economy thereby creating enabling environment for business to thrive.

Taxation is therefore, one among other means of revenue generation of any government to meet the need of the citizens some of which have been pointed out above. Miller and Oats (2006) maintained, "Taxation is required to finance public expenditure". It is worthy of note however, that there are other sources of revenue generation by the government e.g. borrowing, grants etc. If taxation is for public expenditure, public goods ought to have been consumed equally. The elites in the society have retinue of security men attached to them for protection especially in emergency cases but not the common man whose safety is just by implication even when they represent a higher percentage of the taxpaying population. Since the use of most of the facilities for which the general tax revenue is raised as a right for some compared to others, tax therefore remain a punitive levy on the deprived of these services. Osunkoya (2009) on his part warned, "Payment of tax does not mean that government must do something within the locality of the taxpayer". These esteemed tax experts seem to forget that evidence of taxation seen in public goods encourage the taxpayer. This may account for the high evasion rate as tax is assumed exploitative instead of development. Popoola, (2009) observed that people do not pay tax because of the "culture of give and take". The epileptic services of some of the social amenities financed with tax revenue in developing and underdeveloped countries left much to be desired. He further asserts that electric supply and social infrastructure need to be financed with taxpayer's money. Ordinarily, nobody would want to make "compulsory payment" for substandard goods or bad services.

Gordon, (2010) argued that corporate and personal income taxes create distortion. High tax rate distort the demand and supply of labour hence productivity is impaired. Some countries tax system is structured purely towards revenue generation and that has negative effect on the economy. Very low tax may impact on education as a larger population will prefer to work than school but a very high tax might reduce productivity as people would prefer longer leisure hours. This does not enhance economic development. Laffer, (2009) opined that "a government simply cannot tax a country into prosperity". As important as tax revenue is to a nation, many people still find it difficult to comply with their tax obligation. Nightingale, (2002) said, no one really likes paying taxes yet they are inevitable for the provision of social welfare. The main purpose of a tax is to enable public sector finance its activities so as to achieve some nation's economic and social goals. It can also be for the purpose of redistribution of wealth to ensure social justice. Therefore, taxes can be used as an instrument for achieving both micro and macroeconomic objectives especially in developing countries such as Nigeria. According to Anyaduba, (2004), different types, forms and classes of taxes exist but the commonest classification in Nigeria is categorised as direct or indirect. The direct tax is a levy on personal, corporate income or property. Examples are Personal income tax, company income tax, petroleum profit tax, and capital gains tax. When the imposition is on the price of goods and services, then it is called an indirect tax. Indirect tax is payable on the consumption of products and services associated with import duties/tariffs, export duties, value added tax and excise duties. In Nigeria, the government can emphasize on any one of the tax forms depending on the objective it wants to pursue. In Nigeria, different legislations that allow the government tax its citizens and to increase the tax revenue of the country exist. These legislations are the Personal Income Tax Amendment Act 2011, Companies Income Tax Amendment Act 2007, the Petroleum Profit Tax Amendment Act 2004. Others are the Capital Gains Tax Amendment Act 2004, the Value Added Tax Amendment Act 2007 and the Education Tax Amendment Act 2004. The agency of the federal government in charge of the administration and collection of these taxes, (except customs/excise duties) up to April 2007 was the Federal Board of Inland Revenue (FBIR). In 2007, the board was scrapped and replaced by the Federal Inland Revenue Services (FIRS).

2.1.1. The Nigerian Tax System

The tax system in Nigeria is made up of the tax policy, the tax laws and the tax administration. All of these are expected to work together in order to achieve the economic goal of the nation. According to the Presidential Committee on National tax policy (2008), the central objective of the Nigerian tax system is to contribute to the well being of all Nigerians directly through improved policy formulation and indirectly through appropriate utilization of tax revenue generated for the benefit of the people. In generating revenue to achieve this goal, the tax system is expected to minimise distortion in the economy. Other expectations of the Nigerian tax system according to the Presidential Committee on National tax policy (2008) include;

- Encourage economic growth and development.
- Generate stable revenue or resources needed by government to accomplish loadable projects and or investment for the benefit of the people.

- Provide economic stabilization.
- To pursue fairness and distributive equity
- Correction of market failure and imperfection.

In an attempt to fulfil the above expectation, the national tax policy is expected to be in compliance with the principle of taxation, the drive to effective tax system. The Nigerian tax system has been flawed by what is termed multiplicity of tax and collecting entities at the three tiers of government levels; Federal, State and Local government (Ahunwan, 2009).

2.1.2. Nigerian Tax Policy

According to the report of the presidential committee on National Tax policy (2008), "The National tax policy provides a set of rules, modus operandi and guidance to which all stakeholders in the tax system must subscribe". Tax policy formulation in Nigeria is the responsibility of the Federal inland Revenue Services (FIRS), Customs, Nigerian National Petroleum Corporation (NNPC), National Population Commission (NPC), and other agencies but under the guidance of the National Assembly i.e. the law making body in Nigeria (Presidential committee on National tax policy, 2008).

Suffice it to say that if there must be any effective implementation of the Nigerian tax system or attainment of its goal, the use of the national tax policy document remain absolutely essential. According to the Presidential Committee on tax policy (2008), "Nigeria needs a tax policy which does not only describe the set of guiding rules and principles, but also provide a stable point of reference for all the stakeholders in the country and upon which they can be held accountable. James and Nobes (2008) decried the inability of tax policy to meet up with efficiency and equity criteria against which it is being judged. It was further noted that tax policy is continually subjected to pressure and changes which most time does not guarantee outcome that are in line with the overall goal. Unfortunately, most policy changes in Nigeria are without adequate consideration of the taxpayers, administrative arrangement and cost plus the existing taxes. This has in no small measure hindered the effective implementation and goal congruence of the nation's tax system.

2.1.3. Concept of Administration

According to Okoli and Onah (2002), administration is a process common to all group effort, public or private, civil or military, large-scale or small scale. Although it may vary in form or objects, and although administration of public and private affairs has many facets, there is an underlying similarity, if not identity in the process wherever observed. Enemno (2005) said, administration is inevitable in any given situation where a piece of work has to be done, and this piece of work requires the efforts, of more than one person to accomplish. We are involved in administrative behaviour when we co-operate with other people to accomplish such objectives as erecting a community town hall, constructing and managing schools, churches, hospitals, vehicles, assembly plants etc. In the words of Duru and Tandu (2005), administration is the capacity to coordinate and execute many and often conflicting social demands in a single organism so perfectly that they should all operate as a unit.

2.1.4. Tax Administration in Nigeria

The organs and or agencies in charge of tax policy implementation in Nigeria are referred to as the administrative organ or agency in this research work. Efficiency and effectiveness should be the watch word in designing a tax administration structure that will give the desired result. On the other hand, tax administration in Nigeria is the responsibility of the various tax authorities as established by the relevant tax laws (Kiabel and Nwokah 2009). They further noted "Tax Authority" to mean Federal Board of Inland Revenue, the State board of internal revenue and the local government revenue committee. Together with the Joint tax board (JTB) and Joint state revenue committee or Local Revenue Committee, Nigerian tax authority administers taxes in Nigeria. The fiscal autonomy granted the three tier of government had led to multiplicity of tax. Tax payers and corporate bodies had been subjected to multiple levies or charges of tax of same name in different form. This had increased evasion and avoidance as such payment either eat deep into the profit of business or affect negatively, the distributable income of the individual.

The purpose of tax administration is to fully implement tax laws, programmes and proposals. In the long-run, this means collecting all the legislated tax with minimum cost. In the short-run period, it implies optimizing the revenue collectible with the resources the government makes available to the administrator. The achievement of the two objectives requires the development of a master plan which includes both the strategy of long run planning and tactical current year operational plan or programmes that are consistent with the long run plan.

A tax system that ignores the administrative aspect of a tax policy or takes tax implementation for granted is deemed to remain a good system only on paper. This is indeed an incisive analysis of tax administration. In many respects it did capture the objectives of tax administration, but it was weak by not pointing out that greater commitment of government in the provision of adequate resources for the administration ensures that the required revenues are collected. Kiragu, (2005), views the overall responsibility of the administration of government revenues as the responsibility of the Ministry of Finance.

2.1.5. Challenges of Tax Administration in Nigeria

Duru and Tandu, (2005), identified poor attitude of tax officials as militating against tax administration in the country. It is their believe that tax officials lack the courage and capacity to exploit available sources of revenue such as shops and kiosks which according to them litter our urban areas. According to them the operators of these businesses connive with the tax officials to evade taxes and in some cases undercharged. It is their view that problems of tax

administration can be addressed in a number of ways. They believe that improvement in voluntary tax compliance can be made possible through improved utilization of tax proceed. One of the ways of achieving this is by adopting the participatory approach to both public sector activity and economic development. The assumption is that if people at the grassroots level benefit from government projects it will not be too difficult to persuade them to pay taxes. Above all, government should be prudent in financial management. They also believed that one of the major problems of tax administration in Nigeria is inadequate manpower. What is needed here is a body of personnel capable of understanding and interpreting the tax laws to the tax payers, and enforcing them without fear or favour. This calls for recruitment, training and retention of qualified staff for the purpose of effective and efficient tax administration.

They attributed other problems to: provision of adequate administrative tools including maps, records, machines etc. others are provision of a single code of tax laws and regulations as well as the need for adequate tax statistics. According to Sarawu, (2005), the problems of tax administration stems from the following factors: Inability of Nigerian tax system to satisfy the principle of economic justice that is in a situation where government cannot live up to expectation there is bound to be problem of tax evasion and avoidance. Inadequate information: He is of the view that in an economy like Nigeria where activities have not been fully monetized, there will be room for tax evasion and avoidance. The nature of the manufacturing sector in Nigeria: Most companies in Nigeria have their parent companies abroad and in addition, they depend on foreign input, which is an opportunity for them to evade tax by over invoicing. Unpatriotic attitude of tax collectors and tax payers: For their own personal benefits/gain, tax collectors will always like to collude with tax payers to evade tax. Problems of porous economy: Because of this reason our borders are not effectively policed as a result smuggling activities take place at will thereby depriving the government of a chunk of revenue.

In the views of Oloyede (2010), the problems of tax administration in Nigeria have been compounded by:

- Poor disclosure and sharing of information: He argued that there is need for mutual cooperation among different government agencies and parastatals, this collaboration should enhance exchange of information and reduce the incidence of tax evasion as well as fraudulent tax practices.
- Beneficial/welfare schemes: To elicit voluntary compliance, the government should be more responsive to the welfare needs of the citizens. Nigerian tax system can effectively generate more revenue, when the citizens have the trust and confidence in the authority. Lagos state in recent time, is generating huge revenue due to the fact that many corporate bodies and individuals feel that they can visibly feel the development impact of the administration.
- Patriotism and positive tax culture: There is a need to enhance positive tax culture. This can be done through the rebranding efforts of the ministry of education. In most developed countries, tax payment is considered as a moral and civic responsibility, thus tax avoidance is frowned at.
- Hot lines: Problems of tax administration has been made worse by absence of hot lines. They should be dedicated lines or e-mails where issues, observations and tax informants can conveniently reach the authority; this has the potential of reducing tax fraud and avoidance.
- Improving our data base: In Nigeria, a potential improvement in our tax revenue can be enhanced through a regularly updated, comprehensive data base. This would enable the country to be able to track all potential tax payers as well as reducing the incidence of tax avoidance.

2.2. Theoretical Framework

2.2.1. Socio Political Theory of Taxation

Ogbonna and Appah (2012) affirmed this reasoning justifies the imposition of taxes for financing state activities and for the provision of a basis for apportioning the tax burden between members of the society. They advocated that, advocates for a tax system which is not designed to serve individuals but one that cures the ills of the society as a whole. The society is made up of individuals but is more than the sum total of its individual members; consequently, the tax system should be directed towards the health of the society as a whole, since individuals are integral part of the broader society (Chigbu, Akujuobi and Appah, 2012).

2.2.2. Expectancy Theory

Ayuba (2014) and Bhartia (2009) asserts that, the taxation is such that every tax proposal passes the test of practicality and must be the sole consideration before the tax authorities in a bid for tax proposal. It strongly emphasises that, the economic and social objective of the state is considered irrelevant since it is meaningless to have a tax that cannot be levied and effectively collected.

2.2.3. Benefits-received Theory

According to Chigbu, Akujuobi and Appah, (2012), this theory assumes an exchange or contractual relationship between the state and the tax-payers, certain goods and services are provided by the state and the cost of such goods and services are contributed in the proportion of the received benefits, thus, the benefits received present the basis for distributing the tax burden in specific manner. This theory overlooks the possible use of the tax policy for bringing about economic growth or stabilization. They also see the cost of service theory as very similar to the benefits-received theory. The theory emphasize on semi commercial relationships between the state and the citizens to a greater extent. The implication according to them, was that, the citizens are not entitled to any benefits from the state and if they do, they

must pay the cost thereof. In this theory, the costs of services are scrupulously recovered unlike the benefits-received theory where a balanced budget is implied.

2.2.4. Ability to Pay Theory

This theory of taxation upholds that, taxes imposed on tax-payers should be based on the progressive tax approach which maintains that taxes should be levied according to a tax-payer's ability to pay. This system of taxation requires that higher earning persons pay taxes higher than those with lower income. The basic tenet of this theory is that, the burden of taxation should be shared by the members of the society on the principle of equity and justice and that this principle necessitates that tax burden is apportioned according to their relative ability to pay. Adam Smith is the brain behind the principle of equity and justice. He advocates that, the amount of tax payable should be equal, this by implication means that, tax payable is in proportion to earned income. Equity and justice is assumed only when the tax system is based on the ability of the tax payer to pay the amount levied as tax liability (Okafor, 2012)

2.3. Empirical Review

Mungaya, Mbwanbo and Tripathi (2012) carried out a study on study of tax system impact on the growth of small and medium(SMEs): with reference to Shinyanga municipality, Tanzania; the findings indicated that majority of respondents perceived the adverse impact of the existing tax policies on the growth of SMEs and suggested for reforming the tax policies in the country.

Afubero, Demmis, Okoye and Emmanuel (2014) conducted a study on the impact of taxation on revenue generation in Nigeria: a study of federal capital territory and selected states: the research discovered among others that taxation has a significant contribution to revenue generation and taxation has a significant contribution to economic gross domestic product. Abiola And Asiweh (2012) conducted a study on impact of tax administration on government revenue in a developing economy: A case study of Nigeria; The study found among other things that increasing tax revenue is a function of effective enforcement strategy which is the pure responsibility of tax administration. Raji (2015) conducted a study on revenue generation as a major source of income for the state government: an empirical analysis of two parastatals; the result revealed that revenue allocation in local government is hindered by corrupt practices also that efficient revenue generation enhances the performance of public sectors.

Worlu and Emeka (2012) empirically examined the impact of tax reforms on economic growth by means of relevant descriptive statistics and econometrics analysis. Employing various statistical and econometric tests, they discovered that tax reforms are positively related to economic growth and is significant and that tax reforms granger cause economic growth. Based on the findings, they concluded that tax reforms improved the revenue generating capacity of government to undertake socially desirable expenditure that will translate to economic growth in real output and on per capita base. Again, the study is based on national level statistics. They also undertook a study on the impact of tax revenue on the economic growth of Nigeria with a special emphasis on infrastructural development from 1980 to 2007. The secondary data were analyzed using three-stage least squares estimation technique. The results obtained showed that tax revenue stimulates economic growth through infrastructural development. They pointed out the need to create comprehensive fiscal policies and to strengthen the existing ones in line with macroeconomic objectives and in the light of prevalent economic realities.

Ogbonna (2010) is one of the authors who are of the opinion that government expenditures at all levels should be financed primarily by revenue from tax collectible from various entities and economic units on whom it is binding to pay tax. Data obtained through interviews and administration of questionnaires were analysed by simple percentage analysis to examine tax administration in Nigeria. The areas covered by the study include tax administration, constraints besetting tax payers, general principles of taxation, as well as its purposes, uses, classifications and effects. The results of the study agrees with the stark reality which characterise Nigeria tax exercises, namely, that poor infrastructure, use of unqualified tax personnel, public resistance to pay tax due to lack of awareness, unconventional means of tax administration, greed and sharp practices on the part of tax officials and tax payers all stand in the way of effective revenue generation through tax in the country. The problem is even more compounded at the third and lowest tier of government.

3. Methodology

The data for this study was obtained mainly from secondary sources. Information from the Federal Ministry of Finance Publication concerning; Total Expenditure (TE), Value Added Tax(VAT), Company Income Tax(CIT), Personal Income Tax(PIT) and Petroleum Profit Tax(PPT)covering the the period of years 1982-2017 (25years) was used. Other Secondary Sources of data are relevant articles, journals and newspapers.

3.1. Model Specification

The following mathematical model was developed to analyse the relationship between tax revenue and government spending in Nigeria using Value Added Tax (VAT), Company Income Tax(CIT), Personal Income Tax(PIT) and Petroleum Profit Tax(PPT)as the independent variables and regressed against the dependent variable; Total Expenditure(TE) used as proxy for government spending in Nigeria.

This study employed the model specified below.

$$Y_{it} = \alpha_{it} + \beta_1 VAT_{it} + \beta_2 CIT_{it} + \beta_3 PIT_{it} + \beta_4 PPT_{it} + \epsilon_{it} \dots \dots \dots 3.1$$

where Y represents the government spending in Nigeria measured by Total Expenditure (TE)

α = the constant term

VAT= Value Added Tax

CIT= Company Income Tax

PIT= Personal Income Tax

PPT= Petroleum Profit Tax

β = the coefficient of the function

e = error term.

Regression Equation becomes

$$TE_{it} = \alpha_{it} + \beta_1 VAT_{it} + \beta_2 CIT_{it} + \beta_3 PIT_{it} + \beta_4 PPT_{it} + \epsilon_{it} \dots \dots \dots 3.2$$

4. Results and Discussion of Findings

4.1. Test of Hypotheses

4.1.1. Hypothesis One

- H₀: Tax administration has no significant effect on government expenditure in Nigeria.
- H₁: Tax administration has significant effect on government expenditure in Nigeria.

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.987 ^a	.974	.965	6923403.07206	2.258

Table 1: Model Summary^b
 a. Predictors: (Constant), Personal Income Tax, Company Income Tax, Value Added Tax, Petroleum Profit Tax
 b. Dependent Variable: Total Expenditure

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20067762736394116.000	4	5016940684098529.000	104.665	.000 ^b
	Residual	527268611080094.440	11	47933510098190.410		
	Total	20595031347474212.000	15			

Table 2: ANOVA^a
 a. Dependent Variable: Total Expenditure
 b. Predictors: (Constant) Personal Income Tax, Company Income Tax, Value Added Tax, Petroleum Profit Tax

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8914546.295	3635919.206		2.452	.032
	Personal Income Tax	-15.568	1.252	-.807	-12.434	.000
	Company Income Tax	.692	.263	.236	2.629	.023
	Value Added Tax	140.819	70.754	.983	1.990	.072
	Petroleum Profit Tax	11.978	55.857	.099	.214	.834

Table 3: Coefficients^a
 Source: Researcher's SPSS Result, (2018)
 a. Dependent Variable: Total Expenditure

From the regression result, the coefficient of determination (R²) value of 0.974 shows that at, 97.4%, the explanatory variables explain changes in the dependent variable. This means that at 97.4%, the independent variables explain changes in Total Government Expenditure. This simply means that the explanatory variables explain the behaviour of the dependent variable at 97%. The calculated F-statistics (104.665) having significant level (0.000) which is less than 0.05 level of significance implies that the model is significant. The Durbin-Watson (DW) as shown in the regression analysis is 2.2589. From this, it shows that there is the presence of autocorrelation.

The result obtained from the regression shows that there is negative but insignificant impact of Personal Income Tax (PIT) on Total Expenditure with a coefficient of -0.807. Hence, Personal Income Tax is negatively insignificant to Government Spending in Nigeria. Also, the regression result shows that Company Income Tax (CIT) has a positive impact on Total Expenditure (TE) with a coefficient of 0.236. The coefficient of Company Income Tax is statistically significant as shown by both the corresponding standard error and t-values. Thus, Cumulative Company Income Tax is elastic to Total Expenditure. This positivity of the coefficient of Tax revenue conforms to the economic a priori expectation of a positive impact of company income tax on Total Expenditure. The result obtained from the regression shows that Value Added Tax (VAT) has a positive impact on Total Expenditure. This is indicated in its positive coefficient of 0.983. However, Value

Added Tax is elastic to Total Expenditure since the standard error and t-values revealed that the coefficient is statistically significant. Furthermore, the result obtained from the regression also shows that Petroleum Profit Tax has a positive impact on Total Expenditure. The F-statistics of 104.665 shows overall significance of the regression model, F-sig. level of .001 is less than 0.05 which suggests that H_0 is to be rejected. Therefore, Tax administration has significant effect on government expenditure in Nigeria.

5. Conclusion and Recommendation

Increase tax revenue is a function of effective enforcement strategy which is the pure responsibility of tax administrators. Nigeria lacks the enforcement machineries which include among other things, adequate manpower, computers and effective postal and communication system. This among other issues call for the autonomy of tax administration which the system had long been yearning for. Tax administration requires highly trained personnel to match up with the sophistication of tax evasion with the use of modern technology.

The autonomy if granted will enable tax administration to hire the appropriate qualified personnel, fire the redundant ones, reduce internal layers of management with its attendant bureaucracy and official red tape, buy the appropriate equipment required for the job, reduce political interference which had encouraged frequent changes in policy and many more. Evidently, budgetary constrain has hindered the employment of highly paid personnel by Nigerian tax administration. Literature shows that most of the tax laws are obsolete and have not been reviewed. The requirements of such laws no doubt cannot match up with the current trend of economic changes. This calls for a review of such laws to meet the prevailing situation on a regular basis. Taxation as a means of revenue generation is like a double edge sword.

Thus, a carefully planned tax policy which is consciously and faithfully implemented can help to generate revenue that can transform a nation in totality. But where the reverse is the case, a selected few will divert the good intention of the government by enriching themselves with the public fund which was supposed to be used to better the life of the people through the provision and maintenance of social infrastructure.

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