Taxation and Its Influence on Household Consumption; The Nigerian Experience

Ajibola, Joseph Olusegun, (Ph.D)
Dean, College of Postgraduate Studies,
Caleb University,
Imota-Ikorodu, Lagos, Nigeria.
joeoluajibola@yahoo.co.uk

Olowolaju Philip Segun, (Ph.D)
H.O.D, Department of Accounting,
Federal University of Technology, Akure.
olowophilip@yahoo.com

ABSTRACT
The research work examined taxation and its influence on household consumption; the Nigerian experience (1994-2014). Secondary data sourced from CBN Statistical Bulletin was used for analysis in this study. The operational variables for this research work were household consumption being the independent variable and taxation being the dependent variable. Ordinary Least Squares regression (OLS) was used in analyzing the relevant data via the use of E-View software. The OLS findings revealed that the household consumption was influenced by inflation rate negatively (β_1= -92699.41), company income tax positively (β_2= 6.015058) and value added tax positively (β_3= 10.47610). It is therefore recommended that the government should ensure that inflation is managed and kept at its minimum so as to increase household consumption. Also, the government should implement and maintain an effective and efficient taxation system to increase revenue, so the government can provide the essentials for the economy needed for production.

1.0 INTRODUCTION

As stated by Okonjo-Iweala (2012), without the diversification of Nigerian revenue from oil, the economy will soon collapse. Recently, Nigeria's dependence on crude export for revenue based on the projected price and assumed production is 80%. However, oil revenue has accounted for over 76% of government revenue. With the need to diversify the economy taxation has become very useful. Taxation is a compulsory payment imposed on individuals by the government in order to gain revenue which will be used to create goods and services which will increase the welfare of the citizens of the economy as a whole. It is the revenue derived by the government, this is for them to be able to provide the essential goods and services for the economy For any economy to develop they require a lot of capital, this is to enable them not only to provide for their citizens but also maintain the goods and services provided, this is why tax is imposed. Therefore, the tax system is one of the most powerful levies available to any government to stimulate and guide its economic and social development.

However, an indirect tax like value added tax (VAT) or goods and services tax is a tax collected by an intermediary from consumers, this is the major reason why it has great influence on consumption. The intermediary later files a tax return and forwards the tax proceeds to government with the return. An indirect tax may increase the price of a good to raise the price of the products for the consumers. Company income tax for example,

whenever a corporation is assessed with a higher tax rate or a new type of corporate tax, a corporation may not have another option to increasing prices. Corporations need to earn profits in order to meet obligations, perform research and development as well as expand their businesses and potentially employ more people. However, whenever government agencies increase the amount of taxes to be paid by a corporation, most companies will try to maintain current profit margins by increasing the price charged to the consumer (Financial web, 2015) , under this definition, even income taxes may be indirect.

Indirect taxation is policy which is commonly used to generate revenue from tax. It is referred to as indirect tax as it is paid indirectly by the final consumer of goods and services while paying for purchase of goods or for enjoying services. It is broadly based since it is applied to everyone in the society whether rich or poor. Since the cost of the tax does not vary according to income, indirect taxation is a proportional tax. However, indirect taxation can be viewed as having the effect of a regressive tax as it imposes a greater burden on the poor than on the rich because they all pay the same amount. The taxpayer who pays the tax does not bear the burden of tax; the burden is shifted to the ultimate consumers. Therefore, indirect tax has effect on consumption and the standard of living of the general public.

Household consumption is the total goods and services consumed by a house hold at particular time or period, it refers to the final purchase made by the residents of a household to meet their everyday needs which include food, clothing, housing, services, transport, health, leisure etc. when referring to the household sector it does not only include the people that live in traditional homes but those also living in communal homes like prison, boarding house, retirement houses. It measured using the purchasers' price which means the price the consumer actually pays for the goods consumed. Household final consumption expenditure (formerly private consumption) is the market value of all goods and services, including durable products (such as cars, washing machines, and home computers) purchased by households. It excludes purchases of dwellings but includes imputed rent for owner-occupied dwelling. It also includes payments and fees to government to obtain permits and licenses. Here, household consumption expenditure includes the expenditures of nonprofit institutions serving households, even when reported separately by the country (World Bank national accounts data).

Taxation in Nigeria started with personal income tax in 1904, when Lord Lugard introduced income tax in the northern part of Nigeria. Community tax became operative through the Revenue Ordinance of 1904. In 1917, after the amalgamation of the northern and southern protectorates, the 1904 Revenue Ordinance was replaced by the Native Revenue Ordinance of 1917. Furthermore, the provisions of the 1917 ordinance were amended in 1918 and extended to southern Nigeria particularly, the west and the Midwest and subsequently, to eastern Nigeria, in 1928. Taxation has been in existence in Nigeria before the advent of the British rule in 1861: particularly in the North where there was an efficient and stable administration based on Islamic system (Ologhodo, 2007)... Taxation is used as an instrument of economic regulation for the purpose of discouraging or encouraging certain forms of social behavior. Tax is use to raise money for the provision of services such as defense, health services, education, etc; to re-distribute income and wealth. That is, the rich pay more tax than the poor. This is achieved by the graduation or "progressiveness" of the rates at which the taxes are levied; to discourage the consumption of harmful goods such as alcohol and cigarettes; to harmonize diverse trade or economic objectives of different countries so as to provide for the free movement of goods/services, capital and people between member states; for the management of the economy (Samuel, 2010).

In that regard, indirect taxation has an impact on household consumption this is because the more the government increases tax on goods and service the higher the price becomes .and when they decrease the price of goods and services the price becomes lower. In return households are either able to buy less or more of items for consumption. A consumption tax rate increase has the potential to reduce household consumption in the long-run. If this occurs, one would expect a decline in household consumption due to decrease in disposable income.

From the evidence received so far it shows that indirect taxes have an influence on household consumption. Revenue from VAT was347, 688million as at 2012, this increased to 589,526million in 2013 (Central bank of Nigeria statistical bulletin). This increase in revenue would have also affected the prices of goods and service which in return would have affected the consumption of households. Looking at it from an economic point of view, one expects the price of goods subject to indirect tax to rise; this then determines the amount a household can consume. It can also lead to inflation in an economy. The major problem of this research therefore, is to determine the effect of tax on taxpayer in compliance with tax policies of government and its effect on household consumption.

LITERATURE REVIEW

Taxation plays a very important role in the economic life of a developing country like Nigeria. Nigeria needs an efficient tax system to be able to function well. Taxation is seen as a burden which every citizen must bear to sustain his or her government because the government has certain functions to perform for the benefits of those it governs. Taxation is the most important source of income to the government, it accounts for ninety percent or more of their income. According to Ifurueze & Ekezie (2014), tax is "a compulsory levy imposed on a subject or upon his property by the government to generate the needed revenue for the provision of basic amenities and create enabling condition or the economic wellbeing of the society"... These levies are made on personal income, such as salaries, business profits, interests, dividends, discounts and royalties. It is also levied against company's profits petroleum profits, capital gains and capital transfer. Whereas, Ojo (2003) stresses that, taxation is a concept and the science of imposing tax on citizens. According to him, tax is itself a compulsory levy which is required to be paid by every citizen. It is generally considered as a civic duty. The imposition of taxation is expected to yield income which should be utilized in the provision of amenities, both social and security and creates conditions for the economic wellbeing of the society. According to Bariyiman and Gladson (2009), tax administration in Nigeria is carried out by the various tax authorities as established under the relevant tax laws. According to the report of the presidential committee on National Tax policy (2008), The National tax policy provides a set of rules, modus operandi and guidance to which all stakeholders in the tax system must subscribe. Tax policy formulation in Nigeria is the responsibility of the Federal inland Revenue Services (FIRS), Customs, Nigerian National Petroleum Corporation (NNPC), National Population Commission (NPC), and other agencies but under the guidance of the National Assembly i.e. the law making body in Nigeria (Presidential committee on National tax policy, 2008). Suffice it to say that if there must be any effective implementation of the Nigerian tax system or attainment of its goal, the use of the national tax policy document remain absolutely essential. According to the Presidential Committee on tax policy (2008), "Nigeria needs a tax policy which does not only describe the set of guiding rules and principles, but also provide a stable point of reference for all the stakeholders in the country and upon which they can be held accountable. James and Nobes (2008) decried the inability of tax policy to meet up with efficiency and equity criteria

against which it is being judged. It was further noted that tax policy is continually subjected to pressure and changes which most time does not guarantee outcome that are in line with the overall goal (James and Nobes 2008). Unfortunately, most policy changes in Nigeria are without adequate consideration of the taxpayers, administrative arrangement and cost plus the existing taxes. This has in no small measure hindered the effective implementation and goal congruence of the nation's tax system. James and Nobes (2008) stated as follows the best approach to reforming taxes is one that takes into account taxation theory, empirical evidence and political and administrative realities and blend them with good dose of local knowledge and a sound appraisal of the current macroeconomics and international situation to produce a feasible set of proposals sufficiently attractive to be implemented and sufficiently robust to withstand changing times, with reason and still produce beneficial results.

1.1.2 Tax laws

Musa (2009) opined that economic and social development laws and policies provide the basis for effective state action that lifts society from underdevelopment, improves the standard of living and facilities for the realization of the millennium development goals. Nigeria is in dire need of solution to its development challenges. Good laws that are well implemented would contribute to the resolution of these challenges. The first thing to do in this scenario is an attempt to review the implementation of the identified laws like the company income tax, petroleum income Act and tax reform Act. The second thing is to get the relevant legislative committees and ministers, departments and agencies involved give account of their respective stewardship/roles in implementation of the law. Tax laws refer to the embodiment of rules and regulations relating to tax revenue and the various kind of tax in Nigeria. They are made by the legislative arms of the government. These laws are constantly subjected to amendment. There is no doubt that the frequency of amendment is a manifestation of inconsistencies and consequently hinders the achievement of the set up goals. However, in an attempt to meet up with the three years policy review as earlier stated and or adjust to the economic dynamism of the country, amendment could equally be made. According to Kiabel and Nwokah (2009), and Ayodele (2006), the following are some of the prevailing tax laws in Nigeria are Personal Income Tax Act (PITA) CAP P8 Law of Federations of Nigeria (LFN) 2004, Company Income Tax Act (CITA) CAP.60. LFN 1990, Petroleum Profit Tax Act (PPTA) 2007, Value Added Tax (VAT) Act No 102 LFN 1993, Capital gain tax Act CAP 42 LFN 1990, Stamp Duties Act CAP 411 LFN 1990, Education Tax Act No 7 LFN 1993 and Information technology Development Act 2007. It is one thing to make policies, rules and regulation in an attempt to attain a desired goal or objective and it is another thing to implement these policies, rules and regulation. The organs and or agencies in charge of tax policy implementation in Nigeria are referred to as the administrative organ or agency in this research work. Efficiency and effectiveness should be the watch word in designing a tax administration structure that will give the desired result. Put differently, tax administration in Nigeria is the responsibility of the various tax authorities as established by the relevant tax laws (Kiabel and Nwokah 2009). Kiabel and Nwokah (2009) noted "Tax authority "to mean Federal Board of Inland Revenue, the State board of internal revenue and the local government revenue committee. Together with the Joint tax board (JTB) and Joint state revenue committee or Local Revenue Committee, Nigerian tax authority administers taxes in Nigeria. The fiscal autonomy granted the three tier of government had led to multiplicity of tax. Tax payers and corporate bodies had been subjected to multiple levies or charges of tax of same name in different form. This had increased evasion and avoidance as such payment either eat

deep into the profit of business or affect negatively, the distributable income of the individual. Miller and Oats (2009:4) noted that due to the inefficiency of the private market, the provision of public goods such as security of life and property which the public might not be prepared to pay for directly, are left in the hands of the government rather than the private market. James and Nobes (2008) observed that even without payment, the consumption of "pure public goods cannot be to the total exclusion or in isolation of certain individual. Government therefore, makes it free for all and sundry. A very good example is in the area of security e.g. Police, Arm Force etc. Their services cover all the citizens without specific charges to the people. Besides, public goods do not diminish as consumption increases. Simply put, the consumption of public goods by one person does not stop or prevent another from consuming it neither does it reduce the satisfaction the later consumer will derive from its consumption. It is on the strength of the above two reasons that it becomes practically impossible for the private market or firm to produce public goods as the resultant effort could be underproduction of such goods and services. Lopez and Kadar (2001) posit that taxation among Organization for Economic Development Countries (OECD) had uniformly been geared towards efficiency, increased tax revenue, equity and enforceability. Having stated some of the functions of government to the citizens using taxation as a tool, the objective of taxation can therefore be summed up in Lyme and Oats (2010) are raising revenue to finance government expenditure, redistribution of wealth and income to promote the welfare and equality of the citizens, and regulation of the economy thereby creating enabling environment for business to thrive. Taxation is therefore, one among other means of revenue generation of any government to meet the need of the citizens some of which have been pointed out above. Miller and Oats (2006) Maintained taxation is required to finance public expenditure". It is worthy of note however, that there are other sources of revenue generation by the government e.g. borrowing, grants etc. If taxation is for public expenditure, public goods ought to have been consumed equally. The elites in the society have retinue of security men attached to them for protection especially in emergency cases but not the common man whose safety is just by implication even when they represent a higher percentage of the taxpaying population. Since the use of most of the facilities for which the general tax revenue is raised as a right for some compared to others, tax therefore remain a punitive levy on the deprived of these services. This is even worsening with the definition by Nightingale (2002:5) imposed by government while taxpayers may receive nothing identifiable in return for their contribution. Osunkoya (2009) on his part warned, "Payment of tax does not mean that government must do something within the locality of the taxpayer". These respected tax experts seems to forget that evidence of taxation seen in public goods encourage the taxpayer. This may account for the high evasion rate as tax is assumed exploitative instead of development. Popoola (2009) observed that people do not pay tax because of the "culture of give and take. The epileptic services of some of the social amenities financed with tax revenue in developing and underdeveloped countries left much to be deserved. Popoola (2009) asserts that electric supply and social infrastructure need to be financed with taxpayer's money. Ordinarily, nobody would want to make "compulsory payment" for substandard goods or bad services. Laffer (2009) cautioned that a government simply cannot tax a country into prosperity. As important as tax revenue is to a nation, many people still find it difficult to comply with their tax obligation. According to Nightingale (2002:6) no one really likes paying taxes yet they are inevitable for the provision of social welfare.

1.1.3 TAX AUTHORITY

Tax authority as defined in section 100 of the Personal Income Tax Decree, 1993 and amended by Decree No 18-finance Miscellaneous Taxation Provisions) Decree 1998, means “the Federal Board of Inland Revenue, the State Board of Internal Revenue or the Local Government Revenue Committee (Oluba, 2008). The tax authority as defined in addition to the Joint Tax Board, the Joint State Revenue Committee and the Body of Appeal commissioners together constitute the organs of tax administration in Nigeria.

1.1.3.1 The Federal Board of Inland Revenue: Oluba (2008) stated that the Federal Board of Inland Revenue through its operational arm, the Federal Inland Revenue Service, deals with corporate bodies as well as Personal Income Tax for certain categories of individuals Via: members of the Armed forces, the Nigeria Police, residents of the federal capital Territory Abuja, External Affairs officials and nonresident individuals. This is the body established by the federal government and it is vested with the power to administer the act and to carry out all acts which may be deemed necessary and expedient of the assessment and collection of tax and shall account for all amounts so collected in a manner to be prescribed by the Federal Ministry of Finance. The Board as certain reserved to powers which it shall not delegate to other person to perform e.g. power to acquire , hold and dispose of property of any company in satisfaction of tax or any judgment debt, power to satisfy forms of return , claims and notice. All taxes collected by the Federal Inland Revenue Service go to the federal government.

The State Board of Internal Revenue: Oluba (2008) posited that the State Board of Internal Revenue through its operational arm, the State Internal Revenue Service collects taxes from individuals and partnerships resident in the states. Taxes collected go to the state government. The Local Government Revenue Committee collects specified rates, levies and fees from individual and businesses located in the local government area.

The Joint Tax Board: Since each state has its Internal Revenue Board to oversee Personal tax administration and collection, a central body is desirable to resolve conflicts which may arise between states as to residence of individuals and therefore income tax claims. This responsibility is on a body called The Joint Tax Board (JTB). This is the body created under the section 27(1) Income Tax Management Act 1961 as amended. Its primary function under Personal Income Tax Decree PITD (1993) is to coordinate and promote unity in the application of tax laws at the federal and state level. The Joint Tax Board (JTB) is headed by the executive chairman of Federal Board of Inland Revenue who also acts as the chairman of the board. All the state of federation must nominate a member via the commissioner responsible for income tax of the state. Usually, the chairmen of the State Inland Board of Revenue represent their respective states. The secretary to the board who should not be a member to the board is to be nominated by the Federal Public Service Commission. He must be an experienced senior officer in income tax matters. Another member who should always be in attendance in JTB meeting is the adviser for the board. However, the JTB is, thus the apex unifying body for all tax authority in Nigeria. Specifically, the problems common to and disputes arising among tax authorities are dealt with by this board which has been established, among other things, to act as the adjudicating body.

VALUE ADDED TAX

An important landmark in tax reform in Nigeria was the adoption of the value-added tax (VAT) in January through the VAT Act No. 102 of 1993 but its implementation actually began in January 1994. Ajakaiye (1999) avers that since its introduction, 15 of the 42 sections of the Act have been amended. Replacing sales tax, VAT was originally imposed on 17 categories of goods and 24 service categories. Such 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 people's banks, however, were VAT-free. Value added tax (VAT) has become a major source of revenue in many developing countries. In sub-Saharan Africa, for example, VAT has been introduced in Benin, d'Ivoire, Guinea, Kenya, Madagascar, Mauritius, Niger, Senegal,
Togo and lately, Nigeria (Landau, 1983). Evidence suggests that in these countries, VAT has become an important contributor to total government tax revenues. Riahi-Belkaoui (1999) finds that VAT accounted for about 30% of total tax revenues in d'Ivoire, Kenya and Senegal in 1982. The oil producing countries are not excluded from the list of countries introducing this tax handle. Schnepper (1996) shows that VAT has been in effect in Ecuador and Mexico since at least 1973 and by 1983 accounted for 12.35% and 19.71% of total government revenues in these countries, respectively. The introduction of VAT requires a lot of preparation because of the complexity in the implementation of VAT which require the cooperation of the tax-payers. In January, 1994 when the implementation of the tax began there were no adequate machinery, public enlightenment and consumer education (Bargo, 1993). The problems created by inadequate preparation and lack of understanding of the workings of VAT coupled with administrative bottleneck. Although prices of VAT able goods are expected to rise, businesses are taking advantage of the existence of VAT to increase prices of goods and services arbitrarily. The excessive price increase has further led to higher inflation in Nigeria. The VAT rate in Nigeria at 5% is considered too low because of high cost of administration. At 5%, the cost as a proportion of revenue will be very high. Data on cost of introducing and administering VAT are not yet available but it is expected to be significant. It is believed that for most countries, a VAT is probably not worth introducing at less than 10% (Salami, 1993).Specifically, the traditional incidence studies tend to concentrate on the issue of who pays the tax, so that the question of who gains or losses from the tax, whose income and welfare are reduced or increased, and whose employment opportunity is threatened or promoted are not sufficiently considered (Ajakaiye, 1999). For efficient administration of VAT, businesses must keep proper source documents and books of accounts. Unfortunately, it is the very problem with most enterprises in Nigeria (Odusola, 2006). The invoicing of all sales, the need to compel businesses to keep records of transactions and encourage consumers to demand receipts for every purchase have become mandatory.

TYPES OF TAXATION

Proportional tax:

Proportional tax which is sometimes referred to as a flat tax is a tax where everyone, regardless of income, pays the same fraction of income in taxes. Whether their income is low or high they all pay the same amount of tax. Proportional tax is where marginal and average tax rates are the same.

Progressive tax:

Progressive tax is a tax where lower-income earners pay a lower fraction of their income than higher-income earners. Those that earn more in pay more than those than earn less.

Progressive tax is where the marginal tax rate is higher than the average tax rate. United Kingdom, United States of America

Regressive tax:
Regressive tax is a tax where lower-income earners pay a higher fraction of their income in taxes than higher-income earners. Those that earn little pay more than those that earn a lot with this kind of tax. Regressive taxes are where the marginal tax rate is less than the average tax rate. E.g. Nigeria and most African countries.

TAX EVASION AND AVOIDANCE
Tax evasion is a deliberate Act on the part of the taxpayer not to pay tax due. This is considered as a criminal offence on the part of the taxpayer. The relevant tax authority may take such steps as it deems fit to recover any such tax and the taxpayer penalized if found guilty. Tax evasion can be partial or total and its degree varies from company to company (Lamb, 2005). There is partial evasion when a company under declares its profits for tax purposes and total evasion of income tax occurs when a company which is already qualified to pay tax refuses to get its name registered in the tax roll. From the above mentioned, evasion of income tax is a serious problem in Nigeria, more so as there is a big gap between actual and potential tax collections by the various levels of government. The criminal act in
Nigeria is perpetrated through these medium: total ignorance of the law, lack of faith in the ability of the government to use the money well, high tax rate which makes evasion more attractive and economical, absence of visible benefits accruing to the tax payers, outright unwillingness to contribute towards the development of the society, and the ridiculous low penalties prescribed in the laws for late payment of tax.
Tax evasion is the illegal evasion of taxes by individuals, corporations and trusts. Tax evasion often entails taxpayers deliberately misrepresenting the true state of their affairs to the tax authorities to reduce their tax liability and includes dishonest tax reporting, such as declaring less income, profits or gains than the amount actually earned, or overstating deductions. Tax evasion is an activity commonly associated with the informal economy such as Nigeria. This is considered as a criminal offence on the part of the taxpayer. The relevant tax authority may take such steps as it deems fit to recover any such tax and the taxpayer penalized if found guilty. Tax evasion can be partial or total and its degree varies from person to person. It is partial evasion when a taxpayer under declares his/her earnings for the purpose of tax, while total evasion occurs when a taxable individual refuses to pay tax. One measure of the extent of tax evasion (the “tax gap”) is the amount of unreported income, which is the difference between the budgeted and the actual income as reported by the tax authorities. According to Fasoto (2007) tax evasion is a global phenomenon and it is difficult if not impossible to tax authorities to entirely eliminate it. Both tax evasion and avoidance can be viewed as forms of tax noncompliance, as they describe a range of activities that intend to subvert a state’s tax system, although, such classification of tax avoidance is not indisputable, given that avoidance is lawful within self-creating systems. According to Fasoto (2007) the following are some of the reasons why people evade tax: Total ignorance of the law; Lack of faith in the ability of the government to use the money well; High rate of tax; Absence of visible benefits accruing to the tax payers; Outright unwillingness to contribute towards the development of the society, and Low penalties prescribed in the law for late payment of tax.
Tax Avoidance is generally considered as a way of identifying the loophole in the tax laws and then taking advantage of such a loophole to reduce the tax payable (Ojo, 2003). For

instance, a taxpayer may invest in qualifying capital expenditures that will ordinarily not invest in because of the advantage there from. Because of this, tax avoidance is not considered as an offence. A tax avoidance practices benefit the tax prayers at the expense of the state. The major loophole in the tax law is the area where companies exploit capital allowances on their qualified capital expenditure. Capital allowance would be claimed on qualifying capital expenditures in use for the purpose of a trade or business. Capital allowance is claimed in replacement for depreciation charge, which is treated as an inadmissible expense for tax purpose. The tax benefits help them to have retained funds in the system to grow their businesses. Tax avoidance is legal. According to Sani (2005), tax avoider is simply one who agrees to his duties in such a way that he pays little or no tax. Tax avoidance arises in a situation where the taxpayer arranges his financial affairs in a way that would make him pay the least possible amount of tax without infringing the legal rules. In short it is a term used to denote those various devices which have been adopted with the aim of saving tax and thus sheltering the taxpayers' income from greater liability which would have been otherwise incurred (Kiabel, 2001). It is a lawful trick or manipulation to evade the payment of tax. No man in this country is under the smallest obligation moral or otherwise so to arrange his legal relations to his business or to his property as to enable the Inland Revenue to put the largest possible shovel into his stores. The Inland Revenue is not slow and quite rightly to take every advantage, which is open to it under the taxing statutes for the purpose of depleting the taxpayer's pocket And the taxpayer is in like manner entitled to be astute to prevent so far as he honestly can the depletion of his means by the Revenue. Thus, it is clear that tax avoidance is legal or at least not illegal since one is mostly probably using the tax laws to limit his tax liability under the same laws. Examples of tax avoidance include seeking professional advice; reducing one's income by submitting claims for expenses in earning the income; increasing the number of one's children (in Nigeria the maximum allowable is four); taking additional life assurance policies. Tax avoidance is thus considered to be a matter of being sensible. While the law regards tax avoidance as a legitimate game tax evasion is seen as immoral and illegal. Tax evasion is an outright dishonest action whereby the taxpayer endeavors to reduce his tax liability through the use of illegal means. According to Laffer (2009), tax evasion is the fraudulent, dishonest, intentional distortion or concealment of facts and figures with the intention of avoiding the payment of or reducing the amount of tax otherwise payable. Tax evasion is accomplished by deliberate act of omission or commission which in them constitutes criminal acts under the tax laws. These acts of omission or commission might include failure to pay tax e.g. withholding tax; failure to submit returns; omission or misstatement of items from returns; darning relief (in Personal Income Tax), for example, of children that do not exist; understating income; documenting fictitious transactions; overstating expenses; and failure to answer queries. The most common form of tax evasion in Nigeria is through failure to render tax returns to the Relevant Tax Authority. A tax evader may be charged to court for criminal offences with the consequent fines, penalties and at times imprisonment being levied on him for evading tax (Faseun 2001). Tax evading has become the favorite crime of the Nigerian, so popular that it makes armed robbery seem like minority interest. It has become so widespread that there now exist a cash economy of vast proportions over which the taxman has no control and which is growing at several times the rate of the national economy. No doubt, tax evasion and avoidance had robbed the Nigerian government of substantial tax revenue.

THEORETICAL FRAMEWORK
FISCAL FEDERATION THEORY

This study adopted the fiscal federation theory as the basis for this work. The basic foundations for the initial theory of Fiscal Federalism were laid by Kenneth Arrow, Richard Musgrave and Paul Sadweh Samuelson's two important papers (1954, 1955) on the theory of public goods, Arrow's discourse (1970) on the roles of the public and private sectors and Musgrave's book (1959) on public finance provided the framework for what became accepted as the proper role of the state in the economy (Ola, 1988). Within is framework, three roles were identified for the government sector. These were the roles of government in correcting various forms of market failure, ensuring an equitable distribution of income and seeking to maintain stability in the macro-economy at full employment and stable prices. The theoretical framework in question was basically a Keynesian one which canvassed for an activist role of the state in economic affairs. Thus the government was expected to step in where the market mechanism failed due to various types of public goods characteristics. Economics teaches us that public goods will be underprovided if left to private market mechanisms since the private provider would under invest in their provision because the benefits accruable to her or him would be far lower than the total benefit to society. Governments and their officials were seen as the custodians of public interest who would seek to maximize social welfare based on their benevolence or the need to ensure electoral success in democracies. Once we allow for a multi-level government setting, this role of the state in maximizing social welfare then provides the basic ingredients for the theory of fiscal federalism. Each tier of government is then seen as seeking to maximize the social welfare of the citizens within its jurisdiction. This multi-layered quest becomes very important where public goods exist, the consumption of which is not national in character, but localized. In such circumstances, local outputs targeted at local demands by respective local jurisdictions clearly provide higher social welfare than central provision. This Decentralization Theorem" constitutes the basic foundation for what may be referred to as the first generation theory of fiscal decentralization (Ojo, 2000). The theory focused on situations where different levels of government provided efficient levels of outputs of public goods for those goods whose special patterns of benefits were encompassed by the geographical scope of their jurisdictions. Such situation came to be known as "perfect mapping" or "fiscal equivalence" (Soyode and Kajola, 2006).Nevertheless, it was also recognized that, given the multiplicity of local public goods with varying geographical patterns of consumption, there was hardly any level of government that could produce a perfect mapping for all public goods. Thus, it was recognized that there would be local public goods with inter-jurisdictional spill-overs. The local authority may then under-provide for such a good. To avoid this, the theory then resorts to traditional Pigouvian subsidies, requiring the central government to provide matching grants to the lower level government so that it can internalize the full benefits. Based on the following, the role of government in maximizing social welfare through public goods provision came to be assigned to the lower tiers of government. The other two roles of income distribution and stabilization were, however, regarded as suitable for the central government. To understand the rationale for the assignment of the redistribution function to the central government, we need to examine what the implications of assigning this responsibility to the lower tier would imply. Given that citizens are freely mobile across local or regional jurisdictions, a lower level jurisdiction that embarks on a programme of redistribution from the rich to the poor would be faced with the out-migration of the rich to non-redistributing jurisdictions and in-migration of the poor from such jurisdictions to the redistributing one. If on the other hand,

the powers to redistribute were vested in the central government, a redistribution policy would apply equally to citizens resident in all jurisdictions. There would therefore be no induced migration. The central government is expected to ensure equitable distribution of income, maintain macroeconomic stability and provide public goods that are national in character. Decentralized levels of government on the other hand are expected to concentrate on the provision of local public goods with the central government providing targeted grants in cases where there are jurisdictional spill-overs associated with local public goods.

MODERN CONSUMPTION THEORY

Modern consumption theory begins with Keynes (1936) analysis of the psychological foundation of consumption behavior in his *General Theory*. "The fundamental psychological law upon which we are entitled to depend with great confidence both a *priori* and from our knowledge of human nature and from the detailed facts of experience, is that men are disposed as a rule and on the average, to increase their consumption, as their income increases, but not by as much as the increase in their income. The main well-known features of Keynes' analysis are that the marginal propensity to Consume (MPC) falls with income, as does the average propensity to consume (APC).From a policy standpoint, this implies that redistributing income from high to low income households raises aggregate consumption since low-income households have a higher MPC.

In the publication of *The General Theory* Keynes' theory of aggregate consumption spending was quickly adopted, but it was soon confronted by an empirical puzzle. Using five year moving averages of consumption spending, Kuznets (1946) showed that long run time series consumption data for the U.S. economy are characterized by a constant aggregate APC, a finding that is inconsistent with Keynesian consumption theory. At the same time, short sample aggregate consumption time series estimates and cross-section individual household consumption regression estimates both confirm Keynes' theory of a diminishing APC.

In response to this empirical puzzle, Milton Friedman (1956) proposed his permanent income hypothesis (PIH) which maintains that households spend a fixed fraction of their permanent income on consumption. Permanent income is defined as the annuity value of lifetime income and wealth. The PIH gives rise to a consumption function of the form: (1) $Ct = cY^*$ where C = consumption spending, c = MPC, and Y^* = permanent income. According to PI theory the MPC is constant and equal to the APC, which is consistent with Kuznets' (1946) empirical findings. The MPC is also the same for all households. PI Theory reconciles the difference between cross-section regression estimates of consumption and long run aggregate time series regression estimates by appeal to an "errors-in-variables" argument.

The argument is that cross section estimates use actual household income rather than permanent household income. Owing to the fact that more households are situated in the middle of the income distribution, the observed distribution of actual household income (which equals permanent income plus transitory shocks) tends to be more spread out than permanent income. Consequently, regression estimates using actual income tend to find a flatter slope, and hence the finding that cross section consumption function estimates are flatter than time series aggregate per capita consumption function estimates. Friedman's PIH offered a simple explanation of the empirical consumption puzzle. At the theoretical level, its construct of permanent income introduced income expectations, thereby adding a sensible forward-looking dimension to consumption theory.

Finally, the theory had important implications for fiscal policy. First, since all households have the same MPC it undermined the Keynesian demand stimulus argument for progressive taxation. Second, it introduces a distinction between permanent and temporary tax cuts; with only the former having a significant impact on consumption since only permanent tax cuts significantly change permanent income. At the same time that Friedman was developing his PI theory of consumption, Modigliani and Brumberg (1955) were developing their lifecycle model. According to lifecycle theory individuals choose a lifetime pattern of consumption that maximizes their lifetime utility subject to their lifetime budget constraint.

The lifecycle approach makes a number of important contributions. First, it introduces utility maximization, thereby introducing agency into consumption theory. This treatment reconciled macroeconomic consumption theory with microeconomic choice theory. Second, lifecycle consumption theory is also forward looking since it includes lifetime income expectations in the lifetime budget constraint. Third, the constrained utility maximization framework introduces credit markets and borrowing and lending. Fourth, this also introduces the effects of interest rates and time preference on consumption. Fifth, lifecycle theory incorporates a sociological dimension, explicitly recognizing that consumption expenditures may vary by stage of life. At the empirical level this is confirmed by evidence that population age distribution affects aggregate consumption (Fair and Dominguez, 1991).

In many regards Modigliani and Brumbergh's lifecycle model can be viewed as a compromise between the theories of Keynes and Friedman. Thus, the lifecycle approach Generates permanent income consumption function if (I) the borrowing rate, lend in grate and rate of time preference all equal zero and (ii) there are no constraints on borrowing. Second, if households are liquidity-constrained (credit constrained), their MPC is unity. The reason is that credit constrained households would like to borrow to finance additional consumption but they cannot. Consequently, they view all additional income as relaxing this constraint and spend it. Since constrained households often tend to be low-income households who have a higher MPC, this lends a Keynesian quality to the lifecycle model. Third, like the PIH model, the lifecycle model predicts a smaller impact of tax cuts than the Keynesian consumption function since tax cuts are smoothed and spent over an individual's entire remaining lifespan. However, this impact of tax cuts can be large for liquidity constrained households whose MPC is unity.

EMPIRICAL REVIEW OF RELATED STUDIES

James and Moses (2012) on the study of the impact of tax administration on government revenue in a development economy with a case study of Nigeria economy, applied descriptive statistics method to analyze 93 usable responses, the study found out among other things that increasing tax revenue is a function of effective enforcement strategy. Their search study further recommended that the government should review and restructure the nation's tax policy and administrative system Desai, Foley and Hines (2004) stated that governments have at their disposal many tax instruments that can be used singly or in concert to finance their activities. These tax alternatives include personal and corporate income taxes, sales taxes, value added taxes, capital gain taxes and numerous others. It is not uncommon for a country to impose all of these taxes simultaneously. In choosing what tax instruments to use and what rates to impose, governments are typically influenced by their expectations of the effects of taxation on investment and economic activity, including Foreign Direct Investment (FDI) they stated that there is extensive empirical study that high corporate income tax rates are associated with low levels of FDI. Sani (2005), the

Executive Governor of Zamfara State stated that tax system as a whole is an embodiment of contention and controversy whether in its policy and formulation, legislation or administration. Similarly, the objectives of the tax system are multidimensional in nature which includes revenue generation, resources allocation, fiscal tool for stimulating economic growth and development, social function, like redressing the rural urban population drift as well as making everybody to be a responsible citizen in the society. However, the potency of the tax system will depend greatly on the tax measures and policies adopted. Sani (2005) opined at prompting ambition, rewarding success, encouraging private savings and investments needed to create new jobs and kindling in the people that spirit of enterprise. The regulation of Nigerian economy should also be the basic function of the tax system. Taxes should in the main be aimed at creating the proper atmosphere for economic growth. Sani concluded that tax concessions must be given and framed so as to ensure the companies actually carry out the underlying intention of increased economic development if the tax authority is to avoid the criticism that tax concessions only offer tax loopholes through which the agile tax prayer can maneuver. Nigeria is richly blessed with oil and gas among other mineral resources, but the over dependence on oil revenue for the economic development of the country has left much to be deserved. It was the view of Popoola (2009) that Nigerian tax administration and practice be structured towards economic goal achievement since government budget for the year centers on the oil sector. While decrying the low productivity of the Nigerian tax system, deficiencies in the tax administration and collection system, complex legislations and apathy on the part of those outside the tax net" were identified as some of the root causes. Those working in the informal sector of Nigerian economy do not see the need to pay tax whereas they dominate the economy. To them only, civil servants should pay tax on their earnings and this amount to over flogging the willing horse. Besides, the activities of the strong union in the formal sector do not even pave way for a successful tax policy implementation in the formal sector (Ayodele 2006). Even revenue collection officers seem to be lenient or even connive with those in the informal sector during enforcement of tax policies. All this leads to revenue loss. In other to reawaken the consciousness of Nigerian government and citizens on the effective use of taxation as a developmental tool, and examine the effect the tax system have so far on the economy; this research work becomes very relevant. Tax avoidance is the legal utilization of the tax regime to one's own advantage, to reduce the amount of tax that is payable by means that are within the law. By contrast, tax evasion is the general term for efforts not to pay taxes by illegal means (Mohammed and Mohammed, 2012). It is also perceived that both tax avoidance and tax evasion are linked with shadow economy ,shadow economy is that economy in which people do not show their real income and taxable income that they have earned through legal activities including batter and monitory activities in order to avoid paying tax. According to Muhammed and Muhammed (2012), government has protested against these two above mentioned evils for number of times but corporations and all other persons whose income is taxable, they make use of tax avoidance strategies to get away or curtail the taxes or they willfully employ fake techniques with the support of tax officials to evade the total tax.

On the other hand in Francias and Pierre work on household consumption they said that the Micro-economic theory essentially considers the household as the basic decision unit. The usual tools of consumer theory are applied at the household level; in particular, the latter is described by a single utility function which is maximized under a budget constraint. This traditional framework, however, has recently been challenged by several authors, who have developed so-called 'collective' approaches to household behavior. The various

contributions that follow the collective line share a fundamental option, namely that a household should be described as a group of individuals, each of whom is characterized by particular preferences, and among whom a collective decision process takes place. The first goal of this paper is to discuss some basic methodological issues involved in the collective approaches. A second goal is to review a particular class of collective models, based upon a Pareto efficiency hypothesis, that have recently been developed. Francois Bourguignon and Pierre-And&Chiappori (1992).

Mannheim also in his study said that although there is a long history of research on patterns of household expenditures and their changes across time, which goes back to the 19thcentury and the famous work by Ernst Engel and others, research questions have attracted surprisingly little attention in recent years. Those studies available are usually focusing on single countries and are addressing levels and structures of consumption and respective trends of change e.g. Blow, Oldfield (2004); van Deelen, Schettkat (2004), Herpin, Verger (2000); Gardes, Starzec (2004); Kutsar, Trumm (2006). Another strand of research addresses questions of how consumption patterns are being determined by household income, household composition and other household's characteristics (e.g. Deaton et al. 1989; Langlois 2003; Noll 2005; Weick 2006) as well as related methodological issues (Blowet2004). A new and innovative aspect of research on expenditure patterns concerns the allocation of expenditures within the household. This question on 'who buysand gets what' has been addressed in a recent Danish study (Bonke/Browning 2006), reporting on data that were collected as a supplement to the Danish Expenditure Survey. International comparative studies on household expenditure patterns are quite rare, although Houthakker (1957) has addressed this issue as early as in the 1950s. As it seems, more analytical comparative research has been done as part of very few projects only.

Overall, the potential of analysis provided by the HBS micro-data-files, which are available for many countries, as well as modern techniques enough data analysis doesn't seem to have been fully utilized, neither at national nor at international comparative level. (Mannheim 2007)

3.0 RESEARCH METHODOLOGY

This study will use the econometrics modus operandi in examining the data. A model will be quantified to arrest the relevant variables for investigating taxation and its influence on household consumption: the Nigerian experience from 1994 – 2014. The research is quantitative in nature; the multiple regression analysis will be used to arrive at the objective result via the E-View software.

Quantitative time series data will be employed in this research work. Data for this study include company income tax; value added tax, inflation, and Household consumption expenditure. Secondary sources of data will be used in this study. The data for this research work will be obtained from the various issues of Annual Reports of Central Bank of Nigeria and National Bureau of Statistics Publications.

MODEL SPECIFICATION

This research attempts a quantitative measure between taxation and household consumption in Nigeria. Thus, we specify a model of an assumed functional relationship between taxation indicators at one end, and the household consumption in Nigeria on the other end. This is to enable us examine taxation and its influence on household consumption. To achieve this, we consider these indicators. The linear relationship

between the dependent and independent variables in this study is functionally expressed thus:
Dependent Variable: Household consumption
Independent Variable: Taxation
$Y_1 = f(X_1, X2, X3)$ ………………………………. Functional relationship
$Y_1 = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$ ………............ Linear relationship
Y_1= Private Household Consumption
X_1= Company Income Tax
X_2= Value Added Tax X_3 = Inflation α= Constant (Intercept); the average value of the explained variable when the explaining variables are set to zero β_{1-3}= Slope of the linear equation; these are the model parameters being the partial slope coefficient of the explanatory variables of the model. They measure the change in the explained variable resulting from a unit change in the respective explanatory variables ε = Error term; stochastic term, it measures the effect of other variables likely to affect the target variable not included in the model

MODEL ESTIMATION TECHNIQUES

A linear multiple regression analysis model is used. The model is estimated using ordinary least square (OLS) technique. The rationale for OLS techniques is based on its best linear. The OLS has been used on economic relationships which has given satisfactory result in the past. The specified model will be analyzed using computer software Econometric Views (EViews). This technique will show the relationship that exists between taxation and the household consumption in Nigeria between 1989 and 2014.

RESULTS AND DISCUSSION

This section is devoted to empirical statistical analysis and test of research hypothesis. In testing the hypothesis, a model showing functional relationship between taxation and household consumption is specified. The postulated model is based on the assumption that taxation exerts a relationship and significant impact on household consumption in Nigeria for the stated time frame. Thus, a functional relationship between private consumption expenditure and company income tax, value added tax and inflation rate is hypothesized. In the postulated model, private consumption expenditure serves as the explained variables, and the company income tax, value added tax and inflation rate are used as the explanatory variable. The functional relationship of the model is therefore specified as follows:
Dependent Variable: Household consumption
Independent Variable: Taxation
$Y = f(X_1, X2, X3)$ ………………………………. Functional relationship
$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$ ………............ Linear relationship
Y= Private Consumption Expenditure
X_1= Company Income Tax
X_2= Value Added Tax X_3 =
Inflation
α= Constant (Intercept); the average value of the explained variable when the explaining variables are set to zero
β_{1-3}= Slope of the linear equation ; these are the model parameters being the partial slope coefficient of the explanatory variables of the model. They measure the change in the explained variable resulting from a unit change in the respective explanatory variables ε = Error term; stochastic term, it measure the effect of other variables likely to affect the target variable not included in the model.

RESULT OF REGRESSION ANALYSIS MODEL

Dependent Variable: PCE	**Column1**	**Column2**		**3**
Method: Least Squares				
Sample: 1994 2014				
Included observations: 21				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
INF	-92699.41	83137.48	-1.11501	0.2804
CIT	6.015058	9.150317	0.657361	0.5198
VAT	10.4761	19.04983	0.549931	0.5895
C	6969637	2487529	2.801832	0.0123
R-squared	0.505372	Mean dependent var		9143840
Adjusted R-squared	0.418084	S.D. dependent var		7680367
S.E. of regression	5858845	Akaike info criterion		34.17445
Sum squared resid	5.84E+14	Schwarz criterion		34.3734
Log likelihood	-354.8317	Hannan-Quinn criteria		34.21763
F-statistic	5.789747	Durbin-Watson stat		1.866988
Prob(F-statistic)	0.006452			

Source: Arthurs Computation of Regression Output

ANALYSIS OF RESULTS AND DISCUSSIONS

The estimated model of the hypothesized functional relationship between the independent and dependent variables is:

PCE = 6969637.0 -92699.41INF + 6.015058CIT + 10.47610VAT + e

The intercept of our regression result portraits a positive sign which can be deduced that the economy will be having a positive value of ₦6969637.0m as the private consumption expenditure, if there is no company income tax, value added tax and inflation rate. From the result, it will be asserted that as inflation rate increases by 1%, it will lead to a decrease of ₦92699.4m in the private consumption expenditure this shows that the higher the inflation rate the lower the household consumption will be this is due to the decrease in the purchasing power of money which occurs when there is inflation in an economy.

Moreover, as the company income tax and value added tax increases by ₦1 each, it brings about an increase of ₦6.015058m and ₦10.476106m in private consumption expenditure respectively. An increase in tax allows for more revenue to be generated by the government. The government is then able to provide more social amenities and infrastructure e.g. water, electricity, good roads, machinery etc which will help the production processes of the company's. This aid will also lower the cost of production, which will then allow companies to lower the prices of their goods and services. This results to household consumption increase, as individuals are able to consume more.

Using Individual statistical significance
Testing at 5% level of significant and 18 degree of freedom i.e. $t_{31\ 0.05}$
Decision rule
With the respect to the respective explanatory variables, if:
$T_{cal} > T_{tab}$, it is statistically significant, thus, H_1 should be accepted, and H_0 should be rejected
$T_{cal} < T_{tab}$, it is statistically not significant, thus, H_1 should be rejected and H_0 should be accepted.
The evaluation of the t-stats is show in the table below:

Coefficient	$/t_{cal}/$	< or >	T18 0.05
INF	1.115013	<	1.734
CIT	0.657361	<	1.734
VAT	0.549931	<	1.734

Sources: regression output and T distribution table.

Decision rule
From the above, based on the data used, it is clearly shown that company income tax, value added tax and inflation rate individually do not exert a statistical significant impact on private consumption expenditure in Nigeria.

Joint statistical significant of the model parameters
The F-stats will be used to determine the overall statistical significant of the influence of taxation on household consumption in Nigeria within the stipulated time frame. This will be carried out at 5% level of significant.

Decision rule
If $F_{cal} > F_{(k-1)\ (n-k)}$ DF, parameters are significant jointly, therefore, we accept H_1, and reject H_0. On the other hand, if $F_{cal} < F_{(k-1)\ (n-k)}$ Degree of freedom (DF), parameters are jointly statistically insignificant, on this ground, we accept H_0 and reject our H_1.
F (k-1) (n-k): where k= 3, n=21
K-1= 2, n-k =18
Therefore, $F_{2,\ 18}$

Decision

Since our $F_{cal} > F_{2, 18}$ (5.789747> 3.56), this result reveals that company income tax, value added tax and inflation rate have joint statistical significance on the private consumption expenditure in Nigeria.

The model explanatory power

The coefficient of multiple determination (R^2 = 0.505) implies that the model exhibited moderate explanatory power, and is a good fit. That is, within the context of the model, about 50.5% of total variations in the private consumption expenditure in Nigeria are attributed to company income tax, value added tax and inflation rate, and only 49.5% unexplained variations can be attributed to other factors outside our model. Based on the above explanatory variables and the slope coefficient, we therefore conclude that there is a significant relationship between taxation and household consumption in Nigeria. With these, we accept the alternate hypothesis (H_1), and reject the null hypothesis (H_0).

5.0 SUMMARY, CONCLUSION AND RECCOMMENDATION

5.1 SUMMARY OF FINDINGS

Findings revealed in this study are acknowledged below;

- The study stated that as inflation rate increases by 1%, it will lead to a decrease of ₦92699.4m in the private consumption expenditure; moreover, as the company income tax and value added tax increases by ₦1 each, they bring about an increase of ₦6.015058m and ₦10.476106m in private consumption expenditure respectively.
- This study asserted that 50.5% of total variations in the private consumption expenditure in Nigeria are attributed to company income tax; value added tax and inflation rate.
- This study revealed that company income tax, value added tax and inflation rate individually do not exert a statistical significant impact on private consumption expenditure in Nigeria.

5.2 CONCLUSION

This study examines taxation and its influence on household consumption; the Nigerian experience. In this study, effort has been made to analyze taxation as a tool for household consumption in Nigeria for structural and economic developments. Company income tax as a means of generating revenue for the government is just gaining ground and stability in the economy. Household consumption for economic development is very important if Nigeria must rank among equals in the improvement of the lives of her citizens. In this modern day, the speedy technological development will in no distance time render obsolete the use of such mineral resources like oil and gas and possibly replace same with solar energy which is more environmental friendly. Therefore, to build and maintain the culture of household consumption, there is urgent need for a review and restructure of the nation's tax policy and administrative system. Increase tax revenue is a function of effective enforcement strategy which is the pure responsibility of tax administrators. Nigeria lacks the enforcement machineries which include among other things, adequate manpower, computers and effective postal and communication system. Inflation seem to have a lesser lagged impact on private consumption expenditure in Nigeria, but private consumption expenditure seems to response to contemporaneous behavior in inflation in both the short and long run than other variables. The implication is that, there will be the reduction in

private consumption expenditure of the households; this would increase the number of people living below the poverty line or on the poverty line by the same proportion as the reduction in expenditure. This study concluded that company income tax, value added tax and inflation rate have joint statistical significant on the private consumption expenditure in Nigeria.

5.3 RECOMMENDATION

- In order for household consumption in Nigeria to improve and increase, taxation must be at its maximum level
- Notice of tax returns at the beginning of very financial year should be supported with and bills and poster written in local languages such as Yoruba, Hausa, Igbo and others to also enable illiterates remained to civil responsibilities
- Use of tax consultants yield positive result but their activities should be monitored, commissions on collections should be paid promptly as well
- There should be continuous tax education right from early education as well as in religious gatherings in the country.
- There should be intensified effort to reduce the effects of false financial reporting on revenue generation of the country
- A good characteristic of an ideal tax system would be an emphasis on collecting small sums frequently rather than large sums infrequently from the tax-payers and heavy expenditure on collection. Tax payment should therefore meet convenience of the taxpayers.
- Government should set up its own revenue courts. The Federal Government has set that ball rolling by setting up a federal revenue court to look into cases to tax avoidance and evasion.
- Government is required to be sensitive to the variables in the tax environment and other macro-environmental factors so as to enable the manufacturing sector cope with the ever-changing dynamics of the manufacturing environment.
- The study principally recommends that government fiscal policy should place greater emphasis on the principles of effective taxation, aimed at promoting industrial growth and attraction of foreign direct investment in Nigeria.
- The Nigerian Federal government needs to increase investment in inventories, state and local spending, increase productivity, diversify the economy and industrialize the country to have various consumer goods and services. This of course will boost consumption expenditure, reduce unemployment, increase the labor force, increase export and reduce import as large amount of consumption and investment spending are spent on imported goods.
- There is an urgent need for governments to clearly state the basic objectives of its tax system and the relationship between these objectives. This will assist to give the tax administrators a sense of direction and make the tax payer see clearly the reasons he/she should pay his/her tax as at when due.
- The tax collection mechanism used by tax officials must be free from corruption and embezzlement. If this is not done the revenue collected many not reach the desired point.

- Judicious use of tax payers' money should be made and be seen to have been properly utilized. This will encourage tax payers to continue to pay taxes. The money gotten from tax should be used to create employment, good roads, electricity etc.

REFERENCES

Aguolu, O. (2009). VAT in Nigeria – Theory and Practice. *International VAT Monitor*, 20(4): 296-301

Ajakaiye, D.O. (1999). Macroeconomic effects of VAT in Nigeria: A computable general equilibrium analysis. *African Economic Research Consortium, Nairobi (AERC) Research Paper* 92, March

Ajayi, O. D. (2011). The collapse of Nigeria's manufacturing sector. *The Voice News Magazine*. Retrieved from http://www.the voicenewsmagazine.com

Ariyo, A. (1997). Productivity of the Nigerian Tax System: 1970 – 1990. *African Economic Research Consortium (AERC) Research Paper 67,* Nairobi Kenya.

Asada, D. (2005). The administration of personal income tax in Nigeria: Some problem areas. *Working paper, University of Jos, Nigeria*

Ayodele, O. (2006). Tax Policy Reform in Nigeria. *World Institute for Developmental Economic Research (WIDER) Research Paper*, Vol. 2006/03. Finland, UNU WIDER.

Bargo, N. (1993).Value Added Tax Accounting and Inspection.*FIRS Enlightenment Workshop Paper*, Kaduna

Bariyima, O.K and Gladson, N.N (2007). Booting Revenue Generate by State Government in Nigeria. The Tax Consultants Option Revisable.*European Journal and Social Sciences, Volume 8, Number 4.*

Bourguignon, Francois, and Pierre-Andre Chiappori (*1992)."Collective models of household behavior: An introduction." European Economic Review 36.2 (): 355-364.*

Chartered Institute of Taxation of Nigeria CITN (2002), *Nigeria Tax Guide and Statutes*. CITN Publication

Chen, Shaohua, and Martin Ravallion(2009). "How have the worlds poorest fared since the early 1980s?"

Dessai, M.A, Foley, C.F, and Hines, J.R (2004) Foreign Direct Investment in a World of Multiple Taxes. *Journal of Public Economics 8827-27-2744*.

Dickson, D. A. (2010).The recent trends and patterns in Nigeria's industrial development. *Council for the Development of Social Science Research in Africa.*

Fasoto, F. (2007).*Nigerian Taxation* Lagos. Hostosaf Ltd.

Festus, F. A. and Samuel, A. F. (2011). Personal income tax and Nigerian Economic Development. *International Journal of Research in Computer Application and Management,* Vol 2, No 2

Institute of Chartered Accountants of Nigeria ICAN (2006), *Tax Management and Fiscal Policy in Nigeria* 1st edition pp 46-50

James, A. and Moses, A. (2012). Impact of Tax Administration on Government Revenue in A

James, S. and Nobes, C. (2008). *The Economics of Taxation,* 8th edition, Birmingham. Fiscal Publications.

Kiabel, D. B. and Nwokah, G. N. (2009). Boosting Revenue Generation by State Governments in Nigeria: The Tax Consultant Option Revisited. *European journal of sciences, vol*. 8, no 4

Koutsoyiannis, R. (2001). *Theory of econometrics***.** Second edition.Bassirysolie Hampshire New York

Laffer, A. (2009). Taxes, Depression, and Our Current Troubles. *Wall Street Journal*, 22nd Sept. Eastern Edition.

Lamb, M. (2005). *Taxation: an Interdisciplinary Approach to Research*, New York, Oxford publication

Odusola, A. (2006). Tax Policy Reforms in Nigeria. *The World Institute for Development Economics Research (WIDER)*

Ojo, S. A. (2000).*Principles of Nigerian tax*. Ilorin: Sagribra Publishing House;

Okafor, R.G. (2008). An Analysis of the Preference of Organizational Forms for Small Scale Investors in Nigeria: Issue of Income Tax Consideration. *Journal of Association of National Accountants of Nigeria* 16(1) March: 6-17

Okonjo-Iweala, N. (2012).Diversification of Nigeria economy. Sunday Punch, series analysis. International Journal of Economics and Empirical Research

Ola, C.S., (1988). Boosting Revenue Generation by State Governments in Nigeria. *Strategies for enhanced tax revenue in Nigeria*, 8(4).

Ologhodo, C. J. (2007).*Taxation Principles and Practice in Nigeria. (A Practical Approach).*Jos. University Press Ltd.

Oluba, M. N. (2008). Justifying Resistance of Tax Payment in Nigeria. *Economic Reflection* volume B No. 3 April 2008

Osunkoya, D. (2009). Nigeria Tax system needs autonomy. *Next*, 19th Dec.

Popoola, N. (2009). A Good Tax System will Enhance Economic Development". *Punch*, 31st Jan.

Presidential Committee on National Tax Policy (2008) "Draft Document on the National Tax Policy"

Rasheed, O. A. (2010). Productivity in the Nigerian Manufacturing Sub-Sector. *European Journal of Economics, Finance and Administrative Sciences*

Riahi-Belkaoui, A. (1999).*Value Added Reporting and Research: State of the Art.* Quorum Books, Britain

Sagosanya, A. O. (2011). Firms Growth Dynamics in Nigeria's Manufacturing Industry: A panel Analysis. *Journal of Applied Econometric Review,* 1(1): 2-15

Samuel, O. C. (2010). *Tax Planning and Economic Development. International Research Journal on Economies*

Sani, T. A. (2005).Contentious Issues in Tax Administration and Policy in Nigeria;

Sanni, A.U. (2007). Tax Reform in the Capital Market": A Welcome Development. Seminar Paper Ogun State Internal Revenue Service Seminar

Schnepper, J.A. (1996).Considering the Value Added Tax Alternative.*USA Today* (Society for the Advancement of Education), Vol. 125, September

Soyode, L. and Kajola, S. O. (2006). *Taxation principles and practice in Nigeria*. (1st edu).Ibadan: Silon Publishing Company, 6-12, 62.

The World Bank Research Observer (2004).141-169.