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Enhancing Internally Generated Revenue: Issues, Strategies, Foresight & Insights

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Abstract: *The increasing cost of running government coupled with dwindling oil-revenue has left various tiers governments in Nigeria - Federal, State and Local Governments with the need to evolve strategies to improve their revenue base. The bulk of most state's revenue today comes from allocations from the federation account and value added tax and just minimally augmented with internally generated revenue (IGR) from taxes. There is therefore urgent need for the state government to consider more alternatives for revenue generation through which they can enhance their internally generated revenue. This paper is set out to examine ways of enhancing internally generated revenue (IGR) in states. The sub-objectives are to: Examine the current level of revenue generation in the states; Identify challenges that have impeded sufficient internal revenue generation in the states, and; to advance strategies that will enhance internal revenue generation in the states. The paper is descriptive and used only secondary date. It adopted the fiscal federation theory as the theoretical framework. The findings are that: internally generated revenue constitutes just a small proportion of the state finance; the current system of revenue generation is fraught with problems; the revenue base of the states is uneven, so narrow and need to be diversified. To enhance internal revenue generation, strategies such as establishment of a dependable data base which is accessible is required, eliminating all sources of revenue leakages through the automation of revenue collection system, tracking the underground economy for more revenue generation, diversification of the revenue base through wealth creation among others are necessary panacea.*
Key words: *Internally generated revenue, Revenue generation, Enhancement, Strategies.*

INTRODUCTION

It is no longer news that Nigeria's "oil is depleting". Furthermore, the reduction in global oil prices and volume demanded has in recent times made diversification of the Nigerian economy from over-dependence on oil a mandatory policy issue. Unfortunately, Oil Revenue dependence has essentially "milked the cow dry". Thus, the increasing cost of running government coupled with this dwindling revenue has left various tiers governments in Nigeria-Federal, State and Local Governments with the need to evolve strategies to improve their revenue base. Since the last one year, the near collapse of the national economy has created serious financial stress for all tiers of government but worst affected are the states and local governments.

Despite the numerous sources of revenue available to the various tiers of government which were specified clearly in the 1999 Constitution of the Federal Republic of Nigeria, it is awesome to note that since the 1970s till date, over 80% of the annual revenue of the three tiers of government came from petroleum as against what was obtainable in the 1960s when agriculture, mining and other sources of revenue account for the lion share of the regions' and by extension the nation's annual revenue. The serious decline in the price of oil in recent years has consequently led to the decrease in the funds available for distribution to the states (Adesoji and Chike, 2013:419). Recent statistics show that "most state governments generate only 15% of their revenue and depend on federal allocation for further sustenance. Unfortunately, this is no longer sustainable" (Balogun, 2015:1). With the 2015 general elections over new state governors without being prodded, now have to focus on planned strategies for a miraculous turn-around from oil dependence to self sustainability. There is no doubt that a deliberate plan to stop leakages, wastages and corrupt practices in the system is imperative but this will only make sense where the inflow is certain. This therefore means that there is a greater need for the state governments to consider more alternatives for revenue generation through which they can enhance their internally generated revenue.

2. Statement of the Problem

A lot of development challenges confront Nigeria today. To have national development in our context, means that all components of the Nigerian federation will have equal or near equal opportunities and near even resources to grow and develop at their own place. It also means that all citizens of Nigeria should have opportunities to actualize their potentials and maximize their God given talents in a manner that constantly emphasizes and builds on the unity of Nigeria as bedrock. A steady flow of revenue that would enable Nigeria to lay the foundation for stability and relative self sufficiency would help the country's quest for national development (Olusola, 2011). The federal government cannot do it on its own. In the same vein, states cannot attain national development on their own. Neither can local governments. It is an end that requires collective effort and responsibility.

Nigeria's poverty index like the country's HDI rank (Elamah, 2015) compared poorly with the rest of the SANE and the BRIC economies. SANE economies are the four largest economies in Africa - South Africa, Algeria, Nigeria and Egypt. BRIC economics are those which according to the investment banking firm - Goldman Sachs - may become among the four most dominant economies by the year 2050 - Brazil, Russia, India and China. This shows that there is a lot of work to be done in Nigeria. The challenge pertaining to the sheer amount of revenue required to address the development challenges that confront Nigeria today is huge. In addition, even while recognizing that government alone cannot fund the development requirements alone, (private-public partnerships and financial institutional involvement will also be solely required), there is still much that Government can do in growing internally generated revenue.

The need for states and local governments to generate adequate revenue from internal sources has therefore became a matter of extreme urgency and importance. This need should engender zeal on the part of the state and local governments and even the federal government to look for new sources of revenue or to become aggressive and innovative in the mode of collecting revenue from existing sources. Since the importance of a non-oil revenue base is now being emphasized, the way forward is therefore diversification of the nation's economy though innovative strategies, that would boost the nation's economy. Internally generated revenue through taxation and other non-tax means are noted as top on the agenda to solve the problem. The federal, state and local governments' efforts towards reforming our internal revenue generation system is here put into perspective for enhanced performance. The puzzle therefore is: what should state governments do to enhance their internally generated revenue so as to be self sufficient enough not to rely more on the revenue from the depleted federation account? This is the task to be addressed in this paper.

This will be done by providing answers to the following questions:

i) Have states in Nigeria been substantially generating enough internal revenue to augment their federal allocations?
ii) What problems have militated against efficient internal revenue generation (capacity and techniques) in states?
iii) What innovative strategies should be put in place to enhance internal revenue generation in states?

3. Objectives

The broad objective of this paper is to examine ways of enhancing internally generated revenue (IGR) in states. The sub-objectives are, to:

i) Examine the current level of revenue generation in the states;
ii) Identify challenges that have impeded sufficient internal revenue generation in the states.
iii) Advance strategies that will enhance internal revenue generation in the states.

4. Methodology

This paper is descriptive and uses only secondary method of data collection. For secondary sources, the paper relied on relevant information from newspapers, textbooks, journals, government documents, internet and annual report of the internal revenue departments. From these documents, current information on issues of revenue and how to enthrone an enhanced revenue generation process in the state will be elicited. A critical analysis of the contents of these documents will be made so as to arrive at valid conclusions.

5. Brief Literature Review

5.1 Revenue

The term revenue has been defined by many scholars in different ways. Elamah, (2015) defined revenue as the fund required by the government to finance its activities generated from different sources such as taxes, fines, fees, borrowings, etc. It is also defined as the total amount of income that accrues to an organization (public or private) within a specified period of time (Balogun, 2015). Ayegba (2013) equally defined revenue as a general term for all monetary receipts accruing from both tax and non tax sources. He went further to elucidate that revenue from tax and non tax sources as well as fees, grant and contributions constitute the live wire of the state government. As Adesoji and Chike (2013:421) expatriates, "state revenue comprise of receipt from taxation as well as those which are not the proceeds of taxation, but of either the realization from the sale of government properties or other interest and returns from loans and investment earning". Olusola (2011) equally asserts that revenue receipt include "routine" and "earned" income. For these reasons, according to him, revenue do not include borrowing and recovery of loans from other parties, but on the contrary includes tax receipts, donations, grants, fees, fines and so on. From the above definitions, it can be said that revenue is the total amount of income acquiring to a state from various sources within a specified period of time. Nigeria Governor's Forum (2012) defined revenue as tolls, taxes, rates, fees, penalties, rents, forfeitures, dues and other receipts of government from whatever source arising over which legislature has power of appropriation including proceeds of loans raised. Section 160 (9) of the 1989 constitution and Section 5, 162 (10) of the 1999 constitution defined revenue as any income or returns accruing to, or derived by the government from any property belonging to government, any return by way of interest on loans and dividends in respect of shares or interest held by the government, in any company or statutory body, incidental sources resulting from a particular environment, permissive sources from normal operations and statutory sources recognized by the Nigerian constitution (FRN, 1999). Tapang (2012) states that there are basically two types of revenue that accrues to states governments. These are internally generated revenue and revenue from the federation account.

5.2 Internally Generated Revenue.

Internally Generated Revenue (IGR) is revenues generated internally apart from subventions, allocation, and grants from Governments. Every organization has various ways of enhancing her internal sources of revenue. For example, in the universities, student registration fees, rent of hall, rent of equipments, donations, dividends, interest, payment for transcript, payment for academic gown among others constitute their internal revenue bases. At the Local government level they equally have such internal sources. For instance, according to Okolie & Eze (2004:168), Local government internal sources of revenue refer to the avenues by which the local governments generate money from within its local areas. Internal revenue generations are the exclusive sources of revenue accrued to the local government system in Nigeria. They are that revenue which the local government alone is in charge. They are the sources of revenue which has been sustaining local government before the 1976 local government reform. They are the sources of revenue in which local government fall back on if the external ones fail. In fact, they are the traditional sources of revenue due for local government system in Nigeria.

Internally Generated Revenue in normal day to day parlance refers to those revenue sources that are generated solely by the state and local governments. Adesoji and Chike (2013:241) defined it as "those revenues that are derived within the state from various sources such as taxes (pay as you earn, direct assessment, capital gain taxes, etc), and motor vehicle license, among others". State government as the second tier of government in Nigeria derives its revenue from various sources which are by no means uniform among the states. Hence, states derive their revenue depending on the sources available to them (Okoh, 2004).

5.3 Revenue Generation Strategies

Strategies are designed as means of achieving desired goals and objectives. Neil (2011) defined strategy as the mediating force between the organization and the environment. When linked to the process of management, it is viewed as “organized development of the resources of the functional areas such as revenue service, marketing, manufacturing etc in pursuit of its objectives” (Alao and Alao, 2013:24). From the foregoing, strategy is a means of achieving set objectives; its link to revenue generation require the strategically laying of plans that will move from general to specific with a view to executing the real intent of revenue generation effort particularly in the state and local government system and in public sector in general. Revenue generation is the main source of income to the states and local government. IFRS 18 recommends that revenue recognition is dependent upon the terms of the contract between the entity and the buyer of goods, the recipient of the services or the users of the assets of the entity. The aim of revenue generation as stipulated by the Federal Government is income generation through personal and income taxes, adverts or bill-board, business premise registration, among others. Alao and Alao, (2013) notes that due to the wideness of the revenue sources, tactical plans are required to get grip of harnessing resources to enable collection, and reduction or elimination of tax avoidance and evasion. The internal revenue department is the income generating organ for the state and is faced with the herculean task of collecting taxes in various forms from the public.

According to Norton & Kaplan (2012), the finance focus is not enough to effectively handle the diverse types of revenue to be collected. Even though the financial health of an organization such as the state is essential, there are other intervening variables which are necessary for goal attainment. Strategic plans aimed at achieving organizational goals therefore should consider the satisfaction of everyone that is concerned or linked to achieving the revenue collection goal. Improving the approach to the task acquires setting of goals, which has to do with the quality of service, income generation mix along with other drivers directed at attaining organizational goals. In line with this, a tool to cater for better measures of the organization’s capacities or that will create long term value by identifying relevant key drivers such as customers, financial and operational plans, innovativeness, etc, is the balanced scorecard that should be sought in this dispensation.

6. Theoretical Framework

This paper adopted the fiscal federation theory as the basis for this work. The basic foundations for the initial theory of Fiscal Federation were laid by Kenneth Arrow, Richard Musgrave and Paul Samuelson. Samuelson’s two important papers on the theory of public good (1954, 1955), Arrow’s discourse on the roles of public and private sectors (1970), and Musgrave’s book on public finance (1959) provided the framework for what has come to be accepted as the proper role of the state in the economy.

Within this framework, some 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, basically a Keynesian one, canvassed for an active 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 and the need for government to generate revenue to effectively provide them. By this, 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 until in recent times when it became proven that she cannot alone do that comfortably. The central government’s expected role of ensuring equitable distribution of income, maintenance of macro-economic stability and provision of public good that are national in character are no more sacrosanct. Decentralized levels of government’s expected role to concentrate on the provision of local public goods with central government providing assistance in the form of matching grants equally has become overtaken by the economic realities of the time leading to the resorting to internal revenue generation diversification by the other levels of government as a panacea.

The next step in the theoretical framework was to determine the appropriate taxing framework. In addressing this tax assignment problem, attention was paid to the need to avoid distortions resulting from decentralized taxation of mobile tax bases. Adesoji & Chike (2013) emphasized that the extensive application of non-benefit taxes on mobile factors at decentralized levels of government could result in distortions in the location of economic activity. It should be pointed out however, that recent literature emphasis the importance of reliance on own revenues for financing local budgets as a way out for the inadequacies in the fiscal equalization argument of the need for financial assistance to the poorer regions. A number of authors (Weingast, 1995; McKinon 1997) have drawn attention to the dangers of decentralized levels of government relying too heavily on intergovernmental transfers for financing their budgets and this has formed the basis for the argument for the enhancement of internally generated revenues among local constituents in a federal structures.

7. Insight into Internal Revenue Generation in the States

Statistics show that in the recent past, the total monies allocated from federation and VAT pool accounts (including excess crude allocation) for the period from June 1999 to May 2007 as an instances, to the three tiers of government, which represents the higher amount of revenue collected relative to that collected individually within each state and local government, amounted to N16.5 trillion. We are dependent on a revenue source that is neither sustainable nor enlists the collective will and accountability of the people of Nigeria. Of the monies allocated to the three tiers of government, over 85% derived from crude oil and crude oil related revenue. Specifically from the CBN figures, in 2001, percentage was 77%, and in 2006 as a result of higher oil prices over the years, it averaged at 89% contribution. The shares of federation account to states constitute 57.97% in 2002 of the total revenue plus grant and this rose to 65.82% in 2006; while the internally generated revenue declined from 13.38% in 2002 to 8.11% in 2006 (CBN, 2006). A relative reduction in the contribution of oil to the revenue pot started to become evident in 2007 with reducing oil production level as a result of the various issue in the oil industry and an increase in non-oil tax revenue generation. Today oil revenue has reduced drastically. To this end, state governments have come to realize that the increase in sustainable non-oil revenue must therefore move at a much faster pace on a sustainable basis.

Despite this need and realization, a review of the figures from the National Bureau of Statistics (NBS, 2004) show that the average percentages of internally generated revenue in relation to the federal allocation were between 5% - 9% for most non-oil producing states. As an instance, Kano was only able to slightly exceed 10% in 2004 to date due to aggressive revenue generation efforts, with only Lagos as an exception.

Furthermore, in 2012, the IGR, for the 36 states in Nigeria was just about N555b, out of which the 19 states of the north generated only N875 or 15%; the South West generated N261.2b or 47%; the South-South accounted for N150b or 27% and the South East (456 or 8%. In other words, the south generated N468 or 85% of the total IGR for 2012 (Balogun, 2015). Statistics further show that eight (8) states namely: Anambra, Bauchi, Bayelsa, Ebonyi, Jigawa, Kano, Kwara, and Sokoto, had no data for 2012. The reason for this may not be totally unconnected to political reasons or inefficiency in the administrative machineries of the states. Whatever the reasons the people of these states must hold their Governors accountable. The tables below captures the updated IGR and their sources between 2008-2014:

Table 1: Internally Generated Revenue Summary by States between 2008 – 2014 in N bn

S/N	State	2010	2011	2012	2013	2014
1	Abia	11,124,643,033.22	11,763,510,585.86	16,751,700,375.58		12.4
2	Adamawa	4,208,037,781.45	4,149,550,775.70	4,615,407,803.00	4,149,550,775.70	4.9
3	Akwa Ibom	10,133,958,927.00	11,678,520,984.00	13,516,810,150.00	15,398,828,428.00	15.6
4	Anambra	7,655,785,733.05	6,148,922,395.00	7,601,585,012.15	8,731,599,921.43	10.4
5	Bauchi	3,402,848,015.39	4,463,780,451.92	4,064,710,425.23	4,937,242,874.83	4.8
6	Bayelsa	4,710,021,000.00	10,500,936,262.88	4,958,806,727.00	10,500,936,262.88	10,958,263,688.00
7	Benue	6,877,690,630.00	11,131,343,534.58	8,436,560,608.98	8,373,720,592.15	8.2
8	Borno	2,108,612,985.25	2,282,102,699.76	2,444,613,205.37	2,132,815,258.00	2.7
9	Cross River	7,870,941,915.00	9,159,651,948.00	12,734,560,333.00	12,002,167,999.57	15.7

10	Delta	26,087,346,526.00	34,750,081,881.93	45,566,897,481.00	50,208,229,986.91	42.8
11	Ebonyi	12,998,269,207.69	---------------			11.0
12	Edo	10,651,999,356.60	14,764,018,237.44	18,880,055,380.83	18,899,322,710.47	17.0
13	Ekiti	1,554,020,325.64	2,489,797,191.33	3,787,607,515.35	2,339,670,199.77	3,462,341,448.32
14	Enugu	13,795,511,815.00	7,287,161,299	12,209,587,683.00	20,203,801,863.00	19.2
15	Gombe	2,954,868,571.34	3,153,362,788.35	3,717,188,863.22	3,870,998,757.79	5.2
16	Imo	5,714,554,547.72	5,806,462,989.22	6,810,221,957.04	7,583,501,933.27	8.1
17	Jigawa	1,241,956,756.54	1,482,918,912.88			6.3
18	Kaduna	11,564,414,063.48	9,781,946,157.96	11,531,795,961.69	10,932,071,462.59	12.7
19	Kano	6,618,936,565.04	6,618,936,565.04	11,051,971,481.61	17,142,211,079.94	13.7
20	Katsina	3,151,689,985.00	4,239,692,674.00	5,029,720,846.00	6,852,511,585.00	6.2
21	Kebbi	3,807,258,812.42	4,472,397,621.47	5,424,015,848.65	3,732,343,145.11	3.8
22	Kogi	2,217,504,390.25	2,848,556,782.15	3,185,459,549.72	5,020,349,740.18	6.5
23	Kwara	7,295,348,963.22	8,816,657,944.50	11,317,269,584.36	13,838,085,972.51	12.5
24	Lagos	149,966,383,196.47	202,761,061,679.60	219,202,426,843.89	384,259,410,959.19	276.1
25	Nasarawa	1,850,541,963.18	4,132,282,812.68	4,132,282,812.68	4,012,291,835.93	4,085,127,585.70
26	Niger	3,257,215,894.60	4,115,777,679.30	3,782,827,634.99	4,115,777,679.30	5.7
27	Ogun	7,917,662,341.92	10,838,698,403.20	12,438,765,025.22	13,777,026,969.63	17.4
28	Ondo	6,480,372,918.69	8,015,725,375.26	10,153,042,597.01	10,498,697,469.99	11.7
29	Osun	3,376,735,645.43	7,398,572,036.48	5,020,250,633.94	7,284,225,003.77	8.5
30	Oyo	10,488,362,233.80	8,915,603,182.50	14,598,808,723.10	15,251,369,563.24	16,307,233,700.20
31	Plateau	3,398,815,261.07	4,520,622,617.37	6,927,858,653.07	8,486,806,640.08	8.2
32	Rivers	49,632,280,280.92	52,711,985,543.27	66,275,698,676.01	87,914,415,268.80	89.1
33	Sokoto	3,888,400,925.16	4,185,153,701.13	4,313,699,006.03	5,509,132,929.43	5,617,763,260.35
34	Taraba	1,284,745,422.40	2,869,031,498.92	3,418,289,991.33	3,344,006,052.45	3.8
35	Yobe	5,960,502,339.45	2,385,653,776.94	1,785,221,060.95	3,072,005,109.88	3.0
36	Zamfara	2,068,729,575,95	1,714,432,462.63	2,592,935,139.95	3,039,396,601.83	3.1

Sources: National Bureau of Statistics / Joint Tax Board

Table 2: Detailed Sources of Internally Generated Revenue Summary by States according to Sub-heads for 2014 in N bn

S/N	State	PAYE	Direct Assessment	Road Taxes	Other Revenue	Total
1	Abia	-------	-------	---------	---------	---------
2	Adamawa	------------	--------	-------	---------	--------
3	Akwa Ibom	--------	----------	-----------	-----------	------------
4	Anambra	------------	---------	---------	--------	---------
5	Bauchi	--------	---------	--------	---------	-----------
6	Bayelsa	--------	----------	--------	--------	10,958,263,688.00
7	Benue	-------	-------	-------	-------	----------
8	Borno	-------	-------	-------	--------	----------
9	Cross River	------	-------	--------	--------	---------
10	Delta	-------	-------	-------	-------	--------
11	Ebonyi	-------	-------	-------	-------	---------
12	Edo	-------	--------	-------	-------	-------
13	Ekiti	-------	-------	--------	------	3,462,341,448.32
14	Enugu	-------	-------	-------	-------	--------
15	Gombe	-------	-------	-------	-------	---------
16	Imo	-------	-------	-------	-------	--------
17	Jigawa	-------	-------	-------	-------	---------
18	Kaduna	-------	--------	-------	-------	-------
19	Kano	-------	-------	-------	-------	--------
20	Katsina	-------	-------	-------	-------	---------
21	Kebbi	-------	--------	-------	-------	-------
22	Kogi	-------	-------	-------	-------	--------
23	Kwara	-------	-------	-------	-------	---------
24	Lagos	-------	--------	-------	-------	-------
25	Nasarawa	-------	-------	-------	-------	4,085,127,585.27
26	Niger	-------	-------	-------	-------	--------
27	Ogun	-------	-------	-------	-------	---------
28	Ondo	-------	-------	-------	-------	--------
29	Osun	-------	-------	-------	-------	---------
30	Oyo	9,521,748,694.62	1,813,138,318.00	677,622,203.00	4,294,724,484.60	16,307,233,700.22
31	Plateau	-------	-------	-------	-------	--------
32	Rivers	-------	-------	-------	-------	---------
33	Sokoto	2,694,180,642.49	9,268,649.60	115,287,751.00	2,799,026,217.26	5,617,763,260.35
34	Taraba	-------	-------	-------	-------	--------
35	Yobe	-------	-------	-------	-------	---------
36	Zamfara	-------	--------	-------	-------	-------

Sources: National Bureau of Statistics / Joint Tax Board

Table 3: Detailed Sources of Internally Generated Revenue Summary by States according to Sub-heads for 2013 in N bn

S/N	State	PAYE	Direct Assessment	Road Taxes	Other Revenue	Total
1	Abia	-------	-------	---------	---------	---------
2	Adamawa	2,375,541,950.71	157,018,836.00	51,078,910.84	1,565,911,078.15	4,149,550,775.70
3	Akwa Ibom	13,181,780,320.00	1,308,842,357.00	283,687,684.00	624,518,067.00	15,398,828,428.00
4	Anambra	2,984,381,448.98	366,853,612.20	133,500.00	5,380,231,360.25	8,731,599,921.43
5	Bauchi	3,253,578,480.41	63,073,572.25	503,172,212.17	1,117,418,610.00	4,937,242,874.83
6	Bayelsa	7,536,170,807.24	100,754,802.49	39,139,650.00	2,824,871,003.15	10,500,936,262.88
7	Benue	-------	-------	-------	-------	8,373,720,592.15
8	Borno	1,824,343,597.00	70,580,737.00	194,954,529.00	42,936,395.00	2,132,815,258.00
9	Cross River	4,344,576,832.58	1,335,307,435.75	1,199,935,546.18	5,122,348,185.06	12,002,167,999.57
10	Delta	42,481,269,521.00	4,509,641,842.44	413,759,637.88	2,803,558,985.59	50,208,229,986.91
11	Ebonyi	-------	-------	-------	-------	---------
12	Edo	8,774,697,495.34	2,139,285,255.17	770,396,203.08	7,214,943,756.88	18,899,322,710.47
13	Ekiti	-------	-------	--------	------	2,339,670,199.77
14	Enugu	4,623,618,648.00	822,885,348.00	257,629,486.00	14,499,668,381.00	20,203,801,863.00
15	Gombe	3,870,998,757.79				
16	Imo	-------	-------	-------	-------	7,583,501,933.27
17	Jigawa	-------	-------	-------	-------	---------
18	Kaduna	7,329,598,926.75	1,191,409,049.60	604,504,161.23	1,806,559,325.01	10,932,071,462.59
19	Kano	-------	-------	-------	-------	17,142,211,079.94
20	Katsina	4,016,416,111.00	674,490,933.00	117,998,205.00	2,043,606,336.00	6,852,511,585.00
21	Kebbi	1,908,260,434.11	970,989,006.26	40,036,580.99	813,057,123.75	3,732,343,145.11
22	Kogi	4,107,554,751.00	9,384,425.12	104,837,419.48	798,573,144.58	5,020,349,740.18
23	Kwara	3,780,239,626.91	507,508,829.05	305,330,047.00	9,245,007,469.55	13,838,085,972.51
24	Lagos	-------	--------	-------	-------	384,259,410,959.19
25	Nasarawa	3,487,007,693.44	84,245,555.32	248,556,507.00	192,482,080.17	4,012,291,835.93
26	Niger	2,714,520,274.04	43,739,514.17	585,761,685.09	771,756,206.00	4,115,777,679.30
27	Ogun	10,167,996,039.37	729,448,692.09	574,167,984.79	2,305,414,253.38	13,777,026,969.63
28	Ondo	5,812,602,534.45	203,766,849.87	306,181,078.00	4,176,147,007.67	10,498,697,469.99
29	Osun	5,030,164,943.82	516,456,706.40	610,492,714.20	1,127,110,639.35	7,284,225,003.77
30	Oyo	8,447,206,939.39	1,533,244,734.00	813,207,796.53	4,457,710,093.32	15,251,369,563.24
31	Plateau	5,395,474,638.03	58,868,697.79	505,731,170.00	2,526,732,134.26	8,486,806,640.08
32	Rivers	68,647,209,435.49	46,731,155.78	19,220,474,677.53	87,914,415,268.80	
33	Sokoto	2,875,170,700.58	8,606,920.00	105,938,629.00	2,519,416,679.85	5,509,132,929.43
34	Taraba	2,049,507,768.88	188,201,339.43	110,745,340.00	995,551,604.14	3,344,006,052.45
35	Yobe	1,010,342,837.89	65,614,090.66	37,540,669.72	1,958,507,511.61	3,072,005,109.88
36	Zamfara	1,501,077,534.08	191,681,560.63	61,765,760.00	1,284,871,747.12	3,039,396,601.83

Sources: National Bureau of Statistics / Joint Tax Board

Table 4: Detailed Sources of Internally Generated Revenue Summary by States according to Sub-heads for 2012 in N bn

S/N	State	PAYE	Direct Assessment	Road Taxes	Other Revenue	Total
1	Abia	-------	-------	---------	---------	16,751,700,375.58
2	Adamawa	2,155,355,615.00	190,067,642.00	37,197,773.00	2,232,786,773.00	4,615,407,803.00
3	Akwa Ibom	11,778,644,460.00	1,160,956,172.00	208,510,787.00	368,698,731.00	13,516,810,150.00
4	Anambra	3,386,788,321.00	325,307,379.83	3,004,900.00	3,886,484,411.32	7,601,585,012.15
5	Bauchi	3,442,908,080.08	177,320,694.75	194,019,541.51	250,462,108.89	4,064,710,425.23
6	Bayelsa	--------------	--------------	--------------	--------------	4,958,806,727.00
7	Benue	4,925,285,057.71	422,463,132.05	147,724,886.00	2,941,087,533.22	8,436,560,608.98
8	Borno	2,041,770,828.56	90,141,864.56	130,625,054.00	182,075,458.31	2,444,613,205.37
9	Cross River	6,465,208,527.00	295,807,911.00	90,235,596.00	5,883,308,299.00	12,734,560,333.00
10	Delta	42,564,709,027.66	123,411,375.45	244,194,575.30	2,634,582,502.59	45,566,897,481.00
11	Ebonyi	--------------	--------------	--------------	--------------	--------------
12	Edo	--------------	--------------	--------------	--------------	18,880,055,380.83
13	Ekiti	--------------	--------------	--------------	--------------	3,787,607,515.35
14	Enugu	4,455,456,710.00	239,329,529.00	7,514,801,444.00	12,209,587,683.00	
15	Gombe	1,716,274,865.23	3,671,000.00	104,904,715.00	1,892,338,282.99	3,717,188,863.22
16	Imo	5,632,939,821.02	778,922,167.27	128,884,463.00	269,475,505.75	6,810,221,957.04
17	Jigawa	--------------	--------------	--------------	--------------	--------------
18	Kaduna	7,054,873,055.70	343,973,885.90	172,081,244.00	3,960,867,776.09	11,531,795,961.69
19	Kano	--------------	--------------	--------------	--------------	11,051,971,481.61
20	Katsina	3,168,077,523.00	425,975,523.00	42,612,890.00	1,393,054,910.00	5,029,720,846.00
21	Kebbi	1,941,628,838.15	1,712,740,266.09	29,275,548.60	1,740,371,195.81	5,424,015,848.65
22	Kogi	2,805,541,214.38	4,318,110.70	77,334,481.53	298,265,743.11	3,185,459,549.72
23	Kwara	4,201,129,114.59	418,581,823.12	225,885,935.00	6,471,672,711.65	11,317,269,584.36
24	Lagos	172,435,519,871.65	1,892,228,477.30	4,361,443,205.71	40,513,135,289.00	219,202,426,843.89
25	Nasarawa	3,681,705,189.23	8,258,478.00	105,554,518.14	336,764,627.31	4,132,282,812.68
26	Niger	--------------	--------------	--------------	--------------	3,782,827,634.99
27	Ogun	--------------	--------------	--------------	--------------	12,438,765,025.22
28	Ondo	5,037,341,484.85	138,487,710.00	187,909,346.20	4,789,304,055.96	10,153,042,597.01
29	Osun	--------------	--------------	--------------	--------------	5,020,250,633.94
30	Oyo	8,045,208,073.01	227,824,353.42	650,624,526.25	5,675,151,770.60	14,598,808,723.10
31	Plateau	5,270,439,533.31	24,104,383.75	190,805,635.71	1,442,509,100.30	6,927,858,653.07
32	Rivers	55,099,480,984.70	22,075,206.77	485,932,711.24	10,668,209,773.30	66,275,698,676.01
33	Sokoto	2,506,283,575.52	8,147,532.18	41,604,488.00	1,757,663,410.33	4,313,699,006.03
34	Taraba	1,795,489,099.44	272,339,313.46	63,841,795.00	1,286,619,783.43	3,418,289,991.33
35	Yobe	1,034,904,582.39	4,118,600.00	58,943,516.25	687,254,362.31	1,785,221,060.95
36	Zamfara	1,421,161,673.31	228,023,848.41	18,162,185.00	925,587,433.23	2,592,935,139.95

Sources: National Bureau of Statistics / Joint Tax Board

Table 5: Detailed Sources of Internally Generated Revenue Summary by States according to Sub-heads between 2011-2012 in N bn

S/N	State	PAYE	Direct Assessment	Road Taxes	Other Revenue	Total
1	Abia	--------------	--------------	--------------	--------------	11,763,510,585.86
2	Adamawa	1 ,899,535,737.12	104,657,578.09	22,781,131.00	2,092,007,235.72	4,118,981,681.93
3	Akwa Ibom	10,115,487,642.00	1,004,062,874.00	213,390,723.00	345,579,745.00	11,678,520,984.00
4	Anambra	--------------	--------------	--------------	--------------	6,148,922,395.00
5	Bauchi	2,820,600,400.40	34,092,055.01	353,487,118.43	1,255,600,878.08	4,463,780,451.92
6	Bayelsa	--------------	--------------	--------------	--------------	4,710,021,000.00
7	Benue	4,207,752,868.85	276,216,194.69	38,734,363.00	6,608,640,108.04	11,131,343,534.58
8	Borno	1,933,972,994.60	12,519,862.00	147,364,540.00	188,245,303.16	2,282,102,699.76
9	Cross River	5,244,042,875.00	132,764,953.00	65,382,385.00	3,717,461,735.00	9,159,651,948.00
10	Delta	33,193,235,666.64	102,537,478.49	145,161,865,49	1,309,146,871.31	34,750,081,881.93
11	Ebonyi	1,879,007,880.84	259,783,398.36	3,432,950.00	11,891,166,929.70	14,033,391,158.90
12	Edo	--------------	--------------	--------------	--------------	14,764,018,237.44
13	Ekiti	2,009,999,119.02	97,834,266.60	105,080,231.83	276,883,573.88	2,489,797,191.33
14	Enugu	2,605,091,930.00	128,044,326.00	268,603,338.00	4,285,421,705.00	7,287,161,299.00
15	Gombe	--------------	--------------	--------------	--------------	3,153,362,788.35
16	Imo	4,493,196,299.62	669,861,664.57	134,607,033.06	508,797,991.97	5,806,462,989.22
17	Jigawa	--------------	--------------	--------------	--------------	1,482,918,912.88
18	Kaduna	6,949,624,700.37	161,584,838.43	138,379,100.00	2,532,357,519.16	9,781,946,157.96
19	Kano	--------------	--------------	--------------	--------------	6,618,936,565.04
20	Katsina	--------------	--------------	--------------	--------------	4,239,692,674.00
21	Kebbi	1,897,324,192.05	1,333,431,941.81	22,650,252.40	1,218,991,235.21	4,472,397,621.47
22	Kogi	2,412,561,275.16	23,314,575.90	45,963,375.00	366,717,556.09	2,848,556,782.15
23	Kwara	2,750,219,413.11	406,923,624.39	217,329,440.00	5,442,185,467.00	8,816,657,944.50
24	Lagos	120,249,472,186.90	7,967,253,449.70	74,544,336,043.00	202,761,061,679.60	

25	Nasarawa	---------------	---------------	---------------	---------------	4,132,282,812.68
26	Niger	2,863,461,594.91	130,245,909.71	26,291,075.00	544,072,199.95	3,564,070,779.57
27	Ogun	8,522,549,120.62	1,427,122,038.06	154,886,568.89	734,140,675.63	10,838,698,403.20
28	Ondo	4 ,100,327,273.17	146,017,687.00	184,740,553.05	3,584,639,862.04	8,015,725,375.26
29	Osun	---------------	---------------	---------------	---------------	7,398,572,036.48
30	Oyo	47,743,459,879.04	5,201409,330.06	4,243,011,798.04	8,915,603,182.50	---------------
31	Plateau	3,524,061,846.80	88,589,308.25	907,971,462.32	4,520,622,617.37	---------------
32	Rivers	43,267,564,415.17	5,201,409,330.06	4,243,011,798.04	52,711,985,543.27	---------------
33	Sokoto	2,499,596,144.87	6,718,936.56	29,548,555.00	1,649,290,064.70	4,185,153,701.13
34	Taraba	1,453,303,855.22	119,157,901.09	30,612,305.00	1,265,957,437.61	2,869,031,498.92
35	Yobe	1,481,330,347.96	165,531,907.06	119,000,526.38	619,790,995.54	2,385,653,776.94
36	Zamfara	---------------	---------------	---------------	---------------	1,714,432,462.63

Sources: National Bureau of Statistics / Joint Tax Board

Table 6: Detailed Sources of Internally Generated Revenue Summary by States according to Sub-heads for 2010 in N bn

S/N	State	PAYE	Direct Assessment	Road Taxes	Other Revenue	Total
1	Abia	---------------	---------------	---------------	11,124,643,033.22	11,124,643,033.22
2	Adamawa	1,508,374,274.99	248,687,408.14	23,748,680.00	2,427,227,414.32	4,208,037,781.45
3	Akwa Ibom	9,005,363,053	691,855,598	392-,557,215	44,183,061	10,133,958,927
4	Anambra	3,345,584,688.92	1,001,821,819.47	376,051,744.77	2,932,337,519.52	7,655,785,733.05
5	Bauchi	---------------	---------------	---------------	---------------	3,402,848,015.39
6	Bayelsa	---------------	---------------	---------------	---------------	4,710,021,000.00
7	Benue	4,479,040,612.69	236,377,813.81	374,398,891.66	1,787,873,311	6,877,690,630.00
8	Borno	1,565,911,197.43	18,920,571	264,882,505	258,898,711.82	2,108,612,985.25
9	Cross River	3,704,703,293.00	157,609,028.00	35,680,756.00	3,972,948,838.00	7,870,941,915.00
10	Delta	---------------	---------------	---------------	---------------	26,087,346,526.00
11	Ebonyi	1,685,208,909.92	184,632,685.32	17,898,548.00	11,110,529,064.45	12,998,269,207.69
12	Edo	6,785,209,604.11	393,071,890	455,230,623.00	3,018,487,239.29	10,651,999,356.60
13	Ekiti	1,285,595,636.33	34,568,573.04	34,244,666.71	199,611,449.56	1,554,020,325.64
14	Enugu	2,291,911,363.00	636,513,542	211,706,220	10,655,380,690	13,795,511,815
15	Gombe	1,326,246,481.88	122,824,211.00	27,045,600.00	1,478,752,278.26	2,954,868,571.34

16	Imo	4,424,005,978.14	421,913,015.17	192,411,546.74	676,224,007.67	5,714,554,547.72
17	Jigawa	--------------	--------------	--------------	--------------	1,241,956,756.54
18	Kaduna	--------------	--------------	--------------	--------------	11,564,414,063.48
19	Kano	4,930,606,710.05	105,832,424.07	180,165,337.00	1,402,332,093.92	6,618,936,565.04
20	Katsina	--------------	--------------	--------------	--------------	3,151,689,985.00
21	Kebbi	1,889,221,471.21	12,438,003.00	1,905,599,338.21	3,807,258,812.42	3,807,258,812.42
22	Kogi	--------------	--------------	--------------	--------------	2,217,504,390.25
23	Kwara	--------------	--------------	--------------	--------------	7,295,348,963.22
24	Lagos	104,680,721,864.73	7,507,947,789.71	--------------	37,777,713,542.08	149,966,383,196.47
25	Nasarawa	1,460,588,426.84	11,387,153	161,689,633.75	216,876,749.57	1,850,541,963.18
26	Niger	2,660,434,250.57	50,386,542.08	81,499,525.00	464,894,576.95	3,257,215,894.60
27	Ogun	5,510,105,570.39	1,310,752,736.63	253,914,283.43	842,889,751.47	7,917,662,341.92
28	Ondo	2,392,414,938.47	132,105,110.31	370,150,603.03	3,585,702,264.88	6,480,372,916.69
29	Osun	--------------	--------------	--------------	--------------	3,376,735,645.43
30	Oyo	--------------	--------------	--------------	--------------	10,488,362,233.80
31	Plateau	2,731,386,694.43	100,163,062.00	567,265,504.64	3,398,815,261.07	3,398,815,261.07
32	Rivers	43,267,564,415.17	1,644,854,506.41	---------------	4,672,591,384.46	49,632,280,280.92
33	Sokoto	--------------	--------------	--------------	--------------	3,888,400,925.16
34	Taraba	672,229,414.51	115,853,025.67	26,752,105.00	469,910,877.22	1,284,745,422
35	Yobe	1,880,066,435.89	533,881,328.51	217,782,985.23	3,328,771,589.79	5,960,502,339.45
36	Zamfara	--------------	--------------	--------------	--------------	2,068,729,575,95

Sources: National Bureau of Statistics / Joint Tax Board

Statistics further showed that Lagos as expected generated the highest IGR in 2013, bringing in N384.258b equivalent to 76.9% of its 2013 budget of N499.10b. South South: Rivers N87.9b, South East: Enugu N20.2b, North Central: Kwara N13.83b, North West: Kastina N6.85b and North East: Taraba N3.34b. The above shows the significant difference between Lagos and other states in the federation. Ultimately, a single state had revenue 86.22% higher than some of the 13 states together (N206.344b in that year). The NBS data further showed that no other state was able to go beyond the 30% mark for IGR as a percentage of budget expenditure for 2013 as could be seen in table 7 below.

Table 7: Some States IGR as Percentage of their 2013 Budget

S/N	States	IGR (b'N)	2013 Budget (b'N)	IGR % of Budget
1	Akwa Ibom	15.39	470.1	3.25
2	Bayelsa	10.5	304.05	3.45
3	Delta	50.2	472	10.63
4	Anambra	8.73	110.9	7.87
5	Taraba	3.34	73	4.57
6	Yobe	3.072	88.6	3.46
7	Plateau	8.404	133.4	6.3
8	Katsina	6.85	114.1	6

Source: CBN Report (2013)

This implies that most states will be unable to pay salaries if the slide in the oil prices persists. Hence the fact that most Nigerian state is not viable without oil revenue allocations from the center. The "curse" of the oil dependency only encouraged government officials to pay little attention to growing the economic base which would have helped the states to become more independent, (Balogun, 2015).

8. Analyses of the Present Revenue System and its Weaknesses

Over the years, it has been observed that many states are not enhancing their capacities to collect or expand their tax bases. Every year the same figures are projected as total internally generated revenue in their budgets while corresponding personnel costs increases (Balogun 2015). Hence, any reduction in the collection of statutory revenue from the federation account results in personal costs being unpaid. This makes such states not economically viable for existence (El-Rufia, 2012). Substantiating the above, a former Governor of Abia State Theodore Orji (2013:2) lamented thus, "we have had persistent problem in revenue generation, we inherited a monthly IGR of N200 million which now hovers around N250 million, which is not acceptable because there is a lot of money in Abia. Because of the poor IGR, the state now depends solely on federal allocation". Governor Orji then expressed worry that if they do not get anything from the federation account, the state is doomed. He expressed optimism that if they are comfortable with their IGR, there will be no problem. He went further to express, "our people are violently averse to payment of taxes and levies. We have no base, no data; we are doing permutation up and down. We don't know how many houses we have in Umuahia, how many sloops in Ariria Market, Aba and many other places. What we inherited here are agents of corruption. What we have on ground in Ariria International Market are agents who pay to individuals and not to the government and these things need to be abolished". The above exposition clearly implies that the internally Generated Revenue system in the state is problematic.

Abia State is not alone in this problem. Participants in an interactive session during a workshop organized by Anambra State government in collaboration with the United Nations Development Programme (UNDP) from 17th to 20th November 2014 for the training of local government chairmen councilors and senior management staff in the state on "Government budgeting, monitoring and evaluation techniques; Policy analysis and advocacy and; Internal revenue forecasting and generation", revealed that in the State Board of Internal Revenue myriad of problems inherent in the current systems of operation underscores why the state persistently perform poorly in her internally generated revenue. From the discussions held, the following problems associated with the current system were extracted:

(1) Because the current system is completely manual, and records are kept in files, retrieval of records for proper assessment by the director of the board in a very tedious task. Assessment is therefore a neglected task giving the staff opportunity to do what they like.
(2) Files on which data are recorded are easily mutilated and security of information is very low.
(3) Retrieval and assembly of relevant data for decision making takes a very long time.
(4) The absence of centralized repository for data makes the level of redundancy high. This in turn increases the level of inconsistencies. Records are not consistent across various units.
(5) There is lack of proper auditing standard. Hence, staff can issue receipt without proper recording and keep the money in his/her pocket.
(6) The computation of the total revenue from all the board of internal revenue sub-units within the state is always difficult, time consuming and prone to errors.
(7) Computation of total revenue generated at the different area offices outside Awka and from the various revenue sources in full of errors.
(8) Error in the computation of Direct tax for self employed citizens is always as a result of the corrupt nature of the assessment officers.
(9) Staff of the Board of Internal Revenue in-charge of vehicle registration often charges vehicle owners an amount which is about 80% higher than the government approved rate. As a result, vehicle owners run away from vehicle registration there to other neighbouring states like Delta, Enugu, Ebonyi, Kogi, and Benue. The amount collected is always less than what is written on the receipt issued.
(10) There is always error in the computation of PAYE. While some employees who did not offer bribe to assessment officers are over taxed, others who greased their palms are under taxed. Sometimes some are mistakenly or very deliberately ignored.
(11) There is the inability of the staff of the Revenue Board to quickly and accurately produce a list of self employed citizens who evade tax for prompt action to be taken against them.

(12) There is the inability of the staff of the Revenue Board to quickly and accurately produce a list of vehicle owners whose vehicle particulars and driving license are expired for prosecution.
(13) There is always delay in the remittance of the generated internal revenue to the state treasury as a result of the huge computation involved in bringing together all revenues from the various area offices in the state. This makes it difficult for the state government to respond to her obligations to citizens as and when necessary.
(14) Above all, the attitude of the politicians in government to use revenue generation in the state as a means of political patronage thereby contracting them out to their cronies, godfathers and war-lords within the state even without consultations with the state Board of Internal Revenue poses a great challenge to effective internal revenue generation in the state.

The implication of the above revelation on the internally generated revenue capacity of Anambra State for example is clear. The expected sources of internal revenue for the state government which include taxes, fines and fees, licenses, sales earnings, rent on government property interest on short-team loans, reimbursements, dividends and others between 2005 and 2007 could only generate the amount as presented in table 8 below.

Table 8: Anambra State Revenue 2005-2007

Heads	Budget 2005 N'MM	Budget 2006 N'MM	Budget 2007 N'MM
Taxes	1,510	1,655	4,304
Fines and fees	700	888	1,522
Licenses	250	230	446
Earnings and sales	25	42	68
Rent on Government Reports	105	147	200
Interest on short team loan, deposit and repayment	60	20	550
Dividend	105	100	400
Reimbursement	50	50	60
Miscellaneous	1,019	366	818
Total: Internally Generated Revenue	3,720	3,600	8,400
State Share of Federal Revenue	17,400	20,000	32,600
Value Added Tax	2,040	-	-
Grand Total: Recurrent Revenue	23,160	24,000	41,00

Source: Understanding Budgets. 2012. PREDEMS Resources Materials

Analyses show the following: the major sources of internal revenue were taxes, fines and fees, reimbursements and interest on short term deposits; tax revenues are highest in 2007 possibly due to increase in businesses or increase in fiscal effort by the government; reimbursements represent 38.6% in 2006 while taxes, fines and fees stood at 17.9%; and, other sources include rent on government properties; interest and short term loan and dividends from investment in shares.

Summary of the revenue profile for the period show that the projected consolidated revenue fund in the Anambra State budget made up of IGR and the state's share of the federation account (FACC) and the value-added tax proportion is as follows:

Table 9: Anambra State Revenue Profile 2005-2007

Revenue Sources	2005		2006		2007	
	N' Billion	%	N' Billion	%	N' Billion	%
Internally generated revenue (IGR)	3.7	16.06	3.6	15.00	8.4	20.48
State share of federation Acc (FAC)	17.4	75.13	20.4	85.00	32.6	79.52
Value added tax	2.1	8.8	-	-	-	-
Total	**23.2**	**100.0**	**24.0**	**100.00**	**41.0**	**100.0**

Source: Understanding Budgets 2012. PREDEMS Resources Materials

Analyses show the following: about 80% of the state revenue comes from FACC allocation; 20% of the revenue was internally generated. This shows that the state is highly dependent on its share of federation account which is not the best mix in revenue structure", (ANSG/UNDP, 2013:36).

9. Issues in Enhancing Internal Revenue Generation

The 1999 Constitution of the Federal Republic of Nigeria clearly notes that the collection of personal income tax, capital gains tax and stamps duties which are federal taxes which can also be collected at the state level where a law of the National Assembly has been enacted. In addition beyond the provision in the constitution which specifics charges that can be charged by the local governments, the constitution also provides that the State House of Assembly can enact such laws as may be necessary and are not in conflict with the constitution for the peace, order and good government of the state. These general provisions give scope to the state to enact laws (for both state and local governments) that would ensure good governance beyond those taxes and revenue sources that are enshrined in the constitution.

As a result states and local governments have taken advantage of this provision in the constitution and the enactment of the taxes and levies (Approved list for collection) Act of 1998 as amended (FIRS Establishment Act, 2007), to have several sources of revenue within the state. For clarity and to avoid misinterpretation, state governments need to codify all taxes, levies and users charges chargeable in the state and local governments. To this end, there is the need to further refine this law to be in line with the constitution and to ensure a clearer definition of tax, levy and user charges. Apart from revenue for development, taxation strengthens governance in a way: since it flows from citizens pocket, the payment compels citizens to ask questions and show interest in how those entrusted with the management of our common wealth, discharge such responsibilities. The following issues then need to be considered in enhancing internal revenue generation:

1) **Accountability for Revenue Generated:** Improved information and statistics of all revenue generated at all levels is required for improved decision making. To date, a holistic picture of such statistics is not readily available in a complete and on a timely basis.

2) **Automation and Information Sharing:** Automation is critical for an effective tax administration. It will help eliminate wastage and tremendously improve efficiency, transparency and accountability. With automation, information sharing and collaboration among tax jurisdictions becomes easier. Such automation should link tax authorities to various data bases that enable the assessment of income to be handled in a more effective manner. These include land registries, banking systems, vehicle registration systems, etc.

3) **Capacity Building:** Each tax authority should have a robust training programme driven by clear nationwide standards that are set in a manner that will ensure focus on the needed competencies for effective and efficient performance and based on proper training needs analysis. Recruitment policies and practices should also be based on needed skills, knowledge and experience. Capacity building should emphasize what it takes to ensure proper and effective administration of the tax and related laws. Existing laws that abhor the use of tax consultants who take over the responsibilities of the revenue officers should be retained to encourage renewed focus on building the tax institution and having a core of well trained staff within the institution, (Kiabel & Nwokah, 2009).

4) **Taxpayer Education and Creating Friendly Service Oriented Environment:** The tax paying public needs to be given proper and adequate sensitization on a sustainable bases to let them know their rights, duties and obligations under the relevant tax laws. The tax authorities should also strive to create a friendly tax environment without creating confusion to the tax payer. The more tax authorities and government work together, the better for the revenues that can be generated from such collaboration, (Ayegba, 2013).

5) **Tackling the Underground Economy**: The underground economy, otherwise known as the informal sector is made up of businesses which are not only intractable but also intentionally outside the tax net. While this is a global phenomenon it is more pronounced in the developing world. In Nigeria it is

a serious threat to the integrity of the entire tax system. All hands must be on deck to work together to effectively tax this sector. For individual tax payers, apart from those in regular paid employment, the problem of tracking tax payers outside the tax net is even more challenging especially with certain communities where the house numbering system is a major challenge and the national identification system is still ineffective. The underground economy includes individuals, registered businesses and corporate bodies generating billions of naira in business transactions in: petty businesses such as dress making, car wash, mechanic workshops, hair dressing, rentals, barbing salons, taxi business (registered and unregistered), cargo handling, drug dealing, money laundering, smuggling, prostitution, etc. The underground economy also includes a situation where tax payers are reporting to the relevant tax authority but do not report on all items they should be reporting on, (Ibrahim, 2010). Collaborations amongst all tiers of government and with the leadership of vocational bodies, trade associations and community leaders will greatly assist this process.

6) **Use of Tax Revenue:** Judicious and transparent use of tax revenue, through visible projects, should be encouraged at all tiers of government. The culture of demanding accountability from the executive arm of government through media briefs and town hall meetings should be developed and sustained and would help build a culture of voluntary tax compliance.

7) **Delineation between Tax and User Charges**: We should increasingly differentiate between tax – a compulsory levy and user charge – which is tied to recovering costs from services provided to users. Both provide sources of internally generated revenue but with separate manner of application and use at all tiers of government. This way issue of multiple taxation could be reduced and combined with improved tax payer education, tax payers can relate payments to services rendered.

8) **Wealth Creation and Equitable Income Distribution as a Panacea to Multiple Taxation:** For years, the Joint Tax Board has issued communiqués educating the public on the laws abhorring multiple taxation and the need for the individual tax payer to understand his rights and responsibilities. However, all these haven't worked and a deeper understanding of the problem suggests that it is much more than a taxation issue but more of a source of income for individuals who believe that they have no other means of creating wealth (Tapang, 2012). There is also the need for equitable distribution of income at both the government and individual level to give to each, their due and to reduce the gap between the rich and the poor. Increasingly, creating wealth and a growing economy beneficial to all the residents and citizenry would not only assist in curbing multiple taxation, it will also assist in growing the tax base. In addition, improved support for and enforcement of tax laws should also assist in this regard.

10. Strategies for Improving State Internally Generated Revenue (IGR)

It is generally accepted that "adversity breeds creativity". That Lagos state did not receive its federal allocation for period of about five years or more forced it to become a self-sufficient state. It is hoped that the pressure to diversify and focus less on the center will compel states to explore alternatives for improving their revenue base (Balogun 2015). Today, Lagos remains self-sufficient and generates at least 75% of its revenue from its IGR. This has been facilitated by implementing certain measures aimed at ensuring the following:

i) Eliminating all sources of revenue leakages especially through tax payers, revenue officials and banks.
ii) Creating an online data base in respect of taxpayers whose taxpaying habits are monitored real-time.
iii) Generating with a high degree of accuracy projected revenue of future periods from all sources.
iv) Generating reports showing revenue distribution by revenue types and revenue agency.

(v) Showing distribution of revenue collected geographically.

In line with the above, the following strategies are therefore suggested for the enhancement of internal revenue generation in states so as to avoid their dependence on the federation account allocations. To maximize internal revenue generation three (3) strategic objectives have been identified. Two of the strategic objectives are in aspect of taxes collected by Board of Internal Revenue while the third is in respect of non-tax revenues collected by revenue units.

The direct taxes of PAYE and personal income tax which is legislated for in their tax laws allows the greatest scope for the maximization of IGR in two ways (or strategic objectives). The strategic objectives are:

Strategy I: Increasing the tax payer base, that is, identifying tax payers that are not already paying tax, implementing new taxes or increase rates. The above will entail systematic collection of information to increase the taxpayer's data base. Existence of a comprehensive tax payer data base will lead to improvement in statistical information underlying revenue estimation and ultimately achieve state IGR goal. As seen earlier, currently, the state annual revenue estimates are not based on empirical data rather estimates are mere guess approximations that may be close to or off the mark.

Strategy II: Improving tax payer compliance, through audit, penalties, and enforcement of outstanding debts. Based on critical analysis of the challenges that limit IGR performance, four clear high level themes were identified. The high level themes directed towards maximizing revenue generation by increasing taxpayer base and improving taxpayer compliance are as follows:

i. Ensuring appropriate system and process.
ii. Appropriate human resource and environment.
iii. Tax payer and public education.
iv. Underpinned legal mandate and appropriate finding.

To execute the above strategies, the following actions are suggested:

1. It is important for the tax authorities to be able to identify its tax payers by location, nature of business and tax type payable via a modern interactive tax payer database. In an efficient tax system, a tax payer database which provides functional processes to register tax payers by tax type, to assess tax payers and provide data for debt collection, enforcement and audit is essential. In focusing on a tax payer data base sometimes recognized as an Integrated Tax Administration System (ITAS), which is integrated with Tax Identification Number (TIN), all other taxes, duties, licenses and any other payments contributing to the revenue collections will be identified for each tax payer thus providing a high level of assurance that maximum taxes are collected.
2. To achieve No.1 above, an effective means of tax identification Number (TIN) registration through various tactics like street combing, designated centers and liaising with other stakeholders and other government departments who have access to data of individuals in all capacities such as banks, institutions and churches should be employed. The use of data already within government together with other sources is the only way to effectively guarantee complete registration.
3. In line with No. 2 above, efforts should be made by tax authorities to register tax payers electronically in all states. The TIN process should be more seriously emphasized and built upon and the registration for TIN should be a mandatory process just as the Bank Verification Number (BVN) and the SIM Card Registration exercises recently done. The TIN will provide a common platform for registering all entities that are required to pay any tax, fee or other non-tax revenues. This will provide a foundation for an accurate and complete tax payer base and a good foundation for achieving real time tax collection which is a global focus of all modern tax systems. Equally, the use of Tax Clearance Certificate (TCC) and in some cases the Electronic Tax Clearance Certificate (e-TCC) should be a motivating factor for any entity to register. If an entity is required to do any kind of business with government then that entity should be required to hold a legitimate TCC to carry out that business.
4. To support the strategic objectives, there are dependencies within the tax system which require support to allow the goals to be achieved. Central to the improvements as outlined are the electronic systems which are necessary to progress to a modern taxation system starting with the full implementation of TIN and interface with an ITAS which can identify tax payers by location, tax type and nature of business. This will involve:

a. Designing of the appropriate minimum tax-payer information that it will require (including PAYE, Organization, Mapping and so on);
b. Developing electronic forms, records, and reports for smooth tax administration;
c. Developing a data base, using the required information (possibly using Microsoft Access program);
d. Designing a computer network that will link all the departments and tax administrators; using the existing server and computers (additional computers might be needed);

e. Providing back-up power system and link remote out stations; and
f. Train the relevant staff.

The ITAS alone will not address all the issues as this cannot work in isolation of the procedures required for which the system will support. These are embedded in the functions required to operate the effective and efficient collection of taxes. There is therefore the need to point out here that the main function of tax collection are registration, assessment, debt management, enforcement and audit as initially mentioned. Similarly, processes and systems cannot work without people, that is, human resources of the State Board of Internal Revenue and the tax payers who ultimately pay all the direct taxes and non-tax revenues. Reforms are therefore required in these areas to move ahead with strategic direction of IGR.

Strategy III: To allow for maximization of IGR from the other revenue units outside taxes, the third strategic objective is therefore the developing of potential non-tax revenue sources. The following sources of revenue could be developed to ensure improved revenue generation: Registration and renewal of private healthcare facilities; registration and renewal of patent medicine stores; produce inspection fees; veterinary certificate fees; vehicle inspection and road-worthiness; registration and renewal of business premises; ground rents; land registration; stamp duties; registration and renewal of private educational institutions; development of tourist sites and recreation facilities; tracking of other revenue sources within the underground economy; among others.

The four high level themes earlier mentioned and activities discussed above are equally applicable here under this strategic objective but in addition, the following activities are suggested:

i. Provision of additional resources for each ministry’s revenue administration function, example, provision of motor vehicles and motor cycles and computers as well as for staff development.
ii. The Board of Internal Revenue should work with MDAs to carry out a review of its tariffs and fee structure to ensure that they are realistic and consistent with prevailing economic conditions;
iii. The Board of Internal Revenue in collaboration with Ministry of Finance should negotiate revenue performance targets with the MDAs based on estimates drawn from Board of Internal Revenue comprehensive data base.

The tactical plans for achieving these strategic objectives can be summarized in this matrix thus:

To Maximize Internal Revenue Generation

Appropriate Systems and Processes to Increase Internal Revenue Generation

- Automate collection systems and eradicate cash/cheque payments made to MDAs and BIR;
- Provide an accurate data base integrated with TIN and the assessment and collection systems which will store data for registered tax payers;
- To formalize the TCC system and make it obligatory to obtain a TCC in any dealings with government institutions;
- To make presentation of TIN as requirement for transactions with government to give motivation for registrations;
- Designate special courts to handle tax and non-tax revenue matters;
- Assign intelligent and dedicated lawyers to prosecute tax and non-tax revenue defaulters;
- Centralize assessment, collection and accounting mechanism of all revenues;
- Diversify and identify other revenue sources other than the existing ones;
- BIR to engage services of

Appropriate Human Resources and Environment for revenue administration

- Review and amend State Board of Internal Revenue law;
- Grant administrative and financial autonomy to the state BIR;
- Approve 10% of total IGR to fund BIR operations;
- Institutional and functional review of state BIR;
- Implement recommendations for the review;
- Ensure staff have the skills, qualities and knowledge or potential to do the required job;
- Perform training needs analysis of the BIR and revenue collecting units of MDAs;
- Coordinated training of revenue staff in line with recommendations of training needs analysis;
- Provision of new offices, head office, working tools, equipment and vehicles;
- Ensuring that corrupt officials are not seen

Tax Payer and Public Education

- Continue and improve upon the current tax payer education programme;
- Organization of workshops with trade groups, civil organizations, etc;
- Collaborate with banks, churches, institution and other third party sources to collect information on potential tax payers to be used to up date and ensure comprehensive tax payers data base;
- High level dialogue and education;
- Dialogue with business organizations including public institutions to compel their customers and clients to disclose their TINs for business transactions;
- Introduce presumptive tax for small informal traders;
- Standard rates of taxes for individuals within professional groups or persons in the same trade using year of profession.

Underpinned by Legal Mandate and Appropriate Funding

11. Anticipated Benefits of Adopting these Strategies

The effective implementation of these strategies has both tangible and intangible benefits some of which include:

1. Strict adherence to due process and established procedure. The collection and accounts department is the brain box of the revenue board. The implementation of these strategies will allow this department to effectively coordinate the operations of other subordinate units by allowing them to carry out their own part of the transactions.
2. Diversion of revenue generated by the staff of the Board is eliminated as all payments will be made through the bank and are automated.
3. These strategies will clearly show the tax payers the approved rates and will reduce over charges as government approved charges are entered into the data base by only authorized staff and not subject to modification by any revenue officer.
4. It will be possible for the Board to quickly and accurately identify tax evaders for necessary prohibitive actions to be taken against them. This will enhance revenue generation.
5. The provision of a centralized repository for data will be made possible and this will reduce the level of redundancy and inconsistencies currently seen in the system.
6. The cost of moving data from one unit to another or from one area office to another will be highly reduced as all data transfer will be done through the network.
7. Decision making will be facilitated as vital information retrieval and assembling can be speedily done thereby saving time and energy.
8. Errors in computation will be highly reduced and security of data will be enhanced.

12. Conclusion

All states of the federation have the potential to survive on IGR if the right parameters are set out for them. States are often considered weak in the IGR management because most of them don't apply the appropriate strategy that could help them enhance their revenue base. Issues such as absence of comprehensive information on the key economic activities that can generate income to the state always affect the revenue flow from internal sources. It is therefore important for government to look inwards and start to engage in encouraging resource development within their localities. Apart from improving economic activities it also creates an expanded tax base. If the right parameters are set out, all states in the federation can generate enough revenue without depending on the statutory allocations from the central government. The potentials of states are hidden within their territories and must be explored and exploited urgently. The state board of internal revenue should therefore be adequately empowered so that they can step up their functions in this regard through the use of information technology.

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