AN ASSESSMENT OF E-TAX ADMINISTRATION ON TAX REVENUE IN ONDO STATE, NIGERIA

Oladele Patrick Olajide [1], Aribaba Foluso Olugbenga [2], Oladele Rotimi Adedokun [3], Jonathan Olusegun Ahmodu [4], Olamide Lateef [5]

[1] Department of Business Administration, Faculty of Management Sciences, Federal University, Oye Ekiti, Ekiti State, Nigeria.
[2] Department of Accounting, Faculty of Management Sciences, Federal University, Oye-Ekiti, Ekiti State, Nigeria.
[3] Department of Accounting, Faculty of Management Sciences, Federal University, Oye-Ekiti, Ekiti State, Nigeria
[4] Department of Public Administration, Faculty of Management Sciences, Federal University, Oye-Ekiti, Ekiti State, Nigeria
[5] Department of Management Sciences (Accounting), College of Social & management Sciences, Wesley University, Ondo, Nigeria.

Corresponding author: ahmoduolamidelateef10@gmail.com

Abstract

The study assessed the impact of e-tax administration on tax revenue in Ondo state internal revenue, Nigeria. The study employed survey research design using primary data sourced from the distribution of a well-structured questionnaire to the staff of the Ondo State Board of Internal Revenue (OSBIR). Data collected were analyzed using descriptive and inferential statistics; through frequency counts, mean scores; and Z-test to test the hypotheses formulated. The study revealed that electronic taxation has significant influence on tax evasion as demonstrated by the calculated Z-test score greater than the Z-table score of (1.96 < 6.44); similarly, it was also shown that electronic-taxation can prevent corrupt practices among some tax administrators as revealed by the Z-table score of (1.96 < 3.08). The study concluded that e-taxation can reduce tax evasion in Nigeria as well as truncate corrupt practices among tax officials in Nigeria. It was recommended that OSBIR embrace e-taxation with urgent deployment of robust Information Technology; and encourage regular training of staff and taxpayers sensitization to facilitate smooth running. This will engender a high level of compliance among taxpayers. Also, e-tax ought to be employed in order to ease the related glitches that swindling stakeholders' interest.

Keywords: E-Tax Administration, Tax Revenue, Tax Evasion, Tax Compliance

Introduction

The unique source of income in developing and the developed nation is tax revenue. Taxes are compulsory levy imposed by tax authorities on the tax payers; it could be individual, firms or other object. Conferring from Organization for Economic Co-operation and Development (OECD, 2017) confirmed that tax in0063ome recorded above 50-percent government revenue in United State. In the past, literature revealed that the projected record of $5.6 trillion out of $6.7 trillion forecasted to be realized in 2018 fiscal year. Similarly, tax income was rated as a fundamental basis of generating income for various developed economies. This is contrary to the case of several African countries though tax revenue has contributed significantly to the growth of some of the economies.

In Nigeria context, it is disheartening to reiterate that tax income has contributed little or no success to overall revenues in the previous economies. The contribution of the Nigeria tax to Gross Domestic Product compared with other African countries was not encouraging. This profound look to the significant contribution of tax revenue to Gross Domestic Product revealed that adoption of Electronic Tax System for years has been one of the key reasons for such giant stride. The electronic tax system is a platform designed to allow taxpayers file their returns with the confortable zones regardless of the subject to availability of internet services. The e-tax filling improved on decimates and the tendency for venality and inducement**,** (Ezomike, 2016). As postulated by the World Bank and PWC (2013) as at 2010, sixty-six parsimonies took abundantly adopted and execute the automated filing for payment of taxes. In the year 2015, an attempt was made to improve on Nigeria tax structure for robust tax management and improve tax revenue to contribute meaningfully to the GDP like her counterpart around the word. Electronic taxation had contributed to tax revenue and reduced tax malpractices, it worthy to investigate if e-taxation deployed in Ondo State Board of Internal Revenue could influence tax revenue, tax compliance as well as deter tax evasion in Ondo state, Nigeria.

The myriad of challenges have plagued Nigerian tax system; most especially attempt to computerize the tax administration for effective tax collection. Low tax-GDP ratio in Nigeria compared to other economies even in African sub-Saharan is worrisome. Some African country tax revenues contributed significantly to total revenue and Gross Domestic Product. Another major constraint to quick implementation of e-taxation has been the multiplicity of taxes. There have been bitter complaints by taxpayers about the ripple effect of multiple tax. Some states have taken into arbitrarily levying some certain taxes; this has in turn headed to the harassment of business owners, (Odusola, 2003). In order to correct these anomalies, the tax enactment Act of 1998 as amended came to being. Lagos state was a good example where efforts were made to ensure equitable delivery of Value Added Tax incomes were intensified. In order to rheostat multiple taxation, the Join Tax Board has published the lists of acceptable taxes and levy to proclaim all vague taxes as unlawful.

Uremadu and Ndulue (2011) adduced that lack of administrative with wither as a major challenge in the raising of revenue in Nigeria.

OECD (2014) affirmed that 73% of Ghana total revenue emanated from tax revenue; Tunisia thirty one-percent to GDP whereas Morocco has twenty nine-percent. In the case of Nigeria, a tax to GDP ratio was six percent in 2017 which was one of the poorest in Africa, (NACCIMA, 2018). Available statistical evidence shows that this figure has remained below13 percent since 2001. Similarly, at the state level, the ratio of tax revenue to total revenue among the states has been abysmally low. Electronic-taxation adoption and with true implementation and in good faith has yielded results in several countries, this was expected to bring weighty expansion to the tax income of the state and Nigeria at large.

Tax administration in Nigeria before the existence of e-taxation was manual prepared and causes set back, ranging from huge tax evasion and other various corrupt practices leading to the loss of significant tax revenue to government, (Adedeji & Oboh, 2012). Before now, oil revenue was relatively stable; now that the paucity of funds due to fluctuation in oil revenue has prevented the three tiers of government from executing some laudable projects. Governments at all level are now looking inwards to exploit available sources of revenue of which taxation is one. Tax evasion, low tax compliance and corrupt practices have since decimated tax revenue in Ondo State and Nigeria as a whole. Extant literature affirmed that e-taxation influenced tax administration and overall tax revenue in the listed economies. Therefore, the need to assess the impact of e-tax administration on tax revenue in the Ondo state arises. To establish if electronic taxation could influence tax evasion in Ondo state; and also examining the impact of electronic-taxation on corrupt practices of tax officials in Ondo state.

Research Questions, the following research questions will be answered;
1. To what extent does e-tax administration enhance tax revenue?
2. How difficult do taxpayers find e-tax system to pay their tax?

Research Hypotheses, the following hypotheses were tested in this research work;

H_{o1} : Electronic tax has no significant effect on tax evasion in Ondo state.

H_{o2} : E-tax has no significant effect in preventing corruption among tax administrators.

Literature Review

Ability to Pay Theory, the theory postulated that those levies imposed by the authorities are essential to file based on the individual's capacity to pay (Muturi & Kiarie, 2015). The theory also focused on open-minded taxation principles that uphold taxes to be levied according to a taxpayer's affordability. The open-minded taxation principles increase tax burden on tax payers with higher incomes. This theory emphasized that tax payers who generated additional income could afford to pay more taxes (Julia, 2018). It was argued that, if the government charges a flat rate for the purpose of this theory, it will relatively affect low income earners.

Benefit Theory, the theory affirmed that government is expected to charge levy on its citizen based on the welfare state offered. The implication of this theory to the citizenry would centre on those whom directly benefited from government programs and projects. Conversely, several criticisms have been levied against this theory. Wicksell (1896), Mogeni (2012), Wasao (2014) and Obert, Rodger, Tendai and Desderio (2018) Contends that susceptible grasp additional paybacks related to accessibility training and nutrition amid others with the enormous revenue generated will encourage the tax payers to remit their tax at the appropriate time.

Empirical Review, myriad of studies have been conducted locally and internationally, on the role Information Technology plays on tax obedience and the resultant effect on tax income. The study of Obert, Rodger, Tendaic and Desderio (2018) was conducted to study the upshot of e-taxation filling on tax passivity. Data for the study was sourced using structured questionnaire. With the aid of correlation analysis, data collected was analyzed. The study found that electronic filing has significant influence on the ease of doing business with the statistical value of 0.533 in assessing tax obligations accurately with e-taxation.

Muturi and Kiarie (2015) investigated the effects of the e-tax system on tax compliance among small taxpayers. The research design used for the study was descriptive survey; data collected were analyzed. A regression analysis was used to correlate the variables. The literature revealed that an automated tax system devours momentous influence on tax compliance among small taxpayers in the selected study area. Alake and Olatunji (2012) examined the impact of electronic taxation on tax avoidance and evasion in Nigeria. The study employed descriptive and Z-test statistics to test the hypotheses formulated. The study found that electronic taxation has significant influence in curbing tax evasion and avoidance in Nigeria.

Wasao (2014) empirically found that e-payment system upset tax compliance among small taxpayers in the East of Nairobi as far as registration, filing and payments were concerned, From the regression analysis, it was revealed that holding online tax registration, filing and payment to a constant zero, tax compliance would stand at 3.663. An increase in e-tax registration would lead to an increase in tax compliance among the low income tax payers in east of Nairobi by the factor of 0.051 and a unit increase in tax filing would lead to an increase in tax compliance by factors of 0.161, while a unit increase of e-tax payment would result to increase in tax compliance by the factor of 0.086. Though the degree of compliance would differ from one sector of the population to another. The mining and mine sector seemed not to have embraced online filing as it recorded the least of the findings.

Research Methods

A survey research design was adopted to ascertain the impact of electronic tax administration on tax revenue in Nigeria. The data was sourced through the use of questionnaires administered to the staff of the Ondo State Board of Internal Revenue. The population of this study was 107 comprising the senior staff ranging from grade level ten (10) and above that were the category of staff directly involved in the tax administration, tax fillings and returns in the branches of the partaken banks directly involved in the collection and filling of tax paid by the tax payers. In the determination of the sample, Taro Yamane's model was used to determine the sample size. However, the descriptive and Z-test statistics were hypothetically employed to analyze the data at 5% level of significance. The table below shows the population and sample of the respondents.

Table 1: The Population and Sample of the Respondents

S/N	Location	Population	Sample
1	Ondo Board of Internal Revenue, Akure	84	69
2	First Bank Plc, Akure	09	06
3	GT Bank Plc, Akure	08	05
4	Enterprise Bank, Akure	06	04
	Total	107	84

Source: Field Survey Data, (2018)

The table 1 above shows the total population of 107 and sample size of 84 in ondo state. A total of 84 questionnaires were administered, but only 70 were returned. Based on this, we subjected our analysis on the total number of questionnaires returned.

Result and Discussion

The table below shows, the numerical summary of the respondents by information and scales.

Table 2: The Descriptive Statistics of Respondents by Background Information

Variable	Classification of Variables	Frequencies	Percentage (%)
Age	25 yrs. and below	1	1.4
	26-30yrs	12	17.1
	31-40yrs	32	45.7
	40yrs and above	25	35.7
	Total	70	100
Working Experience	1-5 years	5	7.14
	6-10 years	10	14.3
	11-15 years	20	28.6
	16-29 years	29	41.4
	30 years and above	6	8.6
	Total	70	100
Department/Unit	PAYE Inspectorate Department	12	17.1
	Investigation or Withholding Department	11	15.7
	Pool betting Department	5	7.1
	Stamp Duties Department	12	17.1
	Road Taxation or State Licensing Office	10	14.3
	Account section	11	15.7
	Self Employed Department	9	13.0
	Total	70	100
Academic qualifications	M.Sc./ACA	15	21.43
	B.Sc./HND	33	47.1
	GCE/WASSCE	0	0.0
	ND/NCE	22	31.4
	Total	70	100

Source: Authors' Computation (2018)

The table 2 above show, the descriptive statistics of respondents by background information. The following results revealed the respondents' distribution by age 25 years below 1(1.4%); 26 – 30 years 12(17.1%); 31 – 40 years 32(45.7); while 41 years and above 25(35.7%) respectively.

The frequencies and percentage of the respondent by working experience below 5 years 5(7.14%); 6 – 10 years 10(14.3); 11 – 15 year 20(28.6%); 16 – 29 years 29(41.4%) while 30 years and above were 6(8.6%) respectively.

The frequencies and percentage of the respondent by units/departments were PAYE Inspectorate Department 12(17.1%); Investigation or Withholding Department 11(15.7%); Pool betting Department 5(7.1%); Stamp Duties Department 12(17.1%); Road Taxation or State Licensing Office 10(14.3%); Account section 11(15.7%); while Self-Employed Department 9(13.0%) respectively.

The frequencies and percentage of the respondents by qualification were ND/NCE 22(31.4%); B.Sc/HND 33(47.1%); M.Sc/ACA 15(21.43%) respectively.

Table 3: The Descriptive Characteristics of Respondent by Scales

S/N	Questions	SA (5)	A (4)	UD (3)	SD (2)	D (1)	Total
1	E-tax system makes it difficult for taxpayers to pay their tax	23 (115)	30 (120)	2 (6)	0 (0)	15 (15)	70 (256)
2	E-tax scheme enhance proper tax assessment and deter under payment of tax.	25 (125)	32 (128)	0 (0)	1 (2)	12 (12)	70 (267)
3	Taxes can be paid any time as levies could easily be determines.	27 (135)	20 (80)	05 (15)	03 (6)	15 (15)	70 (251)
4	Absence of tax Statistics will be reduced and this will increase tax payer and tax authority convenience	27 (135)	28 (112)	0 (0)	5 (10)	10 (10)	70 (267)
5	Tax payers process their tax without any stress.	25 (125)	28 (112)	4 (12)	0 (0)	13 (13)	70 (262)
6	Irregularities of some tax officials will reduce with e-taxation.	19 (95)	32 (128)	4 (12)	7 (14)	8 (8)	70 (257)
7	With e-taxation system illegal diversion of government fund to individual accounts will reduce	23 (115)	34 (136)	0 (0)	1 (2)	12 (12)	70 (265)
8	There will be no fake assessment and issue of fake receipts	20 (100)	31 (124)	2 (6)	4 (8)	13 (13)	70 (251)
9	E-taxation enables government to maintain sanity and discipline in the tax offices.	26 (130)	30 (120)	4 (12)	0 (0)	10 (10)	70 (272)
10	With e-taxation preferential treatment of tax payers by some tax officials will no longer exist.	23 (115)	34 (136)	0 (0)	5 (10)	8 (8)	70 (269)

Sources: Authors' computation (2018).

Research Question 1: the table above shows, the extent e-tax systems enhances tax revenue in Ondo State. The scale also indicated the percentage of respondents that strongly agree 25(35.71%); agree 32(45.71%); undecided 0(0%); strongly disagree 1(1.4%); and disagree 12(17.14%) respectively. This expressed the frequency and percentage of how taxpayers perceived e-tax administration in Ondo state. Thereby, most of the taxpayers agreed that the e-tax system will enhance tax revenue within the state.

Research Question 2: the level of difficulty posed to taxpayers on e-tax systems were expressed in percentage form. The percentage of respondents that strongly agree 23(32.86%); agree 30(42.86%); undecided 2(2.85%); strongly disagree 0(0%); and disagree 15(21.43%) respectively. However, the majority of taxpayers agreed that an e-tax system makes it difficult for them to remit their tax due to inadequate knowledge of technology know-how. Therefore, the government should continue to sensitize them to improve on the system.

Hypotheses Testing, the research hypotheses were tested based on the research questions above. Hypothesis One ;

H_{o1}: Electronic tax has no significant effect on tax evasion in Ondo state.

Mean of the population (u) = $\dfrac{3 \times 70 \times 5 = 210}{5}$

Mean of the sample (x) = $\dfrac{\Sigma x}{n}$ = $\dfrac{1303}{5}$ = 261

Standard deviation (α) = $\sqrt{\dfrac{\Sigma(x-x)^2}{n}}$ = $\sqrt{\dfrac{388}{5}}$ = $\sqrt{77.6}$ = 2.75

$Z = \sqrt{\dfrac{x - u}{SD}} = \sqrt{\dfrac{261 - 210}{2.75}} = \dfrac{51}{1.23} = 6.44$

Meanwhile, the result of Z – table value is less than the estimated value (1.96 <6.44), thereby, the null hypothesis is hereby rejected. Hence, the result shows that automated taxation has a weighty upshot on tax evasion in Nigeria which was hereby accepted. However, the indication here was that the electronic tax system could solve tax evasion among the tax payers in Ondo state, Nigeria. The finding was in line with the research findings of Monica, Makokha and Namusonge (2017).

Hypothesis Two:

H_{o2}: E-tax has no significant effect in preventing corruption among tax administrators.

Mean of the population (u) = $\dfrac{3 \times 70 \times 5}{5}$ = 210

Mean of the sample (x) = $\dfrac{\Sigma x}{n}$ = $\dfrac{1314}{5}$ = 263

Standard deviation (α)= $\sqrt{\dfrac{\Sigma(x-x)^2}{n}}$ = $\sqrt{\dfrac{779}{5}}$ = $\sqrt{155.8}$ = 12.5

$Z = \sqrt{\dfrac{x - u}{SD}}$ = $\sqrt{\dfrac{261 - 210}{12.5}}$ = $\dfrac{53}{5.58}$ = 3.08

Since the result of Z – table value is less than the estimated value (1.96 < 3.08), the null hypothesis was rejected and accept the alternative hypothesis. However, automated tax could also thwart fraudulent behaviour among the tax administrators. Okafor (2012) revealed that the automated tax payment system will boost income generation in the states studied. This was also in support of our findings.

Conclusion

The literature proven that if the e-tax administration was properly deployed, it will intensify internally generated revenue by resolving the tax evasion issue, which will also improve tax obedience among tax payers of Ondo state, Nigeria. Noteworthy that in an emerging economy Nigeria, the amount of tax revenue collectible depends largely on the ability of government to plug tax loopholes, reduce tax evasion and enhance accountability, regulatory quality, rule of law and truncate corruption. In conclusion, electronic taxation affects tax evasion and that it can help to reduce immoral practices among the tax administrators of Ondo state. Based on the above, it therefore recommends that robust information technology be further deployed to facilitate smooth running of electronic tax administration to achieve intended objectives. Automated tax ought to be executed to shrink the related glitches of collecting tax from swindles and pastime of government coffers.

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