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Tax Reforms and Revenue Generation in Nigeria: A Focus on Enugu State

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Abstract: *For some time in the past, tax reforms have been implemented in Nigeria quite often as a strategy for improving revenue collection. That notwithstanding, Nigeria's economy has remained in a state of distress for inadequacy of revenue. This study examines the extent to which tax reforms have boosted revenue generation in Nigeria, using historical research design and with particular attention to Enugu State. It finds that, though Nigeria's tax revenue has shown a declining trend over the past decade, tax reforms in Nigeria have had positive and significant effect on revenue generation. It recommends that governments at federal and state levels should be resilient in implementing strategic reforms. Further, they should strive to obtain optimal commitments from the work force of their revenue agencies and deploy technology innovatively for automating their tax management and operational processes.*

Keywords: Tax Reforms, Internally Generated Revenue, Consolidated Revenue Code, Nigeria, Enugu State.

1.0 Introduction

Before now, African heads of State boasted quite often that money was not the problem but how to spend it (Afolabi, 2023). However, the reality today is that most African countries are facing financing challenge to the extent that their governments are presently scampering for revenue to enable them to support public services and carry out their financial obligations (Afolabi, 2023). They often seek to enhance revenue generation performance through fiscal reforms (Nnamani et al., 2023).

For some years in the past, Nigerian governments have been embarked on tax reforms (Eke & Omogbai, 2022) almost on yearly basis. However, the tax system

Nigeria has been facing such challenges that have tended to limit the attainment of her objectives for carrying out the reforms, namely multiple taxation, complexity of tax laws, non-availability of tax statistics inability to prioritize tax effort, poor tax administration, regulatory challenges, structural problems in the economy, underground economy and corruption (Leyira et al.,2012).

It has been under contention whether the aims of equity, advancement of a workable industrial atmosphere, the decreased tax rate structure, broadening of the tax base have ended up increasing the tax revenue .and whether tax reforms have been planned to realize economic balancing and growth (Aminu & Eluwa,2014). Further, tax reforms are aimed at reducing the burden of government tax on every person, make the tax system more developing and less retrogressive. They are expected to simplify the tax system by making it more explicable and intelligible (Nwala Gimba, 2019). In addition, tax reforms are carried out in order to make modern taxes stronger and exceedingly reduce the lack of clarity (Oriakhi & Rolle, 2014; Odusola, 2006; Anyanwu, 1997). However, in spite of the number of tax reforms that have been carried out in Nigeria, it appears that those intentions are yet to be met. For this reason, several works have examined the different dimensions of fiscal reforms and their associated impacts on revenue collection in the country. For instance, Aminu and Eluwa (2014) examined the influence of tax reform policy on revenue generation of the Federal Government of Nigeria. Also, Oriakhi and Ahuru (2014) studied the effect of tax reforms on tax generation in Nigeria between 1981-2011.Toro(2020) carried out a similar study. However, review of related literature that the studies on tax reforms generally shifted their focus towards particular areas like its impact on economic growth, revenue productivity and similar macroeconomic outcomes (see Newman, 1998; Ogbonna & Ebimowei, 2012; Worlu & Nkoro, 2012; Nahid, 2013).In addition, the researcher noted that apart from Adeniyi(2012), not extant study on tax reform dwelt on the impact of those tax policies on the revenue generation performance of Enugu state Further, the studies reviewed mostly employed time series data and the ex post facto research plan and ignored other alternative methods. Hence, the gap in literature.

To fill this gap, this study has examined the extent to which tax reforms have boosted revenue generation in Nigeria, using historical research design and with particular attention to Enugu State whose IGR growth rate has been sluggish (Adeniyi,2012). The remaining parts of the paper are arranged as follows:- Section 2 provides the review of related literature. Section 3 presents the method adopted to the study. Section 4 evaluates the internally generated revenue (IGR) performance of the federal government and the efforts made to ameliorate the present position. Section 5 investigates the extent of tax reform implementation by the states and their IGR outcomes. Section 6 showcases the profile of Enugu state and its IGR ranking among its peers. Section 7 presents the take-away from the manner Nigeria's peer Sub-

Sahara SSA countries had implemented reforms successfully and the implications for Nigerian governments. Section 8 concludes the study.

2.0 Review of Related Literature

2.1 Conceptual Review

2.1.1 Taxation

Taxation is a mandatory levy forced on the citizens of a nation by the public authority in order to generate the fund to be employed in public administration (Anyanwu, 1997). It refers to the process of, or machinery for compelling communities or group of persons are to contribute money in an agreed quantity and process for the purpose of administration and the growth of the society (Ogundele (1999). Ola (2001) considers tax as dynamic. For this reason, reforms are needed to make necessary adjustments in the national economy. Also, Song (2002), Helms (1985), Anyanwu (1997) and several others have all defined or described tax in different ways. However, the message that is general in all those definitions is that tax is a compulsory levy imposed the government through its agents on income, consumption and goods and services in order to attain some developmental goals. The essence taxation is to provide enough finance that would empower the government to carry out its statutory responsibilities in the interest of the citizenry (Appah, 2004; Azubuike, 2009).

2.1.2 Internally Generated Revenue

The financial resources of government constitute the bulk of its revenue. They are the finances obtained in an economy (Obiechina, 2010). Government revenue refers to the receipts which government mobilizes from sources, other than loans and borrowing (Ihimodu, 1995). The IGR of states is in five categories, namely pay as you earn (PAYE), direct assessment, road taxes, other taxes and revenue from ministries, departments and agencies (MDAs)(see appendices 1 and 2).

The IGR data of the 36 states and FCT is determined by the National Bureau of Statistics (NBC) and the Joint Tax Board (JTB) from official records and reports submitted the State Revenue Boards (SBIRs).

2.1.3 Consolidated Revenue Code

An important strategy for making revenue mobilization efficient and reducing the number of 'nuisance' taxes is through establishing a consolidated revenue code (CRC) (Nabena et al.,2022).

The CRC is employed to cover the group of laws or a particular aspect of law exhaustively by the process of codification. It ensures that the attempt of the public authority to increase tax revenue does not bring about the multiplicity of arbitrary or duplicative taxes. CRC brings every tax and non-tax revenue into a single legal document, or clearly linked legal documents.

2.1.3 Tax Reform

Tax reform is a process increasingly used by policy makers and tax authorities to

contemplate changing the economic, social and political situations in a country (Azubuike, 2009). It is a way of altering the manner that tax revenues are generated and spent by the government and an attempt to correct weaknesses inherent in the existing tax regime. According to Aminu and Eluwa (2014), tax reforms in Nigeria are justified by the necessity to;

- (i) establish efficient tax regime
- (ii) stimulate the non-oil sector of the Nigerian economy
- (iii) resolve contentious issues in tax management
- (iv) redistribute wealth and entrench a tax system that is more equitable
- (v) build capacity for administrators and tax payers
- (vi) centralize revenue agency and computerization
- (vii) reduce effective tax rate
- (viii) simplify tax system and
- (viii) develop a fiscal policy for Nigeria.

In the past, oil had accounted for not less than 70 per cent of Nigeria's revenue, implying that traditional tax revenue did not assume a significant role in the country's management of tax policy (Odusola, 2006). Rather than transform or diversify the existing revenue base, tax management merely crossed from one primary product-based income to another. This made the economy open to fluctuations of the international oil market. It is the need to arrest this problem that led to several reforms in tax policy (Odusola, 2006).

2.2 Theoretical framework

Many theories have been propounded with respect to tax reform. Notable among them are the supply-siders theory, optimal tax reform theory and Expediency theory. Some of the several others are the socio-political and ability-to-pay theories. That notwithstanding, this work aligns with Oriakhi and Rolle (2014) and Nwalla and Gimba (2019) in adopting the supply-siders theory as its foundation. According to Oriakhi and Rolle (2014), the theoretical basis of tax reforms is gotten from the supply-siders.

2.2.1 Supply-siders Theory

The supply-siders contend that not only will higher marginal tax rate cause disincentive to labor, investment and savings but it will also encourage tax avoidance and evasion which decrease government generated revenue.

The leader of the supply-siders group, Arthur B. Laffer, used The Laffer curve to prove that there exist an optimum tax rate that encourages savings, investment and labor supply and simultaneously motivate the obligation to pay tax. The implication is that any tax rate that is higher than the optimum rate is likely to be harmful to economic activities.

2.3 Empirical Review

Several researches have already been carried out on the role of tax reform in enhancing revenue generation in Nigeria.

Adeniyi (2012) evaluated the impact of tax administration on revenue collection in Enugu state. The study adopted the survey research design, using both primary and secondary sources in obtaining information evaluated. The chi – square statistical technique was used for analysis at 0.05 significance level. Results showed that there was uncontrolled occurrence of tax dodging and avoidance in enugu state and that tax management was inadequate, ineffective and inefficient.

Further, Aminu and Eluwa (2014) evaluated the influence of tax policy on revenue collection of Federal government in Nigeria. The research used the analysis of variance Method together with the Scheffe's techniques of multiple comparison. The 'F' test of the analysis of variance was equally employed to examine the hypothesis of no significant difference in the impact on personal, corporate and custom duty taxes of the federal government by each tax policy objective. Results showed that each of those tax reform targets had significant impacts on personal, corporate and custom duty taxes of the federal government.

Asaolu et al. (2015) examined the influence of tax reforms on revenue collection in Lagos State. The study employed time series quarterly data on revenue mobilization during 1999 to 2012 sourced from Tax Payer Statistics and Revenues Status Report of Lagos SIRS. Data obtained were evaluated via the OLS regression techniques (OLS). Findings disclosed that Lagos state captured more people in the tax net because continuous boost in taxpayers' cumulative growth existed.

Toro, (2020) evaluated the impact of tax reforms on revenue mobilization in Nigeria. The author used the ex-post facto research plan and employed time series data for 1986 to 2017. It obtained the data from the CBN statistical bulletin and NBS annual reports. Tax reforms were represented by CIT, VAT and PIT while revenue mobilization was represented by the total revenue collected by the federal government. The findings of the study indicated that tax reform had a positive and strong effect on revenue generation in Nigeria.

Inyang et al. (2022) examined the effect of tax reform alterations on revenue collection in Nigeria, focusing on the exact alterations and recent reforms on the PIT and CIT reforms. Time series historical data was sourced from the NBS, FIRS 2004-2016. Both student t-test and multiple regression were employed for data analysis. The study concluded that there was a statistical significance of total model on both the t-test and the regression analyses. The authors observed that, in agreement with the classical theory of marginal tax, a unit rise in PIT reduced tax collection by -2.4%.

3.0 Methodology

Historical research design was used in the study to collate, verify and put data together in order to understand the happenings and agree with or reject an assumption given concerning a period. Among other advantages derivable from using this type of research plan, it has the benefit of being flexible (Study.com,2023).

4.0 Tax Revenue mobilization performance by federal government and the

efforts made to ameliorate the present position

4.1 Tax revenue performance

The Nigerian economy has been in distress presently as manifested by its wobbling and dwarfish comparative GDP accomplishment, increasing debt figure diminishing revenue mobilization. (Nnamani et al., 2023). Nigeria's GDP grew at the rate of 7% per year on the average from 2000 but before 2014 (Nnamani et al., 2023). The rate of growth plummeted to 2.7% and - 1.6% in 2015 and 2016 respectively due to the crumbling of the price of oil between 2014 and 2016 and some adverse production upset. In 2020, the growth rate of GDP further shrank to - 1.8% (NBS, 2021).

The World Bank's latest statistics indicate the growth rate of Nigeria's GDP (3.4%) and GDP per capita (\$2097.1) for 2021 and 2020 respectively (World Bank, 2022). The figure on GDP per capita (\$2097.1) which is below the minimum of \$2700 relegates Nigeria to the group of developing nations that have low income (Nnamani et al., 2023).

Nigeria possesses one of the revenue-to-GDP ratios in the universe. This makes its fiscal position unsafe to shocks (IMF, 2023). According to Jung (2023), the general public revenue of the country was 7.3% of her GDP in discloses that in 2021- a figure that was less than 50% of the average general public revenue in the ECOWAS countries and almost one-third of that of the SSA countries. Jung reports that Nigeria is among the 193 nations in the globe. In addition, Jung (2023) demonstrates that the tax revenue of Nigeria indicates a diminishing trend in the past ten years mainly because of the decreasing revenue from oil.

Also, the country's revenue from sources outside oil is reported by Jung to have become stagnant around 4 to 5 % in the past ten years. Jung (2023) blames Nigeria's low tax collection largely on the slim bases of indirect taxes, poor tax conformity, huge sizes of tax exemptions and low tax rates. The author complains that tax compliance and morale have continued to be abysmally low in Nigeria and that Nigeria's VAT receipt efficiency is the lowest amidst the countries in Africa. Further, extant surveys by McCulloch et al. (2020; 2019) reveal that almost 50% of the respondents consented that they were not going to pay their taxes if they would not be caught defaulting. Furthermore, a report indicates that Nigeria offers huge amounts of incentives in the form of tax holidays, generous allowances, and exemptions. These have eroded the tax base of Nigeria (Jung, 2023). Tax expenditures (tax incentives) of Nigeria in 2021 was estimated at ₦6.8 trillion which was about 4 % of her GDP. Hence, Nigeria became one of the costliest tax expenditure nations in the SSA. According to Jung (2023) Nigeria's indirect taxes (i.e., VAT and Excise Duties) have the smallest rates and are around 50% of the average for the ECOWAS countries. They have narrow bases, which remarkably erode tax collections.

4.2 Efforts mounted by the federal government to ameliorate tax management and increase revenue mobilization

On recognizing the limited fiscal space that Nigeria possesses and the necessity to be at par with peer countries particularly the SSA countries, Nigerian has continued to engage in and implement tax reforms-almost on yearly basis- since she obtained her independence. The tax reforms have witnessed a lot of transformation since Nigeria had set up the Raisman Fiscal Commission aimed at preparing the foundation for tax policies that would address post-colonial developmental issues upon obtaining her independence.

The commission submitted its report in 1958 recommending that tax principles be harmonized throughout the country. This document became the foundation the system of taxation in Nigeria. The report climaxed in the birth of five tax laws which include : (i) The Petroleum Prof Tax Act (PPTA), 1959 (ii) The Stamp Duties Act (SDA), 1959 (iii) The Companies Income Tax Act (CITA) 1961 (iv) The Income Tax Management Act (ITMA) 1961 And (v). The Personal Income Tax Act (PITLA) 1961. After a while, those laws were reviewed, fine-tuned and added to an extent that the subsisting legislations regulating tax practice in Nigeria now are: (i) The 1999 Constitution that retained the supremacy of the government on matters of legislation on taxation but reintroduced some flexibility in administration. (iii) CITA Cap. 60 (LFN) 2004 and the CITA Amendment Act 2007 (iv) PITA) LFN 2004; (v). The Taxes and Levies (Approved List for Collection) 1998; (vi) The VAT Act (VATA) LFN 2004 and VAT Amendment Act 2007; (vii). The Education Tax (ET) Act LFN 2004 (viii). The Capital Gains Tax Act LFN 2004; (ix) The Stamp Duties Act LFN 2004; (x) The Nigerian Technology Development Agency Act 2007; (xi) The Federal Inland Revenue Service Establishment Act (2007); (xii) The Finance Act 2019 - also passed with amendments in key tax legislations-, etc. Recently, the federal authorities developed and updated a project tagged 'Strategic Revenue Growth Initiative' (SRGI) which has four major objectives, namely to (i) raise revenue-to-GDP ratio to 15% by 2025; (ii) enlarge the fiscal base; (iii) combat tax dodging and encourage the payment of taxes by the nationals; and (iv) increase translucency in the tax system. Most recently, the Bola Tinubu administration engaged Nigeria in another series of tax reform.

President Tinubu inaugurated a tax reform committee for the purpose of (i) accelerating improved service delivery to the public, (ii) boosting non-oil tax revenue (iii) consistently reviewing the tax legislations in order to curb the incidence of tax dodging and avoidance and (iv) improving the tax administration. The committee chairman who now doubles as the chairman of the FIRS is Mr. Taiwo Oyedele. Upon receiving the committee's report which reduced the number of taxes payable in all the tiers to 10, the president ordered for its immediate implementation.

4.3 Achievements recorded by the federal government in revenue mobilization

Federal government generates revenue from both oil and non-oil taxes. Oil tax comes

from petroleum profit. Non-oil taxes come from CIT, PIT, Gas income, CGT, Stamp duty, VAT, Education tax, Consolidated account, NITDEF, Electronic money transfer levy and NASENI.

The Cable (2023) reports that government revenues in the country averaged ₦947.12 Billion from 2010 to 2023. It reached an all-time high of ₦1837.52 billion in the Q3 of 2022 and a 2015. According to Cable (2023), the biggest tax-to-GDP ratio in Nigeria (9.6%) was recorded in 2011, while the smallest tax-to-GDP ratio (5.5%) was recorded in 2016. That of 2020 (5.5%) was lower than the average for the 31 African nations (16%). It plummeted from 6% in 2019 to 5.5% in 2020. The average tax-to-GDP ratio for the 31 African nations increased from 14.4% in 2010 to 16% in 2020. During the same period, the tax-to-GDP ratio of Nigeria moved down from 7.3% to 5.5%. In 2020, the tax collection of Nigeria increase by 56% to ₦10.1 trillion, its highest collection on record. This figure was made up of oil tax revenue of ₦4.09 trillion and non-oil tax revenue of ₦5.96 trillion. The generation by FIRS and Nigeria Customs Service (NCS) increased to ₦12.7 trillion in 2022 representing a 46.8% increase from ₦8.7 trillion generated in 2021 (see Table 1).

Table1: Internally Generated Revenue of Federal Government of Nigeria (1981 - 2010)

YEAR	REVENUE GENERATED BY FGN ₦BILLION	YEAR	REVENUE GENERATED BY FGN ₦BILLION	YEAR	REVENUE GENERATED BY FGN ₦BILLION
1981	13.3	1991	101.0	2001	2,231.6
1982	11.4	1992	190.5	2002	1,731.8
1983	10.5	1993	192.8	2003	2,575.1
1984	11.3	1994	201.9	2004	3,920.5
1985	15.1	1995	460.0	2005	5,547.5
1986	12.6	1996	523.6	2006	5,965.1
1987	25.4	1997	582.8	2007	5,727.5
1988	27.6	1998	463.6	2008	7,866.6
1989	53.9	1999	949.2	2009	4,844.6
1990	98.1	2000	1,906.2	2010	7,303.7

Source: CBN Statistical Bulletin 2021.

5.0 Levels of tax reform implementation by the state governments and revenue generation performances

The federal, state and local governments in Nigeria operate a joint account referred as federal allocation account, (FAAC). From the FAAC, funds are released monthly to

each of the three tiers of government. Majority of the states and local governments rely on the releases from FAAC to a large extent to finance their budgets. (Fourie,2006). Economic Confidential (2021a) indicates that, based on viability index (VI), only few states are workable.

Apart from Anambra, Lagos and Rivers, other states cannot finance their operational expenses with VAT and their IGR. They depend on the proceeds from FAAC to large extent (Economic Confidential,2021b). Revenues from tax are crucial for the state governments to provide for viability given the ups and down rounds that the Nigerian economy encounters (NGF,2020b). Unlike the federal government, most of the states do not possess fiscal shields to enable them to flatten the effect of unpredictability cycles on their budgets.

The situation highlighted above notwithstanding, the tax environment at the state level has recorded a significant degree of metamorphosis over the past ten years. According to Nabena et al. (2022), total IGR of the 36 states rose by three times from ₦401 billion in 2010 to ₦ 1.27 trillion in 2019. Except for the year 2015 for when Nigeria faced an oil-led fiscal calamity which in due course set off a recession, the rise in state IGR averaged 13.7% yearly. The steady growth was caused by improvements to consolidate revenue funds, expansion of tax mobilization from the informal sector, boost in the application of technology in collecting tax, revision of outdated tax legislations and professionalization of tax authorities (Nabena et al., 2022).

According to Nabena et al. (2022), about 14 States account for much of the growth annually. There were mixed performances in others because of the diverse degrees of tax reform execution.

5.1 Extent of tax reform implementation in the states

In 2017, the 36 states in Nigeria had agreed on the necessity to mobilize domestic revenue and increase their IGRs (Nabena et al.,2022). The Nigeria Governors' Forum (NGF) commissioned a group of professionals to evaluate the degree of implementation of the tax reforms in all the states. The exercise was to be carried out and reported on under the six major objectives of the SAPRC) (Nabena et al.,2022) as follows:-

a. Ending double/multiple taxation

The committee observed that one of the major public worries that had emerged amidst the serious quest for increased tax revenue was the problem with double or multiple taxation. The former takes place when tax is imposed on the same income, asset or monetary deal at varying times in a single tax period. Multiple taxation is implied if a taxpayer is taxed many times by several jurisdictions in a federal system or by various agencies of a government. According to Nabena et al.(2022), it was observed that 32 out of 36 states have put into effect a revenue code covering all State-level IGR sources in line with the provisions of Taxes and Levies(Approved List for

Collection) Act 2004 (as amended in 2015) and other revenues collected by states and local governments including presumptive taxes, indirect taxes and levies (such as road charges, hotels charges etc.), fines, fees and charges collected by MDAs.

Consolidated Revenue Code (CRC) was at first initiated by three (3) states in 2018; Kaduna, Kogi and Plateau took the lead. 16 states joined in 2019, 10 additional states in 2020 and a total of 32 by middle of 2022. It was learnt from states that executing the CRC makes certain these applications are established: (i) Every state has a modern tax law, usually post 2010, (ii) All avenues of revenue, including revenues from MDAs and the local government authorities, are accepted by the House of Assembly and signed into law by the State Governor. (iii) The SIRS is the one and only agency that mobilizes and accounts for all state taxes; (iv) All revenues are remitted to a single revenue account; (v) All laws, sources of revenue and rates are freely reachable on the state's (or IRS) website and executed practically by tax authorities; (vi) The law possesses a schedule of every tax and revenue which the SIRS should collect; (vii) There is an established process for updating the schedules bringing the schedules up-to-date (Rabena et al., 2022).

b. Administrative and financial autonomy of SIRS

Granting administrative and financial autonomy to the SIRS is considered the most crucial step for driving tax administration (Nabena et al., 2022). It enables the tax authorities to be free from the controls of bureaucracy.

Nabena et al. (2022) reports that the institutional structures and sources of financing of state revenue agencies for 2015 to 2018 showed that independence was a requisite, even though not an adequate, condition for generating revenues continuously. The report presented Kwara, Zamfara and Bauchi states as the three high achievers that recorded above 100% rise in their IGR after implementing full autonomy for their SIRS. (Nabena et al., 2022).

c. Improving tax compliance

The responsiveness of the SIRS to address some of the most pressing needs of tax payers was examined by Rabena's committee. They noted that after the strike of COVID-19 in 2020 that caused considerable disturbances for both governments and businesses, all tax agencies established tax relief initiatives to assist individual taxpayers and businesses.

Tax-for-service spending are employed as an inducement to encourage public faith and tax compliance. It can be utilized as place cards to strengthen state/LGAs tax mobilization plans. Nabena et al. (2022) report that 25 states have taken measures to stop non-compliance in the informal sector by joining forces with trade unions and associations who assist through making available relevant information concerning the type of business their members are into and giving validity to the procedure of collecting tax. The authors report that as a way strengthening the ease of tax compliance and removing the points of leakages, almost every state operates a

consolidated revenue account in which all taxes collected are lodged.

d. Opening new revenue sources

The group commissioned by the Governors' Forum to evaluate the degree of implementation of the tax reforms in all the states found that across the major contact-intensive taxes, road taxes were regarded as the easiest to collect. Direct assessment comes after road taxes in terms of ease of collection.

Nabena et al. (2022) affirm that the collection of direct assessment from the informal sector has been facilitated by employing the presumptive tax framework launched in 2015. Under this method of assessment, it is possible and practicable to determine the tax payer and their Records are not kept in a retrievable manner. According to the authors, the regime of presumptive tax, supported by section 36(6) of the Personal Income Tax (Amendment Act) 2011, has now been included in the CRC of States. In the 36 states, informal sector taxpayers are categorized by category of business, size, structure, location, etc.

e. Strengthening Revenue Budgeting and Reporting.

The previous group of reforms were centered on ameliorating the reliability of state with the intention of improving on the performance of IGR budgets (Nabena et al., 2022).

5.2 Performances internal revenue mobilization by the states

The most progressive reforms put in place have focused on consolidating and codifying the taxes through the passage of CRC in most of the states with the intention of ending multiple taxation. However, group commissioned by to assess the degree of implementation of the tax reforms in the states found that more than 50 % of the state revenue agencies were yet to be accorded full administrative and financial autonomy as enshrined in their states' revenue laws. They also noted that in the states where the revenue agencies have recorded full support from their governors, administrative changes have ended up in higher degrees of digitalization, taxpayer conformity and tax revenues. However, the quantum of revenue collection remains generally demanding for taxes on mining and quarrying activities, land and property (Nabena et al., 2022). NBC cited in Emejo (2023) reports that tall the states and FCT recorded the sum of ₦ 5.10 trillion as IGR between 2019 and 2021. Total internal revenue mobilized in 2019 was ₦1.64 trillion 2019. Out of this sum, tax revenue accounted for 64.65%. It rose to 66.16% out of the ₦1.56 trillion generated by the 36 states in 2020. Also, the states' revenue generation in 2021 moved up by 21.54% ₦1.90 trillion. The aggregate revenues of all the states rose by 9.19 % from ₦4.69 trillion collected in 2020 to ₦5.12 trillion in 2021 (Budgit, 2022). Incrementally, there was a 33.66% year-on-year rise in the aggregated IGR of all the states from ₦1.2 trillion in 2020 to ₦1.61 trillion in 2021. In addition, it was reported that the 36 states and the FCT recorded ₦1.9 trillion as IGR in 2021. This figure is above the ₦1.56 trillion IGR collected in 2020. The 2021 figure indicates a positive increase by 22% year-on-year.

Lagos is shown as having the biggest IGR as it recorded ₦753.3 billion. FCT followed Lagos with ₦131.9 billion, then Rivers followed with ₦123.3 billion, Ogun with ₦100.7 billion and Delta with ₦80.2 billion IGR. Internally Generated Revenue by zone indicated that the south west recorded the biggest amount of revenue totaling ₦972.6 billion accompanied by south-south with ₦313.6 billion while north east recorded the smallest IGR (₦78.3 billion). Other states also recorded magnificent rise of IGR between 2020 and 2021. Sokoto recorded the biggest growth in 2021 with ₦23.86 billion revenue as against ₦11.8 billion in 2020. Also, Ogun posted ₦50.6 billion in 2020 and ended up by 99 percent rise to ₦100.7 billion in 2021. Imo state's IGR increased from ₦7 billion in 2020 to ₦12.8 billion in 2021- implying a rise by 66 percent. Enugu state collected ₦26.71 billion in 2021 making a rate of growth of 13 percent from the ₦23.65 billion it generated in 2020. Yobe state recorded the smallest IGR (₦8.5 billion) in 2021 and was accompanied by Taraba with ₦9.6 billion, Gombe with ₦10.6 billion and Katsina with 12 billion. CBN Quarterly Bulletin (2022) indicates that all the states generated IGR totalling ₦3.085 trillion in the first 6 months of 2022. The performances of the Nigerian states in IGR during the Q1 of 2023 was unimpressive. For the 2023 fiscal year, all the states made forecasts to generate a total IGR of ₦2.64 trillion (Amata, 2023). Lagos Generated ₦400 billion as IGR in the first six months of 2023 (Omeje, 2023).

6.0 Enugu state profile and IGR ranking among among its peers

6.1 Brief profile of Enugu state

Enugu is among the 5 south-eastern states in Nigeria. It is situated at the foot of the Udi Plateau and has boundaries with Abia state and Imo state toward the south, Ebonyi state toward the east, Benue state in the northeast, Kogi to the northwest and Anambra to the west. Enugu state has a population of about 5,009,793 in 2023 (NBS, 2020). It has possesses three senatorial zones, namely Enugu North, Enugu East and Enugu West. Its major resources include coal, iron ore, limestone, fine clay, marble, and silica sand. It covers a land mass of 7,534 km and harbors 17 local government areas including Aninri, Awgu, Enugu East, Enugu North, Enugu South, Ezeagu, Igbo Etiti, Igboeze North, Igboeze South, Isi Uzo, Nkanu East, Nkanu West, Nsukka, Oji River, Udenu, Udi and Uzo-Uwani.

6.2 Enugu State and IGR performance

In 2020, Enugu was listed among the six states that were working viable economically (Thisdaylife.com, 2020). Its IGR increased from ₦14.2 billion in 2016 to ₦31.7 billion by the end of 2019. After rising to ₦22 billion in 2017, its IGR decreased by 1 % to ₦21 billion in 2018 and rose to ₦31.7 billion in 2019 (Thisdaylife.com, 2020). However, Enugu state failed to qualify to as technically viable (Economic confidential, 2021b) because of its IGR and viability index (VI) during 2016 – 2020 (see Fig. 1).

Fig. 1. Enugu state viability index, 2016 – 2020,



Source: Nnamani et al. (2023) plotted the line graph from table2 using MS Excel. Enugu state allocation from the FAAC increased between 2016 and 2018 and then dropped consecutively in 2019 and 2020 (Table2).

Table 2. Enugu State FAA, IGR and viability index for the period 2016 – 2020.

Year	GROSS FAAC (₦)	IGR (₦)	VI = IGR/FAA (%)
2020	87,673,368,489.37	23,650,723,357.00	27.0
2019	92,047,846,414.00	31,069,466,913.00	34
2018	92,748,603,642.32	22,145,937,216.00	23.87
2017	69,884,925,596.37	22,039,222,902.86	32
2016	56,123,326,156.66	14,235,512,227.00	25

Source: Compiled by Nnamani et al. (2023) from Economic Confidential Magazine (2021a) FAAC allocation to Enugu state rose between 2016 and 2018; It the decreased consecutively in 2019 and 2020.

The reduction in the FAAC allocation to the state symbolizes the decreasing revenue mobilization at the federal level. Also Fig.1 indicates that the viability index was inconsistent, symbolizing the unpredictability in revenue collection by the state. Enugu's poor and unpredictable IGR performance failed to improve greatly in 2021 even though it recorded 12.97% year-on-year growth from ₦23.65 billion in 2020 to ₦26.72 billion in 2021(Ugwu,2023). The state's IGR dropped to the 16th position in 2021 from 14th position in 2020 among the 36 states. NBS (2021) discloses that the total IGR of enugu state in the first 6 months was ₦14,140,554,676. The IGR per capita of the state was ₦5,213. This is less than the sub-national average of ₦7,166.91. In 2022, the IGR of Enugu state was ₦26.7 billion as different from ₦32.2 billion budgeted for that

year.

The IGR performance of the state in the Q1 of 2023 was equally not impressive. It recorded less than 15% of the annual budget as a matter of fact, Enugu was one of the 5 states that performed worst among the 36 states (Amata,2023). In the first 6 months of 2015, Enugu was ranked third on fiscal sustainability after Rivers and Lagos states. By 2020,it ranked 9th on the index .It dropped further to the 14th position in 2021 and 16th position in 2022(Ugwu,2023).

The poverty rate in Enugu state in 2022 was 37.2 %. The state became the second highest in poverty rate in the south-east after Ebonyi, which had 41.1%(Ugwu,2023).As against Lagos, Rivers, Ogun, Delta and Edo states that had IGR per capita in Q1 2023 as as ₦37,095.33, ₦16,332.83, ₦12,702.73, ₦12,112.34, and ₦7,976.59 respectively, the IGR per capita of enugu state was estimated as ₦5,213.24 only(Amata,2023). Also, with 1,802 as PPP per capita in US dollars, Enugu state ranked 34th among the 36 states in 2021(Okeowo & Fatoba,2022)

6.2 Steps being taken by state to increase its IGR Enugu

Enugu state government is currently re-strategizing to increase the state's IGR by further digitalizing most of its IGR collections, For example, the state launched the following;

- (i) E-tax for marketers and street shops;
- (ii) E-ticketing on all transport sectors, markets, street traders and burrow pits every day;
- (iii) Purchase tax.
- (iv) Land use charge: and
- (v) Community tax throughout the state.

7.0 Take-away from Nigeria's peer Sub-Sahara SSA countries who implemented tax reforms.

The following SSA countries implemented revenue reforms successfully:- Mauritania (2010–14), Rwanda (2010-2015), The Gambia (2010– 2015), and Uganda (2012–2017) (Jung, 2023). The take-away from their successful revenue reform events are:

- (i) Those countries all implemented both tax management and tax policy reforms as a single package. The package included tax rate increase, broadening of tax base and the rationalizations of tax incentives in a parallel manner.
- (ii) The countries mainly focused attention on VAT and excise reforms and minimizing of tax exemptions as an effective approach to boosting revenue.
- (iii) Their tax policy reforms mainly concerned ameliorating conformity through reinforcing taxpayer segmentation and mechanization
- (iv) Some of those countries initiated re-allocative steps with fuel subsidy reform.
- (v) There was an elevated political dedication and acceptance from important

stakeholders which placed a key role for the success of the reform.
(vi) Another recurrent element is that the incidents occurred simultaneously with strong growth.

8.0 Conclusion

The study examined the effect of tax reforms on revenue generation in Nigeria with particular emphasis on Enugu state. It used historical research design. It observed that even though Nigeria's tax revenue has shown a dwindling trend in the past decade, tax reforms in Nigeria have generally had positive and significant on revenue generation. Given some cross-country observations and, though there is no one-size-fits-all approach, Nigeria can discover a tax reform path that is suitable to her specific circumstances. The study recommends as follows:-

1. Governments at both levels should be resilient in implementing strategic reforms.
2. Governments should strive to obtain optimal loyalty and commitment from the workers in their revenue agencies in addition to deploying technology creatively for automating tax administration and operational processes.
3. There ought to be a seamless codification of all IGR sources in a law or group of laws in every state of the federation through the CRC
4. Both administrative and financial autonomy should be granted to all SIRSs.
5. Government should borrow a leaf from the revenue reforms carried out previously by Nigeria's peer SSA countries while finding a tax reform pattern that suits her peculiar circumstances.
6. As suggested by Leyira et al. (2012), efforts should be intensified at both federal and state levels to administer taxes efficiently and effectively, strengthen auditing and carry out public enlightenments.
7. Both the federal and state governments as well as the FCT should make their reform packages to contain the key components of a package of reform of tax administration and tax policy such as (i) VAT and Excise Reforms
(ii) rationalization of tax incentives and tax administration
(iii) compliance improvement plan
(iv) increasing in the effectiveness of States IRS's PAYE administration
(v) making inter-agency coordination strong
(vi) providing a reform strategy for data sharing and
vi) establishing an effective reform strategy that ensures political commitment and social dialogue with key stakeholders (see Baer et al., 2021; IMF, 2018b; Yavwa, 2022; IMF, 2015)
8. Enugu state should be resilient in striving to arrest the issues that account for the seemingly negative/unimpressive trend in its IGR statistics.

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