E-Tax Collection on Revenue Generation in Ondo State, Akure, Nigeria

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ABSTRACT: This study evaluated the influence of Electronic-Taxation on revenue-generation in Ondo State from 2019 to 2023 with a view to understand the methods and process of e-taxation. The collected data were grouped into two: pre and post-e-tax periods. The two sets of data were compared using a pre post analysis technique of statistic. Findings from the study revealed that before the implementation of electronic taxation, revenue generation reported from state accumulated revenue was below average, while the tax revenue and other taxes significantly improved after e-taxation and e-tax was successfully implemented. Thus, the electronic policy worked to improve revenue generation in the economy while identified loopholes that engendered. Corruption will greatly affect the progress of the system, if not properly checked. It was recommended amongst others that the government through the Ondo State internal revenue service's conduct more enlightenment seminars in all the local governments of the State, Increase the knowledge of the use of electronic services on their platform, block all identifiable 1oopholes and pronounce a severe punitive action on tax corruptions in the economy.

KEYWORDS: Electronic-Taxation, Internal revenue, Accumulated revenue, Tax revenue and tax corruptions

BACKGROUND TO THE STUDY

Taxation is a main source of revenue to governments across the world and it becomes a burden that every citizen must bear to support the government as well has some functions to perform for the well-being of those it governs. Revenue is an income collected by public authorities with fair jurisdiction of compulsory contribution from persons or body to finance expenditure. It is an income required by government to finance its growing expenditures. The tax revenue collection in Nigeria faces some formidable problems which includes the high tax rates and complex filing procedures, multiple taxation and lack of proper enlightenment, lack of statistical data, poor tax administration, and inability to prioritize tax effort, multiplicity of taxes and increase in underground economy. Micah, Ebere and Umobong (2022) and Chattaopadhyay and Das-Gupta, (2012) opined that there is a problem of tax collection compliance due to lack of knowledge on the scheme, staffing problem and tax evasion. Tax remains the most sustainable and reliable source of public revenue of any modem state. The effect of tax administration on the revenue generated by State Government cannot be overemphasized and as such should be approached more strategically. Perhaps that is why According to Onaolapo, Fasina and Adegbite (2013), the problem with public finance in developing countries like Nigeria has been that the amount of revenue generated from tax and other sources in recent years have not been sufficient to meet increasing expenditure of states and Local Governments which might not be far away from tax collection and administration methods.

Adeyemi, (2015) observed that upsurge in information technologies (IT) has inspired the tax administrators to improve tax administration system by creating awareness about their tax structure. Meanwhile, Maisiba and Atambo (2016) described electronic tax system as a computerized tax administration system that is especially designed to handle general tax administration from registration, assessment, filling returns and processing of claims and refunds. E-tax is expected to reduce the cost of the tax payer complying with Revenue Authority, increase tax collection and remove the inefficiencies associated with costs of movement by tax payers to revenue offices to do business and present to tax payers a system that reduces their cost of compliance. The studies of Maisiba & Atambo, (2016); Barat & Bakhshayesh, (2015) agreed that modifying the tax system through setting up E-taxation system not only prevents tax evasion efficiently, but also it is a big barrier against injustice and ineffectiveness in tax system regarding income tax. Torres, Pina & Acrete (2005) argued that governments around the world, since 1990, have launched

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a project aimed at providing basic services through electronic means. The objectives of e-taxation system to include creation and management of effective and efficient database to provide tax payers records, information biodata for easy referencing, the provision of an alternative payment routes for tax payers so as to encourage immediate tax payment and provide relief to those who find it an easier and more efficient payment route. All these are expected to be achieved by creating a web-based system in which registered entities log-in and make payment and the availability of an alert system to notify the regulatory body of outstanding payment by registered entities and workers. For instance, Octa (2017) is of the view that efficiency and accountability in taxation system had heightened the clamour for modernization of tax systems across the globe hence the increased adoption of electronic tax administration systems. Also Deogratus, (2023) observed that electronic tax service have proved to facilitate easy communication between clients and the authority in the aspect of helping the clients to have access to the service without time and location boundaries.

The various e-tax practices adopted by State Government are also worthy of evaluation as to the extent to which such has influenced the revenue generation capacity of the adopting government. Although e-taxation is not a new phenomenon in the literature adequacy of studies in Nigeria may be doubtful because of slow adoption of e-commerce. Further, existing studies differ on the impact of e-tax on revenue generation. While some impact others found otherwise. Some authors like Dowe, (2018), Barako, (2022), Octa, (2023) agreed that e-tax is an efficient revenue collection and reducing revenue shortfalls resulting from corruptions. However Nagi, (2014), Wasao, (2014), Chijioke, Leonard, Bossco and Amaefule (2018) believed e-tax was not significant to increase in revenue collection. An empirical study of this nature in the Nigerian context has thus become imperative to appraise determinants of e-tax adoption and the influence on revenue generation of State Governments.

STATEMENT OF THE PROBLEM

The ultimate goals of e-tax according Octa, 2023 is to increase revenue collection through reducing costs associated with compliance and minimizing tax leakages. They are designed to reduce physical contact between tax administrators and tax payers in order achieve the desired effect of reducing corruption. Electronic tax system include computer based revenue collection platforms that do away with manual for registration, filing and processing of tax returns, refunds and other tax related services. However the observation of Asianzu & Maiga (2022) that e-tax adoption rates in developing countries remain low and so its benefits are not fully realized has been a concern to accountants and tax experts on the need for empirical evidence from Nigeria. Despite the increasing need to increase revenue collection and enforcement so as to provide public services, developing countries still face the challenges of low tax compliance and tax administration. Past researches on the determinants of e-tax adoption and usage suggest determinants of e-tax to include supporting infrastructure like internet connection, electricity and computers, Information Technology (IT) literacy levels as affecting tax compliance (Schaupp, Carter, Megan & McBride, 2015; Masiba and Attambo 2016, Kiringa and Jagongo, 2017. Also, Duncan (2022) looked at the factors that facilitate the successful adoption of technology as a tax compliance enhancement tool and concluded that three factors must be in place to realize the objective of e-tax including flexible information Technology Structure, competent IT skill base and strong customer orientation. These submissions would be tested in the Nigerian context as in the objectives of the current study.

OBJECTIVES OF THE STUDY

The general objective of the study is to evaluate the e-tax practices in Ondo State the influence on revenue generation of Ondo State. The specific objectives are to:
i. understand the traditional methods and processes of tax collection in Ondo state, Nigeria.
ii. access the effect of e-tax collection method on the tax revenue of Ondo State, Nigeria.

CONCEPTUAL REVIEW
E-Tax System and Revenue Generation

Various benefits are associated with e-taxation some of which have been identified in the literature to include creating a web based system in which registered entities log-in and make payment, availability of an alert system that to notify the regulatory body of outstanding payment by registered entities and workers. Further, e-taxation system is to be developed for use by the tax authority at the federal level for tax payment, record keeping and educational/awareness programs in under-developed and developing countries with specific focus on the African continent. Further, Nisar (2013) argued that recent trends in public taxation stress the need of developing a system of tax assessment and collection that involves internet services. Several factors explain this, including the potential benefits of taxation for state building; independence from foreign aid; the fiscal effects of trade liberalization, the financial and debt crisis in the "West"; and the acute financial needs of developing countries.

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Governments in developing countries face great challenges in collecting tax revenues, which result in a gap between what they could collect and what they actually collect. One of this challenges according to Muita (2022), is the embracing of emerging technologies and tax payment methods that are more efficient so as they can reduce wastage. One of the technologies he argues is electronic tax system which so far has been embraced by the Kenya Revenue Authority. The E-Taxation system offers multiple solutions to both sides of the taxation system.

The tax collector's job is more effectively carried out as access to data required to determine the volume of taxes currently paid is readily available and can confidently estimate deficits. The tax organization is seen as more transparent and effective in carrying out its duties as it has records to support stated facts in its report.

The tax payers in general are more receptive to taxation as the whole process is convenient and flexible. The system can also be used by the government to measure the level of the public's reception of changes in tax laws, rates and their responses to the changes. Other benefits include save and secure medium, ease of use, convenient and reliable services, check tax refund by tax payer, lower administrative cost, tracking tax returns, faster tax processing time, convenient tax return filing, view tax return status, view tax account etc. Gideon and Alouis (2023) wrote that an efficient national revenue collection system is the hub of every public administration system and the cornerstone of sound fiscal management. It enables governments to finance budget deficits from domestic sources, thus dissuading recourse to offshore sourcing.

Challenges of E tax system

Despite all these efforts, challenges still exist though not much than the increased revenue collection indicators that the country is enjoying. Other economic and finance experts argue that the increase may not be necessarily because of the introduction of the electronic system but other factors (Wasao, 2014). The electronic tax system comprises modem Technology that has in the form of computers, internet and software applications. Such technology is considered to be only efficient when handled by well trained personnel and embedded in the workflow of the organization. Dowe (2018) argued that the base prerequisites for implementing successful e-filing and e-payment systems are:

(1) A reliable and accessible internet service;
(2) Cooperative financial institutions;
(3) An IT oriented public; and
(4) Adequate financing to set up the appropriate infrastructure in tax offices.

Ideally, the setting of an e-filing and payment system should form part of a comprehensive IT design, development and implementation strategy (Dowe, 2018), in Uganda, Akello (2022) reported that there are challenges such as intermittent power supply and Internet outages but says the tax body has made contingency plans to ensure that the system is operational 24/7. Also Leyira, Chukwuma Asian (2022) found many factors inhibiting effective tax system as lack of statistical data, poor tax administration, and inability to prioritize tax effort, multiplicity of taxes and increase in underground economy. According Newman & Eghosa (2022), most countries in the world with effective electronic tax systems are exposed to the challenges of cybercrime and are constantly confronted with the activities of cybercriminals.

Theoretical Review

This study on influence of e-taxation adoption on tax revenue generation efficiency of state government in Nigeria, Relevant theories become desirable of discourse including Neo Classical Theory, Innovation Diffusion Theory and Technology Acceptance Model.

Unified Theory of Acceptance and Usage of Technology

This explains the behavioral aspects of human interaction with technology, hence underscores important considerations by tax authorities in effort to ensure improved revenue collections. (Oeta, 2023). For instance, according to Oeta, 2023 it emphasizes the need for supportive infrastructure, an easy to use tax system, as well as a system that will provide a cost advantage to tax payers. Oeta, 2023 believes that effective application of technology will not only bring tax services closer to the tax payer but also provide an incentive to enhance compliance through reduced costs to the tax authority and widened tax base. A unified framework for researching technology acceptance, the Unified Theory of Acceptance and Use of Technology (UTAUT), was previously proposed and validated.

Theoretical Framework

A review of the theory displayed the basis for taxation and revenue generation capacity.

Since e-taxation is an innovation newly introduced in an already existing system, it is therefore rational to examine the theory of relevance to the current study. The study considers Unified theory of acceptance and usage of technology that explains the behavioral aspects of human interactions with technology. Oeta 2023 believes that effective application of technology will not only bring tax services closer to the tax payer but also provide an incentive to enhance compliance.

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Empirical Review

Quite number of works has been carried out on taxation and its contributions in enhancing revenue generations to boost economic development of the country. Onuiri, Faroun, Erhinyeme and Jegede (2015), investigated how the continuous development of computing science and its wide spread ability to be deployed to solve a wide range of problems can be geared towards the development of an electronic taxation system to assist government bodies with convenient tax collection and record keeping. This system looks at how tax payment can be encouraged through simplification and increased efficiency in payment processing The results of the study indicate significant relationship between e-tax and tax administration.

A conducted research within the context of ICT integration in the public sector (e- government), this is due to the elimination of leakages and human error, and protection of revenue by transferring all payments to the Central Bank of Nigeria by Olusola (2023). Further, Okafor, (2022) aimed at finding out whether electronic taxation will significantly curb tax evasion and improve revenue generation and used survey method to collect data from primary and secondary sources. The primary data were collected mainly from questionnaires, Computer literacy will enhance electronic tax administration which will significantly our tax evasion and avoidance and reduce operational compliance cost.

Findings showed that E taxation can enhance internally generated revenue and reduce the issue of tax evasion in Enugu state and hat E-taxation can prevent corrupt practices of tax officials. The implication of this is that the extent at which government has gone in inaugurating their e- tax administration is still low hence some tax administrators and tax payers are still not aware of the online tax assessment/collection in Nigeria.

METHODOLOGY

The study will adopt *ex-post facto* research design, the secondary data were obtained from the ODIRS in respect of the Total Tax Revenue that were collected from the period of 2019-2023. The population of the study is made up of Ondo State Internal Revenue Services and the sample size are Planning, Reporting and Statistics Departments. Data that were analysed using the statistical package STATA Version 11 and regression analysis model.

RESULTS

Research Question 1: What is the level of compliance with the use of e - tax collection method?

The results of the descriptive analysis are presented in the table below.

Table 4.1: Descriptive analysis of the Data from ODIRS

	ODIRS(₦)	OTHERS(₦)	TOTAL(₦)
Mean	10,900,000,000	5,950,000,000	16,900,000,000
Std. Deviation	5,520,000,000	5,160,000,000	9,840,000,000
Minimum	6,840,000,000	1,860,000,000	8,690,000,000
Maximum	20,300,000,000	13,000,000,000	30,100,000,000

Source: Researcher's Analysis, 2024

Table 4.1 above presented the analysis of the past five (5) years the average tax, standard deviation, minimum and maximum amount generated by the agency. The tax has a mean of between the year 2015 - 2019 ₦10,900,000,000, a standard deviation of ₦5,520,000,000, and a minimum and maximum of ₦6,840,000,000 and ₦20,300,000,000 respectively. Other revenues within this period and the total of the revenues also showed significant increase with a mean of ₦5,950,000,000 and ₦16,900,000,000 respectively, standard deviation of ₦5,160,000,000 and ₦9,840,000,000 respectively.

CONCLUSION AND RECOMMENDATIONS

The study concluded that the effect of electronic means on the collection of tax had a positive significant effects as the trend analysis shows that with the introduction of e - tax, more revenue were generated by the government. Overall, the taxes within the five years of the post e-tax era has the following figures as their means of between the year 2019 - 2023 ₦10,900,000,000, a standard deviation of ₦5,520,000,000, and a minimum and maximum of ₦6,840,000,000 and ₦20,300,000,000 respectively. Other revenues within this period and the total of the revenues also showed significant increase with a mean of ₦5,950,000,000 and ₦16,900,000,000 respectively, standard deviation of ₦5,160,000,000 and ₦9,840,000,000 respectively. This therefore indicated encouragement on the utilisation of the electronic means, although, loopholes are bound to be identified which caused or may lead to tax fraud at any rate, based on this, the following useful recommendations were suggested.

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The government through the Ondo State Internal Revenue Services should conduct more enlightenment seminars in all the local governments to increase the knowledge on the use of all electronic services on their platform, all existing tax payers should be given mandate on when they are expected to complete their e-registration and e-filling, mobile version of ODIRS electronic tax portal should be created and made available for different types of mobile operating system such as Android, Windows and Apple OS, sensitizing of companies on the electronic tax payment so as to further maximize the expected positive impact of E-tax in the state. There should be severe punitive measures to ensure defaulters are brought to book according to the provisions of the law as this will reveal the shortcomings besetting the effectiveness of tax revenue generation in Nigeria as whole.

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