EFFECTS OF TAX REFORMS ON INTERNALLY GENERATED REVENUE IN NIGERIA

Ogbodo, Okenwa Cy
Department of Accountancy
Nnamdi Azikiwe University, Awka
Mail: cyogbodo2016@yahoo.com

Mehara, Gift Chinwendu
Department of Accountancy
Nnamdi Azikiwe University, Awka
Mail: meharag5@gmail.com

Abstract
The main objective of this study is to evaluate the effect of tax reforms on internally generated revenue in Nigeria. The specific objectives are to ascertain the effect of: Petroleum Profit Tax (PPT); and Value Added Tax (VAT) on internally generated revenue in Nigeria. Ex post facto research design was adopted. Data were collected from annual reports and accounts of the sampled banks for the periods from 2004 to 2019. The study employed regression analysis to test the formulated hypotheses with aid of E-View 9.0. Based on the data analyzed, the study found that petroleum Profit Tax has no significant effect on internally generated revenues in Nigeria at 5% level of significance. Another finding is that Value Added Tax (VAT) has a significant effect on internally generated revenues in Nigeria at 5% level of significance. Based on the findings, the study recommended amongst others that the government should provide the necessary human and material infrastructures that are needed to support petroleum business so they can earn more income that will boost taxation.

Keywords: Tax Reforms, Petroleum Profit Tax, Value Added Tax, and Internally generated revenue
**Introduction**

Nigeria has been largely dependent on primary products for the generation of a high proportion of its recurrent revenue. Nigeria’s revenue base has oscillated between primary products. Before the discovery of oil (pre-70s), the bulk of the public revenue came from exportation of agricultural products. Essentially, import duties, as an integral aspect of indirect tax was a relevant source of revenue, contributing on the average between 40 and 50 percent of the public generated revenue (Central Bank of Nigeria, 2010). The exportation of oil in Nigeria from the first quarter of the 70s shifted the revenue base in favour of oil (Odusola, 2006, Iyoha, 2003). Since then, oil has constituted the bulk of public generated revenue, export earnings and foreign exchange reserve (Obadan, 2012).

Nigeria as a country practices a federal system of government and its operations are carried out under certain principles. These principles are said to be same in all its operations (Odusola, 2006). Nigeria has three tiers of government and country’s fiscal power is divided among these tiers namely; the federal, state, and local government. These various government tiers are said to have different or divers tax sources, administrations, and jurisdictions. According to Odusola (2006), different taxes and levies were shared among these tiers of government in the year 2002. A country’s political, economic, and social goals and aims depend wholly on the revenues generated in order to provide various infrastructures and ensure the welfare of its citizens. Economic development and sustainability of states and local government areas in Nigeria depend on the ability of the states and local government to generate revenue internally to support the revenue allocation from federation account.

Tax reforms are deliberate and continuous actions by government and its agencies to alter the existing tax laws and policies to positively impact on the tax administration and collection process with minimal cost. Oriakhi and Ahuru (2014) opined that “tax reform is simply the series of actions taken by Nigerian government to promote the tax system. It is not novel as Nigeria has embarked on series of tax reforms.

The major challenge facing Nigeria’s Economy is the diversification of its revenue base. This diversification has become necessary with the realization that dependency on crude oil earnings cannot sustain public expenditure. The Economy faces the danger of being grounded if proactive efforts are not made towards sustaining the diversification of the revenue base (Saleh & Daluma, 2017). The U.S.A and other major oil consuming nations have consistently reduced their demand for Nigeria’s oil over the last few years. This is not a good signal for our fiscal operations which are oil revenue driven. The U.S.A and other developed economies have designed new energy policies and strategies which motivate the creation of synthetic products that may eventually displace or drastically reduce their dependency on crude oil. This development is a clear invitation to Nigeria to make adequate move toward diversifying the revenue base.

The problems tackled in the study are therefore in three folds. Firstly, the effect of tax reforms on internally generated revenue in Nigeria has continued to generate series of debate among scholars. Studies had been carried out on the topic both locally and globally; Some done in Nigeria were done in different aspect of tax reforms but no study had carried out a combined evaluation of PIT, CIT, PPT and VAT in a single study.

Despite being the major sources of federal government revenue in Nigeria, general tax revenue in Nigeria is yet to fully meet her needs sufficiently from tax revenue. Whether the tax gathered are enough to carrying out government responsibilities depends on the country’s
needs and countries tends to seek for alternative source of revenue in order to successfully carry out its responsibility (Unegbu & Irefin, 2011).

The Petroleum Profit Tax (PPT) is also recently faced with the problem of flared gas with no penalty that has led to discouragement of commercialization. And this encourages Nigeria to flare 28% of the world total, thereby leading to one of the highest global flare program. The tax administrative has set down a tax penalties to deal with this problem and to provide incentives for utilization of all associated gas. There is a problem of less attention given to marginal gas field projects and more to major operators (World Bank, 2000). And the existing tax is not sufficiently attractive to encourage marginal field operators.

Prior to tax reforms, tax administration reflected inefficiencies, characterized by means of deficiencies in the tax administration and collection system, complex legislations and apathy on the phase of those backyard the tax nets. The divergence of theoretical views on the link between tax reforms and productiveness is manifested in empirical literature. One circulate of empirical literature stated poor relationship between tax reforms and productivity (Udeozo and Onuora, 2021; Adum, 2018). The 2nd flow said advantageous have an effect on of tax reforms on internally generated revenue (Udeozo and Onuora ,2021; Ebi and Ayodele, 2017; Nworgu, Herbart and Onyilo, 2016).

Considering various aspects of reforms in the tax administration, including tax-related reforms and institutions-related reforms, and besides, various econometric methods based on ordinary least squares, and conflicting empirical outcomes as a result of differences in goal populations with admire to country, sector, company and economic periods, software of assorted methodological procedures as nicely as variations in the study variables measurement, thereby growing a gap that this study is tried to address. It is on this backdrop, the current study determine the effect of tax reforms on internally generated revenue in Nigeria.

The main objective of this study is to evaluate the effect of tax reforms on internally generated revenue in Nigeria. The specific objectives are

i. To ascertain the effect of Petroleum Profit Tax (PPT) On Internally Generated Revenue in Nigeria.

ii. To know the effect of Value Added Tax (VAT) on internally generated revenue in Nigeria.

Review of Related Literature

Nigeria Tax Reforms

The Nigeria tax system could be traced back to the eighteenth century when traditional rulers and local law enforcement agents collected money from their citizens, in order to finance development programmes in their communities. However, the history of modern taxation traced back to the year 1904, when personal income tax was introduced in Nigeria as community tax. The amalgamation of Southern and Northern Protectorates in the year 1914 led to the transfer of the native Revenue Ordinance of 1917 from northern region in the years 1918 and 1927 (Ola, 2001). Since then, there has been a steady progress in the tax regime with various attempts to modernize, expand, reform and improve the process, procedure and sanctions inherent in the system of taxation in Nigeria.

According to Odusola, 2006, tax reforms due to certain needs such as the need for the country to diversify its revenue portfolio in order to safeguard against the volatility of crude oil prices
and to promote fiscal sustainability and economic viability at lower tiers of government. Another reason or need for tax reform Odusola gave is that, Nigeria as a country operates on a cash budget system, where proposals for expenditures are given and carried out on revenue generated. Thus it facilities knowing the optimal tax rate for a given level of expenditure. The accuracy of revenue sourced is important for devising an appropriate framework for sustainable fiscal management, and can be realized only when reforms are made on existing tax policy in order to achieve some improvement. The third reason or need for tax reform is Nigeria tax system is majorly concerned about revenues coming from petroleum and trade taxes while it ignores direct and broad-based indirect taxes like value added tax (VAT). The fourth reason he gave is that the widening fiscal deficit that over the years has threatened macroeconomic stability and prospects for economic growth make tax prospect appealing. And lastly, the study groups on the review of Nigeria tax system in 1991 and 2003 stated the need to increase tax revenue and in turn reduce expenditure as the major fiscal issues to be address. The economic effects of tax include micro effects on the distribution of income and efficiency of resource used as well as macro effect on the level of capacity output, employment, prices and growth (Musgrave and Musgrave, 2004). Using tax as an instrument of fiscal policy cannot be achieved because of dwindling level of revenue generated due to ineffectiveness of government officials (Ogbonna and Ebimobowei, 2012). Ola, (2011) is of the opinion that tax is dynamic in nature, and therefore reforms are necessary to effect the required changes in the national economy. Tax system changes due to changes in economic, social, and political circumstances making the tax reform process an ongoing one.

The tax reform of the 90s was preceded by the inauguration of two study groups. One study group examined the direct tax regime, while the second examined indirect tax. A major outcome of the second study group was the introduction of value added tax (VAT) in the year 1993. VAT marked a shift from tax on foreign trade related activities to consumption-based tax (Oriakhi & Rolle, 2014). Prior to this, the share of central, state and local government of VAT was 20%, 50% and 30% respectively (Ogbonna & Ebimobowei, 2011). However, by the year 1995, the sharing formula was revised in favour of central government thus (Central government, 35%; State government, 40% and Local government 25%). Agitations from sub-national government provoked another revision of VAT, so that currently the sharing formula for Central, State and Local governments are respectively, 15%, 50% and 25% (Oriakhi & Rolle, 2014).

The tax reform of 2004 was the outcome of recommendations made by the study group (2002) (see for example: Oriakhi & Rolle, 2014: 194-206). This tax reform was part of the National Economic Empowerment and Development Strategies (NEEDs). Essentially, the study group recommended that Nigeria needed a national tax policy that will be principally directed towards national development. On April 7, 2012 the national tax policy document was launched by President Goodluck Ebele Jonathan. Instructively some of the provisions of the national tax policy are: the provision of a stable preference point for all stakeholders in the country, shifting the focus of the tax regime from direct to indirect tax which is considered less distortionary, reducing the personal income tax from 25% to 15%, and company income tax from 30% to 20%, strategically increasing VAT from 5% to 15%, reducing and streamlining the number of tax incentives e.t.c. (see also, Oriakhi & Rolle, 2014)
Internally Generated Revenue in Nigeria

Nigeria as a country has enjoyed improved revenue from the 1970’s till date due to reforms introduced by different regimes all aimed at making the state government effective and efficient in discharging statutory responsibilities to the people. This was achieved through increased sources of revenue generation; this problem is multifarious ranging from low borrowing capacity, corruption, mismanagement and misappropriation of state government funds, ineffective strategies for enhancing internally generally generated revenue, lack of skilled and technical personnel, etc.

This is a major problem of revenue generation in Nigeria; in most cases the state government funds have been mismanaged. Udoudo & Ekpenyong, (2013) reported that tax collectors that are charged with the responsibility to collect all the revenue sources do not adequately use their freedom to collect them and exploit other sources of revenue available to the state government. Many state government officials embezzle local government funds through all sorts of manner like inflating contracts or embarking on white elephant projects or outright siphoning of funds which has affected the developmental process of Lagos State.

The internally generated revenue which was hoped to accelerate the finance of the state government is being deviled by corrupt practices on the part of revenue collectors. It has been observed that these revenue collectors have in the possession unofficial receipts; this enables them to divert state government funds into private use. Corruption is the locust that has eaten state government revenue, this manifested in the distorting of revenue return receipts, embezzlement and misappropriation of funds.

Moreover, the Nigeria Constitution of 1999, generally allows the state governments to broad discretion in establishing fee, charges, fines, penalties levies etc. Similarly, Naiyeju (2014), highlighted that some other revenue items are not usually income or transaction based, but may be imposed for the use of utilities or infrastructure or simply imposed on certain categories of persons, persons within a particular areas or activities. In addition, (The National Tax Policy, 2012), explained working definition of other items of revenue as follows: (i) Charges: this is an amount paid for the use of goods, services or infrastructure provided by the government. (ii) Fees: this is a payment for the services provided by the public institutions or organizations, such as government entities or agencies, i.e. payment for use of utilities and for obtaining government documents such as passports, certificate of occupancy (C of O), etc. (iii) Fines: these are certain amount of money imposed by the government for an offence or indiscretion by a person within the jurisdiction of the government. This includes court fines, fines imposed for traffic violations by LASTMA, unauthorized usage of government properties etc. (iv) Penalties: this is similar to fines, is amount paid or forfeited for not meeting a particular condition or fulfilling an undertaking. Penalties include late filing of returns, late or inability to provide certain information to government agencies as required. (v) Rates: these are usually imposed on property or assets and are usually determined with respect to the value of the property or in relation to some other factors. Rates include tenements on shops and kiosks, development levies collected by the state governments as part of income taxes. Although in practice, there may be little distinction between what constitutes a tax, or charge, or fine as these concept are sometimes interchangeable, however, it is important to know and understand the distinctions set above in mind Tax Foundation (2006).
**Petroleum Profit Tax**

PPT is a tax on the income of companies engaged in upstream petroleum operations *in lieu* of CIT. Petroleum profit tax (PPT) is a tax applicable to upstream operations in the oil industry. It is particularly related to rents, royalties, margins and profit sharing elements associated with oil mining, prospecting and exploration leases. It is the most important tax in Nigeria in terms of its share of total revenue contributing 95 and 70 percent of foreign exchange earnings and government revenue, respectively (Afuberoh & Okoye, 2014). Petroleum operation as defined in the PPTA essentially involves petroleum exploration, development, production and sale of crude oil. The Petroleum Profit Tax is regulated by the Petroleum Profit Tax Act of 1959 as amended by the Petroleum Profit Tax Act of 2007. Although the initial law was passed in 1959 to capture the first oil export made in that year (Okeke, Mbonu & Amahalu, 2018). Section 8 of Petroleum Profit Tax Act (PPTA) states that every industry engaged in petroleum operations is under an obligation to render return, together with properly annual audited accounts and computations, within a specified time after the end of its accounting period. Petroleum profit tax involves the charging of tax on the incomes accruing from petroleum operations (Abdullahi, Madu & Abdullahi, 2015).

Developed and developing economies around the world had experimented and proven that no nation can truly develop without developing its tax system. Consequently, many countries have embarked on tax reforms and restructuring with a view to developing a tax system that maximizes government revenue without creating disincentiveness for investment. Basically, there are two ways of financing government expenditure in Nigeria; which are oil revenue and non-oil revenue sources, the Nigerian government derives a large proportion of its total revenue from oil. Apparently, oil is the dominant source of government revenue, accounting for about 90 percent of total exports, and this approximates to 80% of total government revenue (Abiahu & Amahalu, 2017). The importance of taxation on petroleum profits cannot be overemphasized as tax revenue derived from taxing petroleum profits contributes largely to the total tax revenue available to the Nigerian government. Petroleum taxation is the instrument of choice for sharing wealth between host governments and international oil companies. It is a direct tax, levied annually on net profit of a petroleum tax payer, who is carrying on the business of petroleum exploration and production (Macek & Janků, 2015). Petroleum taxation has some particular features as a result of oil industry’s unique characteristics: the huge central contribution of revenue to the economy, the volatility of oil prices, the large operating and development costs, the high uncertainty associated with petroleum geology, the specific characteristics of individual oilfields, and the possibility of re-investment. The cost of petroleum projects tend to be incurred up-front and the time lags between the discoveries of oil or gas reserves to the time of first production can be significant. This adds to the challenge of designing and implementing appropriate petroleum tax system aimed at achieving a balance between both government and industry interest (Hunady & Orviska, 2014). Dickson and Presley (2013); Naomi and Sule (2015) found a negative relationship between petroleum profit tax and economic development. On the contrary, Edame and Okoi (2014) found a positive relationship between petroleum profit tax and economic development.

**Value Added Tax**

Value added tax (VAT) was adopted in January through the vat act no. 102 of 1993 but it began implementation in January 1994. And since its introduction, 15 of its sections out of 42 have undergone amendment. Replacing sales tax, vat was originally imposed on 17 categories of goods and 24 service categories. Items as basic foods, medical and pharmaceutical
products, books, newspapers and magazines, house rent, commercial vehicles and spare parts and services rendered by community and peoples banks, were free from vat. Revenue generated was shared 20:80 between the federal and state governments, but currently, it is shared between 15:50:35 among federal, state and local governments.

A value-added tax (VAT) is a consumption tax placed on a product whenever value is added at each stage of the supply chain, from production to the point of sale. The amount of VAT that the user pays is on the cost of the product, less any of the costs of materials used in the product that have already been taxed. VAT is essentially a regressive tax that places an increased economic strain on lower-income taxpayers, and also adds bureaucratic burdens for businesses. Value-added taxation is based on a taxpayer's consumption rather than their income. In contrast to a progressive income tax, which levies greater taxes on higher-level earners, VAT applies equally to every purchase (Kagan, 2019). A value-added tax (VAT) is a consumption tax levied on products at every point of sale where value has been added, starting from raw materials and going all the way to final retail purchase. Ultimately, the consumer pays the VAT; buyers at earlier stages of production receive reimbursements for the previous VAT they’ve paid. Value Added Tax (VAT) in Nigeria is a consumption tax that was instated by the Value Added Tax Act of 1993. It is a Federal Tax which is managed by the Federal Inland Revenue Service (FIRS). VAT is charged on most goods and services provides in Nigeria and also on goods imported into Nigeria. Businesses add VAT to the sales price of the goods or services they offer in Nigeria. They also pay VAT, just like consumers, on goods and services that they consume. Some VAT paid by businesses can be used to offset VAT collected before remittance to the FIRS (Deloitte, 2019). Examples of VATable goods include jewelries, shoes, bags, television etc. VATable Services are all services rendered by any person in Nigeria except those specifically exempted under the law. Examples of VATable services are, services rendered by Lawyers, Engineers, Accountants, Contractors and Consultants etc (Asquith, 2019).

**Empirical Review**

Udezo and Onuora (2021) investigated the effect of tax reforms on revenue performance in Nigeria using time series data from 1991 to 2018. In order to determine the effect of tax reforms on revenue performance in Nigeria, tax reforms were measured by reform in Petroleum Profit Tax (PPT), reform in Company Income Tax (CIT), reform in Value Added Tax (VAT) and reform in Personal Income Tax (PIT) while revenue performance on the other hand was represented by total federal collection revenue conducted using descriptive statistics. The regression result showed that reforms in Value Added Tax (VAT), Personal Income Tax (PIT) and Petroleum Profit Tax (PPT) have significant positive effect on revenue performance while reform in Company Income Tax (CIT) has positive but insignificant effect on revenue performance in Nigeria with data spanning from 1991-2018 at 0.05 level of significance. Olaoye and Ayeni (2019) examined price introduced tax and customs duties on revenue generation in Nigeria. Secondary data had been sourced from Federal Inland Revenue Service (FIRS) ranging from 2000 to 2016. The study concluded that value-added tax and customs duties have no considerable effect on revenue era and there is no long-run relationship among value-added tax, customs responsibilities and revenue era in Nigeria for the duration of the study period. Thus, it used to be advocated that the fiscal coverage should discourage tax avoidance by emulating measures for compliance of value added tax and customs duties. Omondi (2019) analyzed the effect of custom and excise responsibilities on economic boom in Kenya for the duration 1973 to 2010. The study was influenced with the aid of two developments. First, with the aid of the inconsistency in existing empirics and
secondly by the extensive understanding hole occasioned through the paucity of empirical literature on Kenya. Therefore, the study tried to reconcile the different positions and also shut the understanding gap. The study adopted a correlation lookup graph based on its potential decide the electricity and direction of relationships between variables whilst the theoretical framework used to be anchored on endogenous boom model. The empirical outcomes indicated that custom and excise obligations are positively correlated with monetary boom in Kenya. Ironkwe and Agu (2019) analyzed the relationship between complete tax income and monetary growth in Nigeria. Time sequence information on exclusive sorts of complete tax revenue and economic improvement from1986-2016 were accrued from Central Bank of Nigeria statistical bulletin, Federal Inland Revenue Service and National Bureau of Statistics. Multiple regression analysis was once used in analyzing the data and concluded that total tax revenue relate positively to unemployment and recommends that government distribute its social welfare programmes in such a way to supply direct benefit to tax payers. In Nigerian deposit money banks, Udeh and Ezejiofor (2018) looked at the impact of accounting information on deferred taxation. The data was acquired from yearly reports and accounts of Nigerian deposit money institutions using an ex post facto research design. To evaluate the hypotheses, a pooled multiple regression analysis was used. According to the findings, earnings per share (EPS) and cash flow (CASHFL) have a negative impact on our dependent variable, deferred tax, but book value of equity has a statistically significant impact whereas earnings per share (EPS) and cash flow (CASHFL) do not. Asaolu, Olabisi, Akinbode and Alebiosu (2018) examined the relationship between tax income and financial growth in Nigeria. The find out about adopted a descriptive and historical lookup design; secondary information for twenty-two years (1994-2015) have been collected from a variety of issues of the Central Bank of Nigeria (CBN) statistical bulletin and annual reports. The consequences of the study showed that VAT and CED had a considerable relationships with financial increase (p<0.05), whilst CIT has bad substantial relationship with financial growth (P<0.05). However, PPT had no massive relationship with economic growth. The study concluded that the function of taxation in nation’s building is irreplaceable. Oraka, Okegbe and Ezejiofor (2017) determined the extent to which value added tax has affected the Nigerian economy. Ex post facto research design was adopted for this study. In measuring Nigerian economy, Gross Domestic Product (GDP), Per Capital Income (PCI) and Total Revenue (TR) were used in the study for the period 2003 to 2015. The data were obtained from CBN statistical bulletin, Federal Inland Revenue Services federal ministry of finance, and journals. The data obtained were analyzed using Simple regression analysis. Findings shows that value added tax has not significantly affected Gross Domestic Product of Nigeria economy. It was also discovered that VAT has a negative relationship with per capital income. Finally, we found that VAT has a positive relationship with total revenue generation of Federal government of Nigeria. Ezejiofor, Adigwe and Echekoba (2015) assess whether tax as a fiscal policy tool affect the performance of the selected manufacturing companies in Nigeria. To achieve the aims of the study, descriptive method was adopted and data were collected through the use of six years financial accounts of the selected firms. ANOVA was employed to test the hypotheses, using the Statistical Package for Social Sciences (SPSS) version 20.0 software package. The study found that Taxation as a fiscal policy instrument has a significant effect on the performance of Nigerian manufacturing companies. Nwaorgu, Herbert and Onyilo, (2016) carried out a longitudinal assessment of tax reforms and national income in Nigeria using time series data from 1971 to 2014. The study found that tax reforms significantly improved national income and economic growth during the period of study, especially growth rates of Value Added Tax (VAT) and Personal Income Tax (PIT). The results show that growth rate of Personal Income Tax (PIT) has a positive significant effect on the national income and economic growth, while that of
Value Added Tax (VAT) has a negative significant effect on growth of national income. Ebieri and Ekwueme (2016) examined the influence of tax reforms on Nigerian economic growth from 1985 to 2011. The data was analyzed using ordinary least squares based multiple regression. Customs and excise duties, Value Added Tax (VAT), Personal Income Tax (PIT), and education taxes, according to the study, have no statistically significant impact on economic growth at the 5% level of significance. However, at a 0.35 percent and 2.87 percent level of significance, the Petroleum Profit Tax (PPT) and Company Income Tax (CIT) both have a positive significant influence on economic growth. From 1986 to 2012, Jelilov Abdulrahman and Isik (2016) investigated the influence of tax reforms on Nigerian economic growth. The dependent variable was gross domestic product, while the independent variables were Petroleum Profit Tax (PPT), corporation income tax, and Value Added Tax (VAT). The information for this study came from FIRS and CBN publications. The data was analyzed using the ordinary least square (OLS) regression approach. Tax reforms are favorably and strongly associated to economic growth, and tax reforms do indeed drive economic growth, according to the findings. Taiwo, Samson, & Monday, (2015) investigated the impact of tax reforms on revenue generation in Lagos State of Nigeria using Time Series quarterly data between the period of 1999 and 2012, obtained from the records of Tax Payer Statistics and the Revenue Status Report of Lagos State Internal Revenue Service (LIRS). The study concluded that tax reforms had significantly contributed to revenue generation in Lagos State, which had enabled the state to carry her responsibilities to the citizenry with less reliance on the Federal Government. The influence of Nigerian tax revenue on per capita income was investigated by Ezejiofor, Oranefo, and Ndum (2021). Ex-post facto research was used in this study. The information for this study's data analysis came from CBN, FIRS, and NBS publications and statistical bulletins. Correlation and Ordinary Least Square (OLS) regressions were used to evaluate the hypothesis. According to statistical research, customs and excise duties have a negligible positive impact on per capita income. The findings revealed that there is a significant high-quality association between total tax revenue and unemployment in Nigeria; however, there is no general relationship between agency earnings tax and monetary growth. Ogbonna and Ebimmobonee (2012) examined the impact of tax reforms and economic growth of Nigeria using time series data from 1994 to 2009. Economic growth in Nigeria (proxied by GDP) was employed as the dependent variable while reforms on Petroleum Profit Tax (PPT), Company Income Tax (CIT), Value Added Tax (VAT), Personal Income Tax (PIT), education tax and customs and excise duties were employed as the explanatory or independent variables. The data collected were analyzed using relevant descriptive statistics and econometric models such as White test, Ramsey RESET test, Breusch Godfrey test, Jacque Berra test, Augmented Dickey Fuller test, Johansen test, and Granger Causality test. The results from the various test shows that tax reforms is positively and significantly related to economic growth and that tax reforms granger cause economic growth.

Changes in tax rules have a considerable impact on revenue generated internally, according to studies on the subject. According to Owolabi and Okwu (2011), value added tax as an IGR source has a substantial impact on the economy. Tax reforms, according to Ogbonna and Ebimmobowei (2012), strengthen a country's revenue-generating machinery. Tax revenue encourages growth, according to Worlu (2012), whereas tax reforms stimulate tax revenues. These studies, on the other hand, looked into tax reforms using the value added tax, petroleum profit tax, and company income tax as a yardstick of assessing the effect of tax reform over certain period that are not current, including other taxes as a basis for testing of significant between tax reforms and internally generated revenue for a period of sixteen (16)
years to critically show how changes made on tax rules affect either by increasing or decreasing revenues generated internally of Nigeria in a particular year.

**Methodology**

**Research Design**

This study adopted an *ex-post factor* research design based on the fact that the study seeks to examine the impact of past factor(s) on the present happening or event, and its strengths as the most appropriate design to use when it is not always possible to select, control and manipulate all or any of the independent variables.

The data for this study were collected from secondary source. These sources include The Central Bank of Nigeria Annual Report and The Central Bank of Nigeria Statistical Bullion, Journal from The Nigerian Stock Exchange, and The Nigerian Bureau of Statistics (see appendix).

**Model Specification**

The model that was adopted in this study is that of Mayandy (2012) in the study of the Wagner’s Law in Sri Lanka. The model can be represented as:

$$ IGR = f (a + x CIT + x PPT + x VAT + u_{t-1}) \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots .(1) $$

This model for simplicity sake was presented in mathematical terms as depicted below

$$ IGR = \beta_0 + \beta_1 PPT + \beta_2 VAT + \mu $$

*Where:*

- $IGR = Internal\ Generated\ Revenue$,
- $PPT = Petroleum\ Profit\ Tax$,
- $VAT = Value\ Added\ Tax$.
- $\beta_0 – \beta_2 = coefficient\ of\ estimates$
- $\mu = Stochastic\ variable$
- $F = Functional\ notation$

The population of the study comprises the Nigerian economy, her budget and budgetary decisions. Therefore, the population of this study is the entire thirty-six (36) states of the Federal Republic of Nigeria including the Federal Capital Territory, Abuja, constituted the population of this study.

**Methods of Data Analysis**

Regression statistical tool was employed for the analysis of the hypothesis formulated in this research work with use of E-views version 9.0 statistical packages. E-views provide a lot of useful statistical tools for evaluating data in testing the study hypotheses.

**Decision rule**

Accept the null hypothesis if the P Value is greater than 0.05 and then the alternate hypothesis will be rejected.
Data Analysis

Table 1: Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>IGR</th>
<th>PPT</th>
<th>VAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>2881201.</td>
<td>3054864.</td>
<td>459945.9</td>
</tr>
<tr>
<td>Median</td>
<td>2905500.</td>
<td>1350881.</td>
<td>523150.0</td>
</tr>
<tr>
<td>Maximum</td>
<td>5320001.</td>
<td>32013196</td>
<td>838247.5</td>
</tr>
<tr>
<td>Minimum</td>
<td>433000.9</td>
<td>224377.9</td>
<td>23270.77</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>1733870.</td>
<td>6874437.</td>
<td>1.414051</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.018169</td>
<td>4.014139</td>
<td>-0.182976</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>1.578770</td>
<td>17.45279</td>
<td>1.414051</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>1.684345</td>
<td>227.7803</td>
<td>2.207631</td>
</tr>
<tr>
<td>Probability</td>
<td>0.430774</td>
<td>0.000000</td>
<td>0.331603</td>
</tr>
<tr>
<td>Sum</td>
<td>57624013</td>
<td>61097288</td>
<td>9198917.</td>
</tr>
<tr>
<td>Sum Sq. Dev.</td>
<td>5.71E+13</td>
<td>8.98E+14</td>
<td>1.62E+12</td>
</tr>
<tr>
<td>Observations</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
</tbody>
</table>

Interpretation

Table 1 presents the descriptive statistics for the dependent variable (IGR) and the independent variables (PPT, CIT and VAT). The mean serves as a tool for setting benchmark. The median re-ranks and takes the central tendency. While the maximum and minimum values help in detecting problem in a data. The standard deviation shows the deviation/dispersion/variation from the mean. It is a measure of risk. The standard deviation is a measure that summarizes the amount by which every value within a dataset varies from the mean. It is the most robust and widely used measure of dispersion. The standard deviation in the tax revenues for the period 2004-2019 is 1733870, 0.000000, and 6874437, 400513, and 291895.0 for IGR, PPT, CIT, and VAT, respectively. Skewness and Kurtosis are contained in Jarque-Bera. Positively skewed is an indication of a rise in profit while negatively skewed is an indication of loss or backwardness. Jarque-bera is used to test for normality; to know whether the data are normally distributed.

Test of Hypotheses

Hypothesis One

H₀₁: Petroleum Profit Tax has no significant effect on internally generated revenues in Nigeria.

H₁₁: Petroleum Profit Tax has a significant effect on internally generated revenues in Nigeria.
Table 2: Ordinary Least Square analysis between IGR and PPT
Dependent Variable: IGR
Method: Least Squares
Date: 08/15/21   Time: 11:18
Sample: 2000 2019
Included observations: 16

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>2572639.</td>
<td>401138.2</td>
<td>6.413348</td>
<td>0.0000</td>
</tr>
<tr>
<td>PPT</td>
<td>0.101007</td>
<td>0.054474</td>
<td>1.854235</td>
<td>0.0802</td>
</tr>
</tbody>
</table>

R-squared | 0.160377     | Mean dependent var | 2881201. |
Adjusted R-squared | 0.113731     | S.D. dependent var  | 1733870. |
S.E. of regression | 1632298.     | Akaike info criterion | 31.54352 |
Sum squared resid  | 4.80E+13     | Schwarz criterion    | 31.64309 |
Log likelihood    | -313.4352    | Hannan-Quinn criter. | 31.56295 |
F-statistic       | 3.438188     | Durbin-Watson stat   | 0.462716  |
Prob(F-statistic) | 0.080165     |                       |          |

Interpretation of Regression Result
In table 2, a panel least square regression analysis was conducted to test the relationship between petroleum tax and internal generated revenue. Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the table 2, the value of adjusted R squared was 0.114, an indication that there was variation of 11.4% on IGR due to changes in PPT, and IGR. This implies that only 11.4% changes in IGR of the economy could be accounted for by PPT, while 88.6% was explained by unknown variables that were not included in the model. The probability of the slope coefficients indicate that; P (0.08>0.05). The co-efficient value of; β₁ = -0.101 implies that PPT is positively related to IGR, though not statistically significant at 5%.

Decision
Since the Prob (F-statistic) of 0.080165 is higher than the critical value of 5% (0.05), then, it would be upheld that Petroleum Profit Tax has no significant effect on internally generated revenues in Nigeria at 5% level of significance, thus, Ho is preferred over H₁.

Hypothesis Two
H₀₂: Value Added Tax has no significant effect on internally generated revenues in Nigeria.
H₁₂: Value Added Tax has a significant effect on internally generated revenues in Nigeria.
In table 3, a panel least square regression analysis was conducted to test the relationship between value added tax (VAT) and internal generated revenue (IGR). Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the table 3, the value of adjusted R squared was 0.8696, an indication that there was variation of 87% on IGR due to changes in VAT. This implies that only 87% changes in IGR of the economy could be accounted for by VAT, while 13% was explained by unknown variables that were not included in the model. The probability of the slope coefficients indicate that; P (0.00<0.05). The coefficient value of; $\beta_1 = 5.561043$ implies that VAT is positively related to IGR, and this is statistically significant at 5%.

### Discussion of Findings

In hypothesis one, the Prob (F-statistic) of 0.0801065 is higher than the critical value of 5% (0.05), then, it would be upheld that Petroleum Profit Tax has no significant effect on internally generated revenues in Nigeria at 5% level of significance. This result is in line with Nwaorgu, Herbert and Onyilo, (2016) whose study documented that Petroleum Profit Tax (PPT) are positive but not statistically significant, and negate Ebieri and Ekwueme (2016) who found that Petroleum Profit Tax (PPT) has positive significant impact on economic growth at 0.35% and 2.87% level of significance respectively, the finding of Udezo and Onuora (2021) whose result showed that reforms in Petroleum Profit Tax (PPT) have significant positive effect on revenue performance.

In hypothesis two, the Prob (F-statistic) of 0.000006 is less than the critical value of 5% (0.05), then, it would be upheld that Value Added Tax (VAT) has a significant effect on internally generated revenues in Nigeria at 5% level of significance. This result is in line with Udezo and Onuora (2021); Ogbonna and Ebimobonee (2012) results showed that reforms in Value Added Tax (VAT), has significant positive effect on revenue performance with data spanning from 1991-2018 at 0.05 level of significance.
Conclusion and Recommendations

Conclusion
This study determine the effect of tax reforms on internally generated revenue in Nigeria taking due consideration to the gaps identified in previous studies. The regression result showed that reform in Value Added Tax (VAT) and Company Income Tax (CIT) has a significant effect on internally generated revenues in Nigeria at 5% level of significance. Meanwhile, it was found that Petroleum Profit Tax (PPT) has no significant effect on internally generated revenues in Nigeria at 5% level of significance. Based on the foregoing, the study concludes that tax reform has significant effect on internally generated revenue, thereby improving on revenue performance in Nigerian economy.

Recommendations
Based on the findings of the study, the researcher recommended the followings;

i. The study recommends that the government should provide the necessary human and material infrastructures that are needed to support petroleum business so they can earn more income that will boost taxation.

ii. The administration of VAT and CED should be improved upon with focus directed towards reducing evasion and avoidance.
REFERENCES
ICAN (Institute Of Chartered Accountant, Of Nigeria) 2006: Tax Management and Fiscal


Ose, Osekpeku (2014); Highlight of petroleum profit tax in Nigeria; googlesearch.com


