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Original Research Article

Tax Identification Number (TIN) and Tax Revenue Performance in Nigeria

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Abstract

The dwindling revenue from crude oil occasioned by fluctuating international oil prices is a wake-up call for Nigeria to diversify her revenue sources especially tax revenue. Efforts to increase tax revenue led to the introduction of TIN in 2008, but its effect on revenue generation in Nigeria is empirically unclear. The study examines the effect of TIN on tax revenue (VAT, CIT, CED and PPT) generation in Nigeria. Secondary data obtained from the statistical bulletin of the Central Bank of Nigeria (CBN) from 1998 to 2017 were analysed by the use of paired sample t-test. Findings reveal a significant positive difference in the means of value- added tax (VAT), company income tax (CIT),) customs and exercise duty (CED), and petroleum profit tax (PPT) after the introduction of TIN. Following the empirical evidence, we conclude that Nigerian tax revenue from VAT, CIT, CED and PPT improved significantly after the introduction of TIN during the period by the study. The study recommends that Nigerian tax authorities make every effort to enroll more eligible taxpayers on TIN because it can expand the tax net and improve the tax revenue accruable to the government for the provision of public goods and services.

Keywords: Tax Identification number, Value Added Tax, Petroleum Profit Tax, Company Income Tax, Custom and Exercise Duty.

JEL Classification Codes: M41, M48

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1.0 INTRODUCTION

The economic growth of a country depends on the amount of revenue generated and under its control to finance its infrastructural needs and meet its day to day expenditure (Okafor, 2012). These resources are generated majorly through taxation and other public finance sources. Public expenditure on goods and services is therefore dependent on the amount of revenue available to the government at all levels.

Income tax revenue generated in Nigeria over the years has however been grossly inadequate to finance public expenditure due to improper tax administration arising from in-efficient machinery for tax collections. The rate of economic growth arising from taxation in Nigeria is therefore not fully felt. Consequently, several tax reforms such as Tax Payer Identification Number, E-payment scheme and Anti-Tax Avoidance Legislations have been introduced to boost tax revenue yield in Nigeria. The most recent reforms are the new National Tax Policy introduced in April 2017 (PwC, 2017; Federal Ministry of Finance [FMF], 2017) and the Nigerian Voluntary Asset and Income Declaration Scheme (VAIDS) (Olaleye, 2017), which are aim at raising Nigeria's tax revenue to GDP ratio from 6% to 15% by 2020.

Tax reforms are deliberate and continuous actions by government and its agencies to alter existing tax laws and policies to positively impact on tax administration and collection processes with minimal cost (Ekwueme, et al. 2016). The objective of any tax reform is to boost the revenue collection process through appropriate legislation to block loopholes in the existing tax laws. Despite the introduction of several tax reforms at different times with many envisaged benefits before implementation, Nigeria's tax revenue has continued to nosedive unabated. In the 2017 budget speech of President Muhammadu Buhari, projected tax revenue was 1.373 trillion naira, however, only 1.782 billion naira of the budgeted tax revenue was realised in the first half of the budget year after implementation. Similarly, Nigeria's then Minister of Finance lamented that, Nigeria has a tax revenue to GDP ratio of 6%, which is among the lowest in the whole world (PwC, 2017; Adeosun, 2017).

The need to assess the effect of tax reforms on tax revenue generation in Nigeria is therefore imperative. This is partly because tax reforms are targeted at widening the tax net rather than increasing tax rates which improves efficiency in tax administration and promotes voluntary tax compliance. Tax policymakers and administrators generally use tax reforms from time to time as a tool for tax re-engineering and enhancing tax compliance to ensure that taxable citizens pay due tax obligations to relevant tax authorities at the appropriate time (Azubuike, 2009; Harrison, 2002; and Omesi & Nzor, 2015). Tax reforms arguably improve revenue available to the government for the provision of public goods and services because fiscal deficits and leakages are reduced as tax reforms increases (World Bank, 1991).

The call for more different tax reforms that could help to improve Nigeria's tax revenue to GDP ratio became unavoidable. In response to this call, Taxpayer's Identification Number (TIN) was introduced in Nigeria in 2008. TIN is a unique sequentially, electronically and predetermined number; generated for taxpayers both individual and corporate taxpayers with the objective of promoting effective administration and collection of taxes in Nigeria. With the introduction of TIN, more taxpayers from both the formal and the informal sector were expected to be brought into the tax net and consequently, resulting in improved tax revenue for the government.

Regrettably, Nigeria's dependence on oil revenue has not declined consistently even after the introduction of TIN. According to Odularu (2008), the contribution of tax revenue to total revenue of Nigeria is less than thirty percent over the years, with over seventy per cent of the total revenue coming from crude oil- related sources. The plunge in the international prices of crude oil products coupled with the challenge of meeting yearly unrefined petroleum production targets has additionally strengthened the need for more non-oil income especially tax collection from both individuals and corporate citizens. Consequently, revenue from tax sources is deemed more reliable than the volatile crude oil revenue, which is not a permanent source of revenue (Ogundare, 2016).

More so, despite several advantages canvassed prior to the introduction of TIN, it appears tax literature in Nigeria has ignored studies that assess the effect of TIN on revenue generation to provide a policy feedback for tax regulation and tax practitioners. Several years after TIN implementation, empirical studies that assessed the effect of the policy on tax revenue generation are still scarce in the tax literature. Although many studies have been carried out on tax revenue generation in Nigeria, such as Asaulu and Unam (2015), Dickson and Rolle (2014), Demillola and Akindole (2018), Ayuba and Desmond (2014), Afuberoh and Okoye (2014), and Samuel and Tyokoso (2014), most of these studies are not in relation to TIN. A relatively few studies, Salman et al. (2019), Akinleye et al. (2019) and Olatunji and Oludayo (2018) investigate the influence of TIN on tax revenue in Nigeria. However, most of the few studies are limited in scope for either focusing on one section of the country or just one type of tax revenue in Nigeria. For example Ezugwu and Agbaji (2014), assess the impact of TIN on internal revenue generated by Kogi State, Salman et al. (2019) focus on the effect of TIN on internal tax revenue generation from Lagos State, Olatunji and Oludayo (2018) focus on the impact of TIN on internal revenue generation from Ekiti State, Akinleye et al. (2019) study the effect of TIN on internal revenue generation from selected South Western states of Ekiti, Osun and Ondo while Iheduru and Ajaero (2018) ascertain the effect of TIN implementation on non-oil tax revenue from Nigeria for the years 2000 to 2015.

In view of the fact that majority of the empirical studies on tax revenue in relation to TIN implementation in Nigeria are either focused on one state or a group of states, generalisation of the findings to the entire country is inappropriate. Though the study of Iheduru and Ajaero (2018) is on the effect of TIN implementation on tax revenue in Nigeria for the years 2000 to 2015, the study focused on non-oil tax revenue only and so applying the findings to all tax revenue such as PPT in Nigeria becomes inappropriate. Consequently, there is lack of empirical evidence in the local literature to provide policy feedback on the impact of TIN on revenue generation in Nigeria from both oil and non-oil tax revenue.

In the light of the above, the paper investigates how TIN implementation influences both oil and non-oil tax revenue generation in Nigeria but specifically VAT, CIT, CED and PPT revenue respectively, from 2008 to 2017. The paper has literature review and hypotheses development in the next section, followed by methodology, results and discussion, and conclusion and recommendations.

2.0 Literature Review and Hypotheses Development

Ezugwu and Agbaji (2014) assess the impact of TIN on internal revenue generated by Kogi State internal revenue service from 2003 to 2012. The results from the study show that contribution of internally generated revenue to Kogi State total revenue was significant after the introduction of TIN compared to the pre-TIN period of 2003 to 2007. Salman et al. (2019) conduct a survey to ascertain the effect of TIN on internal tax revenue generation from Lagos State after the implementation of TIN in Lagos State. The result of the study reveals that TIN has a positive and significant influence on internal tax revenue generation from Lagos State. Olatunji and Oludayo (2018) investigate how TIN implementation impacted on internal revenue generation of Ekiti State from 2006 to 2015. From the results determined by regression analysis, the study avails that TIN implementation has a significant positive relationship with internal revenue generation from Ekiti State. Akinleye et al. (2019) study the effect of TIN on internal revenue generation from Ekiti State, Osun State and Ondo State from 2008 to 2017. The result of secondary data analysis using paired sample t- test indicates significant differences in internal revenue generation from the three states after the implementation of TIN.

Iheduru and Ajaero (2018) ascertain the effect of TIN implementation on non- oil tax revenue from Nigeria from 2000 to 2015 using a comparative approach with paired sample t- test as the tool of data analysis. Findings from the work show that there are significant positive differences in total non-oil tax revenue; company income tax revenue and tertiary education tax revenue after TIN implementation in Nigeria, while value-added tax revenue decreased but insignificantly, after TIN implementation. The study is anchored on the tax compliance theory which shows that promoting voluntary tax compliance is the major objective of any tax reforms. Tax reforms are veritable tools which tax authorities deploy to improve the tax revenue yield of the government. The introduction of TIN was to get more eligible taxpayers in Nigeria to register and pay tax as at when due. Tax compliance theory therefore provides the basis for assessing the impact of TIN on tax revenue generation in Nigeria.

Following the few studies on taxation in relation to TIN in Nigeria, with majority of the few studies focusing on one or group of states internal revenue generation and non-oil tax revenue, the paper proposed the following hypotheses to guide the study: there is no significant difference in VAT, CIT, CED and PPT revenue after TIN introduction in Nigeria.

3.0 METHODOLOGY

Secondary data on VAT revenue, CIT revenue, CED revenue and PPT revenue from 1998 to 2017 used for this study were sourced from the 2018 the Central Bank of Nigeria Statistical Bulletin. The variables for the study are measured thus: Value Added Tax Revenue (VAT): VAT is a consumption tax borne by the final consumer of taxable goods and services (Unegbu and Irefin 2011, Resolution Law Firm 2020). VAT is measured here as the natural logarithm of reported VAT revenue for relevant years covered by the study. Company Income Tax (CIT)**:** This represents income taxes on the profits of companies operating in Nigeria. It is computed as natural logarithm of CIT revenue reported in Central Bank of Nigeria (CBN) Statistical Bulletin for each year covered by the study.

Custom and Excise Duties Tax Revenue (CED)**:** Custom duties are taxes on imports and exports. Import duties are taxes levied on goods that come into the country, while excise duty is an inland tax on the sale or production for sale of specific goods produced within a country (Okoh, et al., 2016). CED is measured as the natural logarithm of CED tax revenue reported each year in Central Bank of Nigeria statistical bulletin. Petroleum Profit Tax (PPT)**:** This represents income taxes from licensed operating oil companies in Nigeria (Gbegi et al., 2017). PPT is measured here as the natural logarithm of petroleum profit tax revenue reported in CBN bulletin for the years of the study. The data analysis is done using descriptive statistics and paired sample t-test, which compares the pre (1998-2007) and post (2008-2017) TIN introduction periods to ascertain if significant differences exist in reported tax revenue due to TIN implementation in Nigeria.

4.0 ESTIMATION RESULTS AND DISCUSSION OF FINDINGS

Table 1: Descriptive Statistics

Variable	Mean	Std. Dev	Min	Max
VAT	5.817871	.1158358	5.606918	5.987821
CIT	5.637289	.1960382	5.447034	5.984015
CED	5.815844	.2743759	5.239199	5.879217
PPT	6.317907	.1555512	6.037426	6.487138

Source: STATA Version 15

Table 4.1 reveals a mean of 5.8 in respect to value-added tax (VAT) with a standard deviation of 0.12 which suggests low fluctuation in VAT revenue for the period studied. The minimum and maximum values of VAT for the period are 5.61 and 5.99, respectively. The table further revealed CIT mean of 5.64 and a standard deviation of 0.20 which indicates low fluctuation in CIT revenue for the study period. Minimum and maximum values of CIT revenue were 5.45 and 5.98 respectively.

More so, the result reveals a mean of 5.82 in respect of custom and exercise duty (CED) tax revenue and a standard deviation of 0.27 suggesting low fluctuations in CED tax revenue for the period investigated. The minimum and maximum values of CED tax revenue for the period were 5.24 and 5.88 respectively. The table further revealed a mean of 6.32 in respect of PPT revenue and a standard deviation of 0.16 which indicates low deviation from the mean PPT revenue during the period investigated. The minimum and maximum values of PPT revenue during the period stood at 6.04 and 6.49 respectively.

In order to assess if there are significant differences in tax revenue after the introduction of TIN in Nigeria, the result of a paired sample t-test is presented in Table 2 below:

Table 2: Paired Samples Test

Variables	**Mean**	T	**Sig. (2-tailed**
Pair1: Post-TinVAT& Pre TinVAT	545200.0	16.148	0.000
Pair2: Post-TinCIT& Pre TinCIT	314038.1	4.451	0.002
Pair3:Post-TinCED& Pre TinCED	582776.3	4.961	0.001
Pair4:Post-TinPPT& Pre TinPPT	1284929	3.559	0.006

The result presented in Table 2 reveals a positively significant difference in VAT revenue after the introduction of TIN compared to the period before the introduction of TIN. The result implies that TIN implementation led to improvement in VAT revenue generated in Nigeria during the period of investigation. The result supports the findings of Ezugwu and Agbaji (2014), Salman et al. (2019) and Olatunji and Oludayo (2018), who document a significantly positive impact on internal revenue generation from different states in Nigeria after TIN implementation. The result is however not in agreement with Iheduru and Ajaero (2018) who find a negative though insignificant impact on VAT revenue in Nigeria after the implementation of TIN. Following this result, the study rejects the null hypothesis and concludes that there is a significant difference in VAT revenue after TIN implementation in Nigeria.

Similarly, Table 2 shows a positively significant difference in CIT revenue after the introduction of TIN compared to the period before the introduction of TIN. The result suggests that TIN implementation led to improvement in CIT revenue generated in Nigeria during the period of investigation. The result agrees with the findings of Ezugwu and Agbaji (2014), Salman et al. (2019), Iheduru and Ajaero (2018), and Olatunji and Oludayo (2018) who document a significantly positive impact on revenue generation after TIN implementation in Nigeria. Consequently, the study rejects the second hypothesis and concludes that there is a significant positive difference in VAT revenue after TIN implementation in Nigeria.

Also, table 2 shows a positively significant difference in CED revenue after the introduction of TIN compared to the period before the introduction of TIN in Nigeria.

The result suggests that TIN implementation led to improvement in CED revenue generated in Nigeria during the period of investigation. The result agrees with the findings of Ezugwu and Agbaji (2014), Iheduru and Ajaero (2018), Olatunji and Oludayo (2018), and Salman et al. (2019) who document a significantly positive impact on revenue generation after TIN implementation in Nigeria. Consequently, the study rejects the third hypothesis and concludes that there is a significant positive difference in CED revenue after TIN implementation in Nigeria.

Additionally, table 2 shows a positively significant difference in PPT revenue after the introduction of TIN compared to the period before the introduction of TIN in Nigeria. The result suggests that TIN implementation led to improvement in PPT revenue generated in Nigeria during the period of investigation. The result agrees with the findings of Ezugwu and Agbaji (2014), Iheduru and Ajaero (2018), Olatunji and Oludayo (2018), and Salman et al. (2019) who document a significantly positive impact on revenue generation after TIN implementation in Nigeria. Consequently, the study rejects the fourth hypothesis and concludes that there is significant positive difference in PPT revenue after TIN implementation in Nigeria.

5.0 Conclusion and Recommendation

We examine the effect of TIN implementation on tax revenue generation in Nigeria from 1998 to 2017. The findings from data analysis indicate that VAT revenue, CIT revenue, CED tax revenue and PPT revenue improved positively and significantly after the introduction of TIN in Nigeria. The study recommends that tax authorities in Nigeria should intensify efforts to get every eligible tax payer enrolled on TIN so as to widen the tax net and consequently, generate more tax revenue for government in Nigeria. Continuous campaigns and awareness of the public on the benefits of TIN registration by tax authorities is recommended to get more eligible taxpayers registered and consequently, increase tax revenue generation in Nigeria.

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