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Effect of Tax Pro-Max Adoption on Federal Inland Revenue Service Tax Remittance in Nigeria

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Abstract

The study examined the effect of Tax Pro-Max adoption on Federal Inland Revenue Service (FIRS) tax Remittance in Nigeria. It was structured toward ascertaining if adoption of Tax pro-max measure by online taxes payment and filling and returns has effect on FIRS tax remittance. To achieve the above objectives, the ex –Post Facto research design was used. The study made use of secondary data collected from Federal Inland Revenue Services Annual Report and Account, 2021-2023. The data collected were presented and analyzed using descriptive statistic e-view. Based on the analysis, it was found that Adoption of Tax Pro-Max for online payment of taxes has significant effect on FIRS tax remittance that adoption of Tax-Pro-Max of no company filling and returns of taxes does not have significant effect on FIRS tax remittance. In the light of the above, the study recommended that there is need for the adoption of Tax Pro-Max which could enhance the revenue generation and tax remittance other than the former (manual tax collection) where most of the collected taxes are not remitted to the government.

Keywords: tax pro-max adoption, federal inland revenue service, tax remittance.

INTRODUCTION

Globally, taxes have been the key principal source of revenue used by governments to fulfill their spending and generate economic growth through the provision of appropriate and appealing infrastructure. The tax system allows the government to generate the additional income it requires to satisfy its critical responsibilities. A tax system is one of the most effective ways of mobilizing a country's internal resources and of fostering an atmosphere favourable to economic progress. A tax is a mandatory charge levied by the government on a person or their property in order to provide security, social comforts, and conditions for society's economic well-being (Maisiba & Atambo, 2016). Electronic revenue collection is becoming more popular in developing nations. According to Cobham (2010), the global electronic tax system was implemented roughly 30 years ago. It began in 1986 as a small computer test program in which just five Cincinnati, Raleigh Durham, and Phoenix taxpayers volunteered to participate. Since then, the electronic tax system has become a standard conduit, servicing diverse tax payers worldwide on an annual basis. Wasao (2014) describes electronic tax system is an online system or channel where taxpayers are able to have access or permit to the platform through the use of internet, in other to have access to all the services provided by the tax authority such as the registration for a tax identification number, electronic tax filing of tax returns, the Electronic taxation system that was introduced in Nigeria in the year 2013 by the Federal Inland Revenue service (FIRS). FIRS for instance is one of the financial and tax authorities in the world that conducts this Electronic tax payment system through the Business Process Improvement (BPI) and increases scope of electronic interface with various taxpayers so as to increase the efficiency and effectiveness of staff and services

The Federal Inland Revenue Service (FIRS) announced through its social media accounts on 2nd January, 2023, that taxpayers now have the convenience of obtaining their Tax Clearance Certificate (TCC) with a single click on the TaxPro Max platform, eliminating the two-week waiting period stipulated in the tax laws (Vincent et al., 2023). This is one of the most recent benefits offered to taxpayers since the introduction of the TaxPro Max platform in June 2021. While this development is promising and can be improved over time, its success can only be measured by the number of taxpayers who can effortlessly obtain their TCC through a single click, without encountering significant technical or bureaucratic challenges associated with the TaxPro Max platform. (Vincent et al., 2023)

The amendments of TaxPromax Act of 2020 were brought about in connection with the FGN's tax policy reforms, financial management and public revenue goals. The filing of capital gains tax (CGT) returns and the payment of CGT arising from the disposal of chargeable assets in a particular year is due on or before June 30 and December 31 of the same year. The logical interpretation is that CGT returns and payment of CGT, relating to disposals that occur before June 30, should be made by June 30, while CGT returns and payment of CGT relating to disposals that occur after June 30 should be made by December 31. In 2021, FIRS collected N6.405 trillion (N2.008trilion from oil and gas revenue), and (N4.396 trillion from non-oil and gas), against a target of N6.401 trillion (Mahammed Nami, 2021).This is a massive improvement over the N4.95 trillion the Service generated in 2020 before the introduction of the automated filling system.

So far, in the first quarter of 2022, the FIRS, has generated a sum of N532. 48 billion from Company Income Tax (CIT), an increase of 35.6 percent compared to Q1 2021 and N588.59 billion as value-added tax (VAT), representing an 18.6 percent increase compared to N496.39 billion generated in the corresponding quarter of 2021, while the total tax collected 10.1 trillion higher than tax revenue generated in 2021. In the second quarter of 2022, the FIRS collected a total of N10.1 trillion in both oil (N4.09 trillion) and non-oil (N5.96 trillion) revenues as against a target of N10.44 trillion. Companies Income Tax contributed N2.83 trillion; Value Added Tax N2.51 trillion; Electronic Money Transfer Levy N125.67 billion and Earmarked Taxes N353.69 billion. Non-oil taxes contributed 59% of the total collection in the year, while oil tax collection stood at 41% of the total collection. The Federal Inland Revenue Service (FIRS) also announced that it collected over N10 trillion in tax revenue in the year 2022, the highest tax collection ever recorded in its history. The revenue generated since the introduction of Taxpromax has continue to increase, this upward review is traceable TaxPro Max which has made tax filing easy and with more efficiency. (www.businessday.ng, 2023).

Despite this, there are still obstacles, if not much more than the country's improving tax collecting statistics. Other economists and financial professionals suggest that a rise in revenue may be due to causes other than an electronic system (Ezomike, 2016 cited in Obiora and Sunday, 2021). As a result, a research is required to investigate the impact of the deployment of Tax Pro-Max on tax remittance by FIRS in Nigeria. The Federal Inland income Service (FIRS) is a public sector entity that relies heavily on electronic technology to carry out its basic goal of collecting income on behalf of the Nigerian government. The introduction of Tax Pro-Max (online tax administration solution) is expected to result in a significant increase in tax revenue, which will lead to an increase in total revenue collected by the federal government, as seen in various countries around the world following the implementation of e-tax payment systems.

METHOD

The study adopts the Ex –post facto research design. In this study, the population of the study covered the 3 years of the adoption of tax promax. The research made use of the purposive sampling to randomly select 2021-2023 to represent the simple of the study. This companies were choose based on their activities and the availability of data. The study adopted the use of secondary data. Data for independent variables and dependent variable were collected from the Annual report and account of the Federal Inland Revenue Service. The data collected was analyzed using multiple regression analysis with the aid of descriptive statistic e-view was used to analyze the data collected. The model adopted for this study was a multiple linear regression model. The model is given as:

REV = (NTF, OLF)
Where: REV = FIRS Revenue; NTF = No tax filling; OLF = Online filling
Thus, REV = b1NTF + b2OLF + μ
Where: REV = FIRS Revenue; NTF = No tax filling; OLF = Online filling
b1-b2 =Unknown parameters
μ = Error terms

RESULT AND DISCUSSION

Table 1. Descriptive statistics

	REV	NTF	OLF
Mean	2.392693	5.540000	3.670000
Median	-2.614400	6.000000	4.000000
Maximum	9.503600	8.000000	5.000000
Minimum	-15.25390	4.000000	1.000000
Std. Dev.	2.314784	0.914750	0.910711
Skewness	0.039390	-0.715499	-0.592947
Kurtosis	18.25249	2.667934	2.906065
Jarque-Bera	969.3524	8.991754	5.896533
Probability	0.000000	0.011155	0.052431
Sum	-239.2693	554.0000	367.0000
Sum Sq. Dev.	530.4641	82.84000	82.11000
Observations	3	3	100

Source: E-view Output, 2023

The result reveals the mean value of revenue collection which stood as 2.392693 with (Beneish model) standard deviation of 2.314784. This shows that tax pro-max has generated more revenue compared to other online platform. The (NTF) mean of 5.540000, with maximum and minimum values of 8.000000 and 4.000000 with the standard deviation representing 0.914750 which implies that 5% the no tax filling reduce revenue generated in the last three years. The (OLF) mean represent 3.67000, maximum and minimum values of 5.000000 and 1.000000 with a standard deviation of 0.910; which implies that online filling and payment of taxes has contributed to improved revenue generated by the FIRS

Table 2. Inferential Analysis

Dependent Variable: REV

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NTF	-0.283053	0.184025	0.650141	0.5320
OLF	0.291674	0.328174	1.125139	0.0004
C	-0.619791	2.920253	-0.212239	0.8324

R-squared	0.618471	Mean dependent var	-2.392693
Adjusted R-squared	0.533738	S.D. dependent var	2.314784
S.E. of regression	2.353508	Akaike info criterion	4.607815
Sum squared resid	520.6659	Schwarz criterion	4.764126
Log likelihood	-224.3908	Hannan-Quinn criter.	4.671077
F-statistic	0.353793	Durbin-Watson stat	2.331166
Prob(F-statistic)	0.000235		

Source: E-view output, 2023

The regression result in table 2 shows estimated determinants of Tax pro max functions. The function has a negative intercept represented by the constant terms (c). This means that holding all independent variables constant. Return on Assets will be reduced by 0.619791 million naira. The result furthers shows that Log of No tax filling has negative relationship with Return on Assets. This result does not satisfy apriori criteria and is not statistically significant with 0.5320 values. The result shows that 1 per cent increase in No tax filling will lead to decreases in ROA by -0.2831.million naira, ceteris paribus. From the result in Table 2, it shows that online filling (OLF) is positive. That is there is a positive effect between OLF and ROA. This indicates that a 1 per cent increase in OLF will lead to an increase in ROA of 0.291674million naira ceteris paribus. The data analysis above revealed that, the independent variables combined significantly explained the variations in the dependent variable with an F-statistics value of 0.000235 at 5% significant level. The coefficient of determination value 0.618471implies that 61% of changes in the dependent variable are accounted for by the combined effect of variations in the independent variables. Also, the adjusted R- squared value of 0.533738 implies that the model used in testing the hypotheses for the study is a proper and good fit, with a confidence level of approximately 53% for acceptance of the goodness of the study model. Durbin- Watson statistics value 2.33 is approximately equal to the 2.0, which implies the non-existence of serial autocorrelation among the independent variables.

Discussion of Findings

The Adoption of Tax Pro-Max for online payment of taxes does not have significant effect on FIRS tax remittance. It was found using the co-efficient and p-value at 0.05 level of significance and the null hypothesis was rejected. This means that Adoption of Tax Pro-Max for online payment of taxes does not have significant effect on FIRS tax remittance. This finding is in line with the findings of Martíneza, et al. (2022) when they found out that Adoption of Tax Pro-Max for online payment of taxes has positive effect on FIRS remittance. The adoption of Tax-Pro-Max of no company filling and returns of taxes does not have significant effect on FIRS tax remittance. It was tested using the multiple regressions with the aids of descriptive statistics at 0.05 level of significance, and the null hypothesis was accepted. This implies that adoption of Tax-Pro-Max of no company filling and returns of taxes does not have significant effect on FIRS tax remittance. This finding is line with the finding of Oreku (2021) when he found a negative and insignificant relationship with digital tax filling and FIRS remittance. The findings revealed that Adoption of Tax Pro-Max for online payment of taxes does has significant effect on FIRS tax remittance. The study revealed that adoption of Tax-Pro-Max of no company filling and returns of taxes does not have significant effect on FIRS tax remittance.

CONCLUSION

This study investigated the effect of Tax Pro-Max adoption on Federal Inland Revenue Service (FIRS) tax Remittance in Nigeria. The study attempted to provide empirical evidence of the effects of the Tax Pro-max adoption (Online filling and No filling) on FIRS remittance. Findings from the study revealed that adoption of Tax Pro-Max for online payment of taxes has significant effect on FIRS tax remittance, that adoption of Tax-Pro-Max of no company filling and returns of taxes does not have significant effect on FIRS tax remittance. The study therefore concluded that Tax Pro-Max adoption has positive and negative effect on Federal Inland Revenue Service (FIRS) tax Remittance in Nigeria.

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