EFFECT OF PERSONAL INCOME TAX ON INTERNALLY GENERATED REVENUE IN KOGI STATE

Musa Success Jibrin[1], Anaja Blessing[2]and Success Blessing Ejura[3]

[1]Department of Accountancy, Faculty of Management Sciences, Anambra State University, Igbarian Campus. E-mail: musasuccessj@gmail.com; Mobile: +234-0803-9738-770

[2]Department of Accounting, Faculty of Management Sciences, Kogi State University, Anyigba. E-mail: anajablessing@gmail.com; Mobile: +234-0806-4439-850
[3]Department of Banking and Finance, Faculty of Management Sciences, Kogi State University, Anyigba. E-mail: blessingsonoja@yahoo.com; Mobile: +234-0806-8259-713

Abstract

This study analyzes the effect of personal income tax on internally generated revenue in Kogi State. The specific objectives are to examine the individual contributions of the components of personal income tax, on internally generated revenue in Kogi State. Th*is study used secondary data from eight years record from Kogi State Board of Internal Revenue (KSBIR). Ordinary least squares (OLS) regression method of analysis, was adopted to test the hypotheses and unit root test of all the selected variables for the model were carried out using Augmented Dickey-Fuller (ADF) methodology. All the variables in the models are stationary at first level with the order of integration of I (1). The most important variables that can drive internally generated revenue in Kogi State are correctly signed based on a priori expectation and are statistically significant at 5% confidence level. The result of this research is free of auto-correlation in both models. It is therefore agreed based on the result of this research that PAYE* and *other taxes beside road tax and direct assessment can be used to measure the effect of personal income tax on internally generated revenue of Kogi state. It is therefore, recommended that adequate care and due diligence should be maintained to sustain the collection of PAYE and other taxes. The existing law provision on direct assessment and road taxes in the state need review to improve the collection that will impact on IGR.*

Keywords: Personal income, Internally Generated Revenue, PAYE.

1. Introduction

The provision of social assets and services to the people by government cannot be achieved without revenue. It is therefore expedient that governments are encouraged to expand their internally generated revenue bases to aid planning and execution of social infrastructure. Kogi State Board of Internal Revenue is responsible for the collection and management of internal revenue which is the financial addition to federal monthly allocation of the State.

It is the responsibility of the State Government to provide public goods also known as collective good and execute developmental projects that would improve the standard of living of her citizenry as well as meet its recurrent expenditure.

The first economist to develop the theory of public goods is Paul Samuelson. In his work, "The Pure Theory of Public Expenditure"(2000) he defined a public good or collective good as "…(goods) which all enjoy in common in the sense that each individual consumption of such a good leads to no subtractions from any other individual's consumption of that good…". This

property has become known as non-rivalry. Public goods are defined in terms of their economic rather than their administrative, physical, normative or financing characteristics. Two key characteristics of public goods have been identified namely, non-excludability and non-rivalry. Other characteristics are non-rejectability, indivisibility and inexhaustibility. The discharge of public service by the government requires a lot of fund. State government obtains fund from two sources: Internally generated revenue and statutory allocation from the Federation Account. Revenue is defined as a general term for all monetary receipts accruing from both tax and non tax sources. Revenue from tax and non tax sources as well as fees, grants and contributions supposed constitute the live wire of the State government but that is not so in Nigeria. Taxation is the system of imposing compulsory levy on all Income, goods, services and properties of individuals, partnership, trustees, executorships and company by government. Kogi State source fund internally by imposing various forms of taxes on the tax object which could be individuals or corporate entities. The increasing cost of running government has left various states governments in Nigeria with formulating strategies to improve revenue base. The Board of Internal Revenue is the government agency that performs the functions of collecting taxes and enforcing the laws of internal revenue.

In the history of Nigeria starting from 1946 to date, nothing has sparked off more constitutional, political and legal controversies and sometimes-violent clashes than the issue of revenue sharing and management. The situation has been aggravated by the recent public financial crisis due to inadequacy of state government share of the revenue from oil mineral revenue (Udeh 2015). The state therefore pressed for more revenue from oil mineral resources in the country and for the oil revenue sharing formula to tilt in their favour through the principle of derivation.

"The principle of derivation shall be constantly reflected in any approved formula as being not less than thirteen percent of the revenue accruing to the federation account directly from any natural resources"(FRN Constitution, 1999). This is a clear recognition that oil producing areas should be appropriately compensated for the ecological pollution and degradation of their environment due to oil production

Internally generated revenue, the income that accrues to the State and Local Government from within as a result of their internal efforts as opposed to allocations received centrally from the federation account includes taxes (Pay as You Earn and Direct Assessments), fines and fees, licences, stamp duties, land registration and survey fees, rents of government properties, interest repayment/dividends and reimbursement refund. The overriding objective, according to Dike (2000) is to 'collect the maximum revenue with the minimum economy and minimum interference with the legitimate trade of the taxpayer'. Adesola (1999) defined tax as a compulsory levy, which a government imposes on its citizens to enable it to obtain the required revenue to finance its activities.

In the country today, only salary earners pay personal income tax faithfully through the Pay As You Earn (PAYE) system, which deducts tax at source. It has remained difficult, if not impossible to get the self-employed to pay tax faithfully and since the government has not been able to device a means of assessing the income of those in self-employment, they have been evading tax so successfully, to the shame of the Internal Revenue service. The situation now is such that people with means are walking on the streets free without paying any tax at all to the government thus contributing to the inadequate internally generated revenue accruable to the state, (Omogui, 2007).

It is the responsibility of every government to avoid a collapse of its economy by providing a conducive atmosphere where all micro and macroeconomic variables thrive and this responsibility can only be achieved with a buoyant strong revenue base, and of course requisite human capital' . The current revenue sharing formula is also to the disadvantage of the non-oil producing states such as Kogi state coupled with the fact that internal revenue efforts also constitutes an important criterion in the determination of the share of any state or local government from revenue that accrues to the federation account.

The agitation for current oil revenue sharing formula which are to the disadvantage of non-oil producing states in Nigeria has brought about the need for such states to look inward for revenue generation.

Against this backdrop, this research is set to examine the effect of personal income tax on internally generated revenue in Kogi state since it is only source the state get the largest IGR. The recommendations that will guide the state and other states of the federation and by extension to the national government that can boost internal revenue generation and reduce excess dependence on oil revenue will be proffered.

The problem with public finance in Nigeria has been that the level of public revenue generated from tax and non-tax sources in recent years have not been sufficient to meet public expenditure of government, especially the State and Local Governments due to the expanded overhead cost (Nassar & Taiwo 2006). Kogi state government has large pay workers to finance, this extra (excess) employees cost, non-wage expenditures are squeezed in the process. The negative implication is that less focus on public service delivery to the people despite the high public expenditure, there were poor public services which hinder firms from coming to the state, as such emphases of internally generated revenue is focus on personal income tax rather than other forms of taxation. Muhammad (2015) argued that the increasing cost of running government coupled with the dwindling revenue has left all tiers of government in Nigeria with formulating strategies to improve the revenue base. Kogi state tax levy on personal income i.e. Pay as You Earn (PAYE) and Direct Assessment (DA) are much higher than some other states of the federation, yet the state has highest poor provision of educational facilities, health services and other social facilities like road network, inadequate water supply, quality waste management system.

From the empirical literatures reviewed, there is internal similarity in their findings inspite of different methodologies employed for the analysis, hence it is easier to draw policy implication from them. But most of these work did not carry out stationarity test except the work of Igyo e-tal (2016), and they made use of time series data, as such their results could be spurious. These in no doubt will affect the findings thus, the policy implication. More so, the individual effect of the components of personal income tax such as Pay as You Earn (PAYE) and Direct Assessment (DA) was not carried out in the work reviewed. No study has been carried out on the effect of components of personal income tax on internally generated revenue in kogi State to the best of my knowledge. This study is therefore carried out to fill all these gaps left opened in literature

This study examine the effect of personal income tax on internally generated revenue in Kogi state, Nigeria which will enable us to measure the impact on IGR and update the previous studies and fill the gap in literature.

The research questions arising from the above issues and the objectives we seek to pursue are therefore as follows:

1. What are the individual contribution of the components of personal income tax, such as Pay as You Earn (PAYE) and Direct Assessment (DA) on internally generated revenue in Kogi state?
2. What effect do components of personal income tax have on IGR when other forms of taxes are collected simultaneously along with them?
3. The rest of the research is divided as follows: section 2 provides an overview of the review of the theoretical and empirical related literatures on personal income tax, section 3 provides the methodology of analysis while section 4 will provide data presentation, analysis, interpretation of the results and section 5 will wrap up the conclusion and recommendations.

2. Related Literature Review

Tax is a major source of government revenue all over the world. Government use tax proceeds to render their traditional functions, such as the provision of public goods, maintenance of law and order, defense against external aggression, regulation of trade and business to ensure social and economic maintenance (Azubike, 2009). Musgrave and Musgrave (2004) also stated that the economic effects of tax include micro effects on the distribution of income and efficiency of resource use as well as macro effect on the level of capacity output, employment, prices, and growth. However, the use of tax as an instrument of fiscal policy cannot be achieved because of dwindling level of revenue generated as a result of ineffectiveness of government officials. Kiabel and Nwokah (2009) argue that the increasing cost of running government coupled with the dwindling revenue has left all tiers of government in Nigeria with formulating strategies to improve the revenue base. Tax is dynamic, so reforms are necessary to effect the required changes in the national economy (Ola, 2001). Azubike (2009) noted that tax reform is an ongoing process with tax policy makers and tax administrators continually adopting the tax systems to reflect changing economic, social and political circumstances in the economy. Recently the Nigerian government undertook various tax law reforms to improve tax administration and to increase tax yield. The Value Added Tax (Amendment) Act, 2007 was for instance intended to widen the value added tax base and improve the machinery for its collection. Similarly the Company`s Income Tax (Amendment) Act. 2007; the Federal Inland Revenue Services (Establishment) Act, 2007 and The Personal Income tax (Amendment) Act, 2011, were all aimed at encouraging tax compliance and increasing tax yield (Aguolu, 2010).

a. Personal Income Tax

This is a tax levied on employment income and any other income received by individuals. Individuals here being those in paid employment and those in self- employment, i.e. those engaged in a trade, business, profession or vocation such as lawyers, accountants, doctors, traders in shops etc. The assessment and collection of this tax in Nigeria is regulated by the Personal Income Tax Act No. 104 LFN, 1993. It is this law that gives the necessary procedures and administrative powers to impose and collect taxes from persons, individuals, partnerships, executors, trustees Family or Communities Corporation sole or body of individuals. Personal Income Tax is collected by the various state governments through the State Board of Internal Revenue (SBIR) from individuals resident in the tax territory. Taxes from certain categories of individual - members of the Armed Forces, the Nigeria Police, FCT residents, External Affairs Officials and nonresident individuals- are collected by the Federal Government via the Federal Board of Inland Revenue (FBIR).

By the provisions of the Approved list for Collection Decree (Decree No. 21 of 1998), the following taxes/levies are collectible by State Governments in Nigeria: which include Personal

Income Tax and its components such as: Pay-as-you-earn (PAYE), Direct (Sell and government) Assessment, Withholding Tax (individuals only) and other taxes like: Capital Gains Tax (Individuals only), Stamp Duties (instruments executed by individuals); Pools Betting and Lotteries, Gaming, and casino Taxes; Road Taxes; Business premises registration and renewal levy: (i) Urban areas as defined by each state: maximum of N10, 000.00 for registration and N5, 000.00 for renewal per annum, (ii). Rural areas: Registration: N2000.O0; - Renewal: N l000.00 per annum. Taxes also include: Development Levy (individuals only) not more than N100.00 per annum on each taxable individual; Naming of street registration fee in state capitals; Right of occupancy fees on land owned by the state government in urban areas of the state and Market taxes where state finance is involved.

The Personal Income Tax (Amendment) Act 2011: The Personal Income Tax (Amendment) Act 2011 was officially gazetted on Tuesday 31 January 2012 with an effective date of 14 June 2011. Many employers are yet to commence implementation while some have commenced but are yet to complete the process, only a few have fully implemented. Regardless of where you are on the implementation phase, there are a number of issues arising from implementation that are likely to affect you. Generally employee benefits are "all forms of consideration given by an entity in exchange for service rendered by employees“ including short-term benefits such as wages, salaries, holiday pay, sick leave and bonuses; long-term benefits such as long-term incentive plans and long-service awards; termination benefits such as redundancy payments; and post-employment benefits such as pensions and postretirement medical insurance.

For tax purposes, employee benefits may include considerations given by any person to an employee or otherwise enjoyed by him solely by reason of employment and payment to his family or a third party on his behalf. The charging section (Section 3) of the amended Personal Income Tax Act (PITA) defines income chargeable to include “… any salary, wage, fee, allowance or other gain or profit from employment including compensations, bonuses, premiums, benefits or other perquisites allowed, given or granted by any person to any temporary or permanent employee other than so much of any sums or expenses incurred by him in the performance of his duties, and from which it is not intended that the employee should make any profit or gain.

Pay As You Earn (PAYE) and Personal Income Tax (PIT) : As is the case with several tax types, the PersonalIncome Tax (PIT) which is made up of direct assessment for self-employed enterprises and Pay-As-You-Earn (PAYE) for salary earners.

PAYE is an acronym for “Pay as You Earn”. It is a method of collecting personal income tax from employees’ salaries and wages through deduction at source by an employer as provided by the relevant sections of the Personal Income Tax Act (PITA). (S.81 of Personal Income Tax Act Cap P8 LFN 2011).

The due date for remitting PAYE is the 10th day of every month following the month of deduction.

PAYE does not differ because the rates used for computation are the same. The current rates applicable to the chargeable income are as follows:1st -N300,000 @ 7%, Next- N300,000 @ 11%, Next- N500,000 @ 15%, Next -N500,000 @ 19%, Next -N1,600,000 @ 21% and Above N3,200,000 @ 24%

Benefit-In-Kind (B.I.K) may be defined as those benefits or perquisites that accrue to a person by reason of the office and/or position he/she occupies. Benefits in kind include such benefits as official car, official accommodation, cooks, gardeners, security etc. The amount treated as B-I-

K in the hand of the officer that enjoys the benefit is added to his income in arriving at his/her gross/consolidated income that is assessed to tax.
Non Taxable Deduction non-taxable deductions under the PIT Act include the sixth schedule of Personal Income Tax (Amendment) Act, 2011 listed the following as tax exempt: National Housing Fund contributions, National Health Insurance Scheme contributions, Life Assurance Premium, National Pension Scheme and Gratuities
Theoretical Framework / Review

According to Ojeka (2011), the ability theory states that "public expenditure should come from 'him that hath' instead of 'him that hath not". He purported that the theory is the basis of progressive tax while Eftekhari (2009) purported that the basic truth of the ability to pay theory is that the burden of taxation should be distributed by members of the society on the principles of justice and equity having these principles to ensure that tax burden is shared according to the taxpayers' relative ability to pay.

Economic Concept stated that the most popular and commonly accepted principle of equity and justice in taxation is that taxpayers in a given nation should remit taxes to the government based on their ability to pay tax. Ojeka (2011) documented that the most supported justification of the ability to pay is on the grounds of sacrifice. Though, it seems that if taxes are levied based on the ability-to-pay principle then justice can be attained however there are limitations to this theory as economists are not certain as to the exact measure of taxpayers ability to pay and there are nonsolid approach for the measurement of the equity of sacrifice. However, there are some points of view as to what should be the basis of measuring the ability to pay tax; Some scholars are of the opinion that ownership of property is a very good basis of measuring taxpayers' ability to pay tax. Overtime this idea has been rejected because it has been seen has absurd and unjustifiable.

Some scholars in economics are also of the belief that taxpayers' ability to pay tax should be judged based on the expenditure which a taxpayer incurs i.e. the higher the expenditure the higher should the tax burden be. This view has also been out rightly rejected because it has been seen as unfair and unjustifiable to those who have to spend a lot irrespective of their income.

Most economists are of the view that income should be the basis of measuring a taxpayer's ability to pay taxes i.e. the higher the income the higher the tax to be paid would be. It is seemed to be a very fair and just basis for judging a taxpayer's ability to pay tax. Equity of sacrifice can be measured in three ways, as demonstrated by Richard Musgrave, namely ;(i).Equal Absolute Sacrifice: Each taxpayer would surrender the equal absolute degree of utility obtained from income earned. (ii).Equal Proportional Sacrifice: Each taxpayer sacrifices equal proportion of utility obtained from income earned (iii).Equal Marginal Sacrifice: Each taxpayer would surrender the same utility for the last unit of income.

Empirical Review
Many have studied and tested according to Nassar & Taiwo (2006) carried out study on Impact of Personal Income Tax on Internally Generated Revenue Performance in Oyo State Nigeria. The study examined the income profiles of Oyo state government and assessed the personal income tax impact on the income accruable to the state under the constitution of the Federal Republic of

Nigeria. Secondary data sought from the approved budgets of Oyo state from years 2000-2006 was used for the study. They used stepwise regression technique to select the revenue source that has the greatest impact on Internally Generated Revenue (IGR) in the state. Their findings indicate that personal income taxes have systematic variation of 68.4% effect on IGR in Oyo state. Both taxes and Licences jointly accounted for 68.8% systematic variation in IGR in the state. Their study recommends an improved strategy through the use of Electronic Revenue Assessment, Collection and Monitoring technique together with unique taxpayer personal identification number (UTPIN) database to attract both the self employed and salary earners into the Personal Income Tax Net.

Onyekwelu1 and Ugwuanyi (2014) Assessed Personal Income Tax Amendment Act 2011and its Effects on Revenue Generation in Nigeria. Their study exposed the possible challenges and prospects it poses to the Nigerian tax payers. The primary data was used for this study, using a structured questionnaire in conjunction with secondary data sourced from textbooks, academic journals and the internet. Their study reveals among other things that the increase in the tax rate affected the tax payers revenue generation, and the retroactive nature of our tax laws constitutes a major problem thus: resulting in double taxation during the assessment and collection of taxes. following their findings, they recommended that competent laws should be passed by the government on personal Income tax collection and generation, stiff penalties should be imposed on the tax defaulters and evaders, tax laws should be made less complex, recruitment of qualified personnel to enable them cover fully the scope of work and finally the tax payers should be educated sufficiently on the importance of tax.

Muhammad (2015) did similar study on the Impact of Personal Income Tax on State Governments Revenue Profile in Nigeria and used secondary data sources. The study established a significant difference between the amount generated as internally generated revenue and the inadequacies of the internally generated revenue to cater for the states' total expenditure profiles. He also discovered that there is higher reliance on the federation account for the states revenue profile. And he recommends that the states must look inwards and develop new strategies to enhance their internally generated revenue.

In another research conducted, it is Igyo e-tal (2016), who critically evaluated the contribution of Personal Income Tax on Internally Generated Revenue in Benue State. Their study specifically examined the impact of PIT sources on IGR of Benue state government. The research utilized secondary sources of data from the budget office of ministry of finance from 1999 to 2014. The data were analyzed using multiple regression The Augmented Dicky-fuller test ADF and diagnostic test were carried out to test for data stationarity, multicollinearity and serial correlation. Their findings show that PIT contributes significantly to IGR in Benue State and it is a genuine source through which the government deficits finances can be solved.

In an attempt to fulfill the above expectation, the national tax policy is expected to be in compliance with the principle of taxation, the lubricant 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. This problem is inherent in her fiscal federalism (Ahunwan, 2009).

3. The Methodology

The researcher adopted ipsofacto research design and Kogi State government has been chosen as the study area, and various years of PAYE and Direct Assessment tax and other form of taxes are collected to generate the required data.
The study covered specifically personal income tax, direct assessment taxes, road taxes and the total of internally generated revenue in Kogi state; for a period of 2008 to 2015. The data on these variables are more precise and actual compare to other forms of tax as reviewed by the researcher, as such the researcher adopted this this variables for the analysis of this work.
Seven years secondary data was extracted from the internally generated Revenue at state level from 2008-2015 which was obtained from National Bureau of Statistics Bulletin, Kogi Board of Internal Revenue, Kogi State Budget and Planning office and Kogi State Ministry of Finance.

3.1 Model Specification

Classical Ordinary Least Squares Method of regression functional relation is stated below:
Functional Relation for Model 1

$$IGR= f(PAYE, DASS) \quad 3.1$$

Functional Relation for Model 2

$$IGR= f(PAYE,DASS,RTOTH) \quad 3.2$$

Where,
IGR = Internally Generated Revenue
PAYE = Pay as You Earn
DASS = Direct Assessment
RT = Road Tax
OTH = Fine and Fees, Earning & Sales, Rent on government Property, Interests, Repayment and Dividends and Miscellaneous revenue i.e. Revenue from state own parastatals.
The regression equation based on the above functional relation of model 1 is stated below:

$$LIGR= \delta_0 + \delta_1 LPAYE + \delta_2 LDASS + U_1 \quad 3.3$$

The regression equation based on the above functional relation of model 2 is stated below:

$$LIGR = b_0 + b_1 LPAYE + b_2 LDASS+ b_3 LRT+ b_4 LOTH+U_2 \quad 3.4$$

Where, L= log-linear relationship, δ_0 and b_0 = constant, $\delta_{1,}$ δ_2 b_1, b_2, b_3 and b_4 are parameter estimates of equation 3.3 and 3.4, Ui = Error term; it is the surrogate of all other variables that influence the dependent variable which are not included in this regression equations.

3.2 Justification of the Models

The estimation technique that was adopted for this work was Ordinary Least Method with both simple and multiple regression equations in log version. The elegance of this approach is because of its BLUE property of unbiasedness, efficiency and consistency which can help us to curtail the econometric problems such as autocorrelation, multicollinearity, heretroscedascity; that may rear its head in this study (Ojameruaye & Oaikhenan, 2004) and the estimates are straight elasticity. Software E-view 7.1 version is use to estimate the model for the purpose of clarity and an unavoidable manual computational error due to the precariousness nature of time series data employed for this study.

4. Data Presentation and Analysis

4.1 Unit Root Test

Since the study uses economic time-series data, it is advisable to begin by verifying the time series properties of the variables employed. That is, it is necessary to find out if the variables are stationary or non-stationary. In a nutshell, it is necessary to determine the order of integration of all the variables involved. This is best accomplished by carrying out unit root tests of the variables. In order to test for the stationarity of variables used in this study, unit root test of all the selected variables for the model were carried out using Augmented Dickey-Fuller (ADF) methodology. It is considered as the most reliable test of stationarity for economic time-series variables. It is carried out using the E-view 7.0 econometric software. The following results were obtained as shown in the table below.

Table 4.1.1: Summary of Unit root tests using the ADF Criterion

Variable Decision	Order	ADF	Decision
D(IGR)	**1st difference**	**-4.738124**	**I(1)**
D(PAYE)	**1rd difference**	**-7.399775**	**I(1)**
D(DASS)	**1st difference**	**-10.59079**	**I(1)**
D(RT)	**1st difference**	**-6.975646**	**I(1)**
D(OTH)	**1st difference**	**-7.359331**	**I(1)**

Note: 95% critical value for the Dickey Fuller statistics = -5.338346

Note that all the variables employed in the model viz.: IGR = Internally Generated Revenue, PAYE = Pay as You Earn, DASS = Direct Assessment, RT = Road Tax, OTH = Fine and Fees, Earning & Sales, Rent on government Property, Interests, Repayment and Dividends and Miscellaneous revenue i.e. Revenue from state own parastatals are stationary at first level with the order of integration of I (1). Therefore, we can estimate ordinary least square models using the log version.

4.2 Presentation of Results

This section deals with data presentation, analysis and discussion of findings. Hence, the secondary data obtained from the state board of internal revenue for the regression are shown in the tables below. According to the issues involved in this research we hereby present interpretation and analysis. The ordinary least squares method is used to analyze the data presented, followed by the discussion of findings about the test results of the hypotheses and inferences drawn to answer the research questions of the study. Thus, the estimates from the following measures are summarized under the following issues examined in this study: Thus, the estimated multiple regression equation results are.

Table 4.2.1: Summary of Regression Results of Model I

Variables	Estimates	Standard Error	t-calculated	Prob.
CONSTANT	**-3.166867**	**2.242599**	**-1.412141**	**0.2308**
LDPAYE	**1.146671**	**0.097746**	**11.73115**	**0.0003**
LDDASS	**0.011745**	**0.021016**	**0.558859**	**0.6061**
R^2 = 0.973273	**R^{-2} = 0.959910**	**F = 72.83151**	**DW = 2.411396**	

Source: E-view 7.0 version, 2016

Table 4.2.2: Summary of Regression Results of Model II

Variables	Estimates	Standard Error	t-calculated	Prob.
CONSTANT	**0.904711**	**0.874500**	**1.034547**	**0.4096**
LDPAYE	**0.755342**	**0.058073**	**13.00669**	**0.0059**
LDDASS	**0.000113**	**0.005416**	**0.020805**	**0.9853**
LDRT	**0.026424**	**0.052932**	**0.499203**	**0.0541**
LDOTH	**0.207104**	**0.026580**	**7.791828**	**0.0161**
R^2 = 0.999179	**R^{-2} = 0.997537**	**F = 608.4330**	**DW = 2.352715**	

Source: E-view 7.0 version, 2016

4.3 Analysis of the Regression Estimates

From table 4.2.1 the regression coefficient of PAYE of 114% indicates that when other variables selected in this model are fixed at zero a unit increase in the PAYE as a component of personal income tax in Kogi state will bring about 114% increase in internally generated revenue, meaning that there is direct relationship between internally generated revenue and PAYE in Kogi state; which is in consonant with the tax theory propounded by David Ricardo.

By the same token, if the direct assessment rises by one unit, internally generated revenue will also increase by 1.2% as such the relationship is proportional and it obeys a priori expectation. But due to inefficiency and ineffectiveness of tax administration in Kogi state, direct assessment as a component of personal income tax could not play its economic role in internally generated revenue in the state, as such its contribution is infinitesimal compared to the expected value.

From table 4.2.2 the coefficient of PAYE stood at 76%; thus a naira increase in PAYE will lead to an increase of about 76% in internally generated revenue. There is a direct relation between IGR and PAYE going a priori expectation . when PAYE as component of personal income tax are collected along with other taxes, such as road tax, Fine and Fees, Earning & Sales, Rent on government Property, Interests, Repayment and Dividends and Miscellaneous revenue i.e. Revenue from state own parastatals its effect on internally generated revenue will deteriorate as reviewed by this research.

Looking at the result presented above, the coefficient of direct assessment is almost zero and statistically insignificant in its contribution to internally generated revenue and road tax stood at 3% which shows infinitesimal effect on the internally generated revenue.

Other taxes such as Fine and Fees, Earning & Sales, Rent on government Property, Interests, Repayment and Dividends and Miscellaneous revenue i.e. Revenue from state own parastatals regression coefficient stood at 207% and it statistically significant. It is one of the taxes that impact significantly on internally generated revenue.

4.4 Research Findings

1. Thus the regressors in equation 1 & 2 respectively explain over 97 percent and 99% percent of the systematic variation in internally generated revenue during the 8 year period, 2008 through 2015. This is an indication that 3% percent and 1% systematic variation in internally generated revenue was accounted by variables which are not included in the model. The result of the coefficient of determination even after the adjustments of the degree of freedom of the two models respectively, the R^{-2} still stood at over 95% and 99%. Therefore, the models are good for forecasting of internally generated revenue from personal income tax. The variables involved are the major determinants of internally generated revenue in Kogi state.

2. The internally generated revenue equations have F-statistic of 72.83151 with P value (0.000714) and 608.4330 with P-value (0.001642). The hypotheses of a log linear relationship between internally generated revenue and the selected variables in the two research models are statistically significant at 1% confidence level.

3. The most important variables that can drive internally generated revenue in Kogi state according to this research are; PAYE and Other taxes such as Fine and Fees, Earning & Sales, Rent on government Property, Interests, Repayment and Dividends and Miscellaneous revenue i.e. Revenue from state own parastatals, they are correctly signed based on a priori expectation and are statistically significant even at 5% confidence level. The result of this research is free of auto-correlation in both model.

5. Conclusion and Recommendations

The broad objective of this study is to determine the effect of personal income tax on internally generated revenue in Kogi State, coefficients of the PAYE tax, direct assessment tax, road tax and Fine and Fees, Earning & Sales, Rent on government Property, Interests, Repayment and Dividends and Miscellaneous revenue i.e. Revenue from state own parastatals. The study employed the Ordinary Least Square methodology and multiple regression analysis in analyzing the relationship between internally generated revenue and components of personal income tax, road and other forms of taxes. This justify implicit theories that underline the relationship between internally generated revenue of the state and the selected exogenous variables as stated in the methodology; this is a strong indication that these variables are the major factors that determine the profile of the state internal generated revenue.

5.2 Conclusion

This research undertakes a comprehensive analysis of the effect of personal income tax on internally generated revenue from 2008 through 2015.

The findings allow it for a better tax administration policy to drive internally generated revenue for Kogi State. The main determinants of internally generated revenue were PAYE and other forms of tax such as; Fine and Fees, Earning & Sales, Rent on government Property, Interests, Repayment and Dividends and Miscellaneous revenue i.e. Revenue from state own parastatals. Any decisive action aimed at improving PAYE and other taxes they will directly increases the IGR performance of the state.

The justification for these specification is the empirical finding that the level of internally generated revenue correlated with the level components of personal income tax and others to drive revenue generation for the state.

This study may conclude, that the inability of direct assessment and road tax to effectively impact internally generated revenue of the state is due to shortcomings of poor tax administration bedeviled with bureaucratic corruption in Kogi State Board of Internal Revenue.

5.3 Recommendations

Based on the findings of this study, the following recommendations are made:

a. In order to improve on the present level of internally generated revenue in Kogi state, a comprehensive review of the present strategies being used to attract components of Personal Income Tax must be carried out by the government and internal revenue service of the state and the revenue generated should be used judiciously to provide adequate social amenities that will attract companies to the state, that can generate more PAYE and additional profit taxes.
b. Government representative at the joint tax board must also bring it to the attention of the board the need to review the existing obsolete law provisions on direct assessment and road tax collections and compliance to enable the state enforce the tax on sole proprietors' businesses and other economic activities in the state.
c. The internal revenue service department must be fully computerized in their operations to enhance the compilation of a comprehensive database for the taxpayers for easy identification and personal identification number must be issued to eligible taxpayers which must be unique to pay taxes to serve as a machinery to bureaucratic petty corruption within the board. This will provide a track record for actual state revenue collected for a period.
d. Finally, operational and administrative autonomy to the Board of internal revenue of the state, faithful and efficient revenue monitoring and collection officers is recommended and corporate rules and regulations to sanction any erring revenue officers for revenue diversion should be enshrined in the autonomy document and the penalty against any taxpayer who unnecessarily evade his/her tax or harass the revenue officers should be stated clearly in the document.

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