

**AN APPRAISAL OF THE IMPACT OF PAYE  
ADMINISTRATION ON INTERNAL REVENUE GENERATION  
IN KEBBI STATE**

**BY**

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## **APPROVAL PAGE**

This is to certify that this research work has been approved having satisfied the partial requirement for the award of bachelor of science Degree (B.Sc) in public Administration, faculty of management science, Usmanu Danfodiyo University, Sokoto.

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## **DEDICATION**

Dedication to the memory of Late Haruna Dogon Yaro Zuru and late Hajara Ada, for their exemplary conduct as parents and for their indefatigable struggle to inculcate in to me a sense of responsibility. And Malama Talatu Haruna for her exemplary conduct as a lovely sister who stand by me against all the distractions.

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*Hamisu Haruna*  
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## TABLE OF CONTENTS

TITLE PAGE .....	i
DEDICATION .....	iii
ACKNOWLEDGMENTS .....	iv
TABLE OF CONTENTS .....	vi
LIST OF TABLES .....	viii

### CHAPTER ONE

1.1 Background to the Study .....	1
1.2 Statement of the Research Problems .....	2
1.3 Research Question .....	4
1.4 Objectives of the Study .....	4
1.5 Research Hypotheses .....	5
1.6 Significance of the Study .....	5
1.7 Scope and Limitation .....	6
1.8 Definition of Terms .....	7
1.9 Scheme of Chapters (Chapterisation) .....	10

### CHAPTER TWO: LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction .....	12
2.2 Conceptual Definition of Taxation .....	12
2.3 Definition of Pay AS You Earn( PAYE) .....	14
2.4 Features of Pay as You Earn (PAYE) .....	16
2.5 Administration of Pay As You Earn .....	17
2.6 Assessment Notice in Kebbi State .....	20
2.7 Duties of Appeal Commissioner in Kebbi State .....	23
2.8 Appeal Procedure in Kebbi State .....	24
2.9 Benefit in Kind .....	26
2.10 Steps to Compute the Taxation of an Employee .....	28
2.11 Theoretical Framework .....	31

### **CHAPTER THREE: RESEARCH METHODOLOGY**

<b>3.1</b>	<b>Introduction</b> .....	<b>36</b>
<b>3.2</b>	<b>Research Design</b> .....	<b>36</b>
<b>3.3</b>	<b>Population of Study</b> .....	<b>37</b>
<b>3.4</b>	<b>Research Sampling Techniques</b> .....	<b>37</b>
<b>3.5</b>	<b>Sources of Data</b> .....	<b>38</b>
<b>3.6</b>	<b>Method of Data Collection</b> .....	<b>39</b>
<b>3.7</b>	<b>Method of Data Analysis</b> .....	<b>39</b>
<b>3.8</b>	<b>Method of Testing Hypothesis</b> .....	<b>40</b>

### **CHAPTER FOUR: PRESENTATION AND ANALYSIS OF DATA**

<b>4.1</b>	<b>Presentation of Data Analysis</b> .....	<b>42</b>
<b>4.2</b>	<b>Testing of Hypothesis</b> .....	<b>56</b>
<b>4.3</b>	<b>Summary of Findings</b> .....	<b>62</b>

### **CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMMENDATION**

<b>5.1</b>	<b>Introduction</b> .....	<b>65</b>
<b>5.2</b>	<b>Summary</b> .....	<b>65</b>
<b>5.3</b>	<b>Conclusion</b> .....	<b>67</b>
<b>5.4</b>	<b>Recommendations</b> .....	<b>68</b>
	<b>APPENDIX</b> .....	<b>72</b>

## LIST OF TABLES

TABLE 4.1.1	Age of the Respondents .....	42
TABLE4.1.2:	Size of the respondents .....	43
TABLE4.1.3 :	Educational Qualification of respondents .....	44
TABLE 4.1.4:	Working Experience of Respondents .....	45
TABLE 4.1.5:	Category of staff .....	46
TABLE 4.1.6:	What is your own assessment in the administration of personal income tax in kebbi state? .....	46
TABLE 4.1.7:	What is your own opinion about the system of personal income tax in kebbi state, do you advocate for re- organization? .....	47
TABLE 4.1. 8:	Are you convinced that the tax administrators are trained and qualified for their duties? .....	48
TABLE4.1. 9:	Do you think that there is embezzlement of personal income tax collected by the board of internal revenue officials? .....	48
TABLE 4.1.10:	Is the tax collected used for what it is meant for? .....	49
TABLE4.1. 11:	Do you for see tax evasion and avoidance of any PAYE in kebbi state.....	50
TABLE 4.1. 12:	Are personal income tax payers enlightened on the reasons for paying the tax .....	50
TABEL4.1. 13:	Does the Board strictly adhere to paye laws .....	51
TABLE 4.1. 14:	Do the tax officials need to be motivated in order to boost their morale?.....	52
TABLE4.1. 15:	Do you agree that weak economic base in kebbi state has greatly affect he personal income drive.....	52
TABLE 4.1.16:	Does the implementation of government programs in kebbi state have influence in the collection of personal income tax? .....	53
TABLE4.1. 17:	Do you agree that kebbi state internal revenue service is actualizing is set target?.....	54
TABLE 4.1.18 :	Does the personal income tax administered by the kebbi state internal revenue service embrace nearly all public institution in kebbi state .....	54



TABLE 4.4.1. 19: Do you believe that the PAYE revenue generated and government developmental projects in kebbi state are in concomitant? .....	55
TABLE4.1.20 : Does the PAYE supervision by the government officials have any relationship with the reduction of embezzlement of generated revenue? .....	56
<b>TABLE 15:</b> Do you agree that weak economic bases in Kebbi State have greatly affects the personal income tax drive? .....	58

## **CHAPTER ONE**

### **1.1 Background to the Study**

With the increasing focus on the good corporate governance and emphasis on revenue generation by the government, it is more critical now than ever to comply fully with the law including ensuring that tax filling and payment deadline are met.

This assertion should not be overemphasized when considering a great deal of concerned show by the Board of Internal Revenue when it comes to personal income tax such as PAYE in Nigeria today.

PAYE , being an acronym for Pay As You Earn, it is simply a method collecting personal income tax from employees salaries and wages through deduction at sources by an employer as provided by relevant section of Personal Income Tax Act2011(vanquard2012) it means for raising revenue in order to finance public expenditures such as building of governments state house, construction roads and other form of amenities. Considering this, it is that PAYE must have yield huge amount of revenues to the government, but transparency is one big question in the manner and ways PAYE is remitted

because a number of loopholes exist as to due date of remitting PAYE and the charges made on the level of income from one ministry to another (under payment and over payment )

Therefore, this study is on the appraisal of the impact of PAYE administration and revenue generation in kebbi state with implication for transparent tax administration a case study of Kebbi State Board of Internal Revenue, this study embark on with a view to analytically present the tax mechanism in place especially as it relate to PAYE, the challenges there in and also make recommendation at the end.

## **1.2 Statement of the Research Problems**

This research aimed at appraising the impact of Pay As You Earn PAYE system of revenue generation with special reference to kebbi state

For many years the issue of revenue generation which is one of the income yielding venture have been one aspect of debating thus a large sum of money is being realized.

Despite the important and effect of Pay As You Earn PAYE system of revenue generation in Kebbi with the sole aim of development of the state. The practices which has been widely used in the state is bedeviled with the problems of

Underpayment and over payment of tax by an employee is a serious problem facing Kebbi State Board of Internal Revenue. An overpayment occur when you have paid more tax than you were liable to pay, which constitute serious problem to the Board.

Another problem bedeviling the PAYE administration in Kebbi State Board of Internal Revenue could be lack of in build process of complain and redress, in Kebbi State Board of Internal Revenue there is no appropriate medium of complain mechanism if an employees encounter error in the payment system.

Another problem that is encounter by the Kebbi State Board of Internal Revenue could be lack of transparency in the administration of PAYE, lack of accurate number of employees under the tax administration and the amount or sum generated, this problem is as a

result of lack of adequate supervision and accountability of the tax administration.

### **1.3 Research Question**

- i. How can an employee avoid the inherent problem of overpayment?
- ii. What best complain or redress mechanism should be in place to address employee dissatisfaction?
- iii. To what extent will transparency in the PAYE tax administration enhance the revenue base of the state?

### **1.4 Objectives of the Study**

- i. To determine the possible solution to the inherent problems of paying too much or too little by employee and tax authority respectively.
- ii. To examine the extent to which transparency in the PAYE tax administration will enhance the revenue base of the state.
- iii. To ascertain the most appropriate medium for complain and redressing the problem of under and over payment of PAYE.

## **1.5 Research Hypotheses**

- i. That the employee can avoid the inherent problems of paying too much or too little by bridge the gap of payment between the employees and tax authority.
- ii. That in build systemic PAYE redress mechanism should be in place to address employee dissatisfaction.
- iii. That adoption transparency in the PAYE tax administration will enhance the revenue base of the state.

## **1.6 Significance of the Study**

This research work is of great significant not only to the Board of Internal Revenue Kebbi State but also to other similar Boards in Nigeria as it will be of great aid to the theoretical and policy formulation framework of tax administration especially PAYE system of internal revenue generation of the state. It will also richly benefit the revenue sources analysis of the authority to discover how best it can effectively discharge it duties.

In general, this work will provide the needed knowledge about the revenue generation machinery so as to erase or minimize any possibility of ignorance on the part of the employees and correct in appropriate computation on the part of the PAYE administration.

The study should be significant to Kebbi state Internal Revenue services and its staff in particular to effectively carryout an error free PAYE administration.

### **1.7 Scope and Limitation**

The scope of the researcher is essentially on appraisal of the impact of PAYE administration on Internal Revenue generation in Kebbi State a case study of Kebbi State Board of Internal revenue.

In the process of carrying out a research work like this, there are some constraints faced by the researcher, first and foremost is finance, the meager resources of fund cannot all go for this purpose and extra income is no longer forth coming. It is also important to note that the researcher is required to complete the study within a very few months while he is also engage in many academic routines.

Another important limitation is the inability to obtain some important document from the Kebbi State Board of Internal Revenue and lastly, inadequate access to relevant journals and magazines that will help in this research effort was also encounter of.

## **1.8 Definition of Terms**

For the purpose of this work, the following terms are to be understood in the sense in which we defined them.

**Tax** (From the Latin Taxo means estimate) is to impose a financial charge or other levy impose on a tax payer (individual or legal entity) by a state or the functional equivalent of a state such that failure to pay is punishable by law. Tax may be define as a peculiar burden laid upon individual or proper owners to support the government . a tax is not voluntary or donation but an enforce contribution exacted pursuant to legislative authority.

**Tax Payer;** is a person who is subjected to or liable to tax. It can also be seen as any person or organization require by law to pay a tax on governmental authority. The word person here refers to both individual and corporation.



**Revenue generation;** This refers to all monetary receipts accruing to the local government from both tax and non tax sources (NDAN2007;22) it connotes the totality of money available to state for effective execution of their obligation to its citizens according to Denga (2008), it is the nominal income of government receivable during the period of financial year and any sum of money received by the government other than every pay operation such as grant, subvention, and sell of property etc

**Pay As You Earn (PAYE)** is withholding tax on income payment to employees, amount withheld are treated as advance payment of tax due. PAYE may also include withholding the employee portion of insurance contributions or similar social benefit taxes. PAYE is deducted from each pay check by the employer and must be remitted promptly to government

**Personal Income Tax;** the legal basis for this tax is found in the provisions of the personal Income Tax Decree (now act) 104 of 1993

Every tax payer in Nigeria is liable to pay tax on the aggregate amount of his income whether derived from within or outside

Nigeria, the salaries, wages, fees allowance and other gains or benefit given or granted to an employee are chargeable to tax.

Director **Employer**; The person or organization directed by tax authority on prescribe form to operate on the emolument of his employee

**Tax Incidence**; Tax incidence is about who pay or bear the final tax burden.

**Tax Avoidance**; tax avoidance is a practice of using legal means to pay the least amount of tax possible. This is different from tax evasion which is the practice of using illegal methods to avoid paying tax.

**Revenue**; revenue may refers to business income in general or it may be refers to the amount in monetary unit received during a period of time.

**Administration**; This include planning, organizing, staffing, leading directing and controlling and organizing to accomplish set goal.

**Free Pay Allowance;** Employees attainment under the personal income tax such as children allowance.

**Total Pay;** is the sum of all payable to employees during any remuneration period mounding all allowances, bonuses, acting allowance, commission.

**Monthly remittance;** Is the total tax collected collected during the month from pay of employees which is payable to the Board of Internal Revenue.

### **1.9 Scheme of Chapters (Chapterisation)**

This research work is generally categorized in to five chapters, chapter one which is the introductory, consist of the background of the study, statement of the research problem, research question ;aims and objectives of the study, research hypotheses, significance of the study, scope and limitations and scheme of chapters (chapterisation)

The chapter two which is the literature review and theoretical framework consist of literature related to the study which comprises

of the introduction to the chapter, conceptual definition of PAYE, Administration of PAYE, and lastly the summary of the chapters.

The chapter three of this work is the methodology; it is devoted to the introduction to the chapter, research design, historical background to the study, population and sample size of the study, research sampling techniques, sources of data method of data collection and method of testing its hypotheses

The chapter four which is the presentation of data and analysis comprises of the introduction to the chapter, testing of hypothesis and summary of findings.

Conclusively chapter five which is the final title the summary, conclusion and recommendation; its consist of the summary of work recommendation and lastly conclusion.

## **CHAPTER TWO**

### **LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

#### **2.1 Introduction**

This chapter intends to review relevant materials related to the research topic, the review will be based on an existing literature, magazines, textbooks journals, and government publications that have been written especially on this research topic.

#### **2.2 Conceptual Definition of Taxation**

The term taxation has been defined both conceptually and operationally by different scholars, enabling laws and the conferences of different levels of government. Some of the definitions are as follows:

Taxation can be define according to Ola ( 1987) as the demand made by the government of a country for compulsory payment made by each eligible citizen towards the expenditure of the state.

Tabasi (1997) says, taxation is a levy imposed by the government against the income, profit or wealth of the individual, partnership and corporate organization.

Finance (miscellaneous provisions) Decree 1992 and the finance (miscellaneous provision) Degree 1997 define taxation as the compulsory levy or contribution that is imposed by the government on the resident in the country. Since it is a compulsory payment made either directly or indirectly refusal to comply becomes an offence, which attracts punishment.

Taxation are the actual levying and collection of money by a public authority with jurisdiction (power) to collect. Taxation is a compulsory levy imposed by the government of any country on the income or wealth of the individual whose attain the age of 18 years and corporate bodies.

International Encyclopedia of Social Science defines taxation as a device use by the government to extract money or other valuable things from the individual or organization.

Taxation can be define as the compulsory contribution imposed by a public authority irrespective of the amount of service rendered to the tax payer in return

### **2.3 Definition of Pay AS You Earn( PAYE)**

There are different types of taxation ranging from income tax, corporation taxation, capital gain tax etc. but my major concern here as far as this work is concern is the personal income tax under which i will lay emphasis on pay as you earn (p- a-y-e) system of revenue generation.

PAYE is a system of income withholding that requires employers to deduct income tax, and in some case, the employee portion of social benefit taxes, from each paycheck delivered to employees. The pay as you earn system requires that employers then must remit the deducted amount to the proper government authority.

Investopedia http:// [www.investopedia.com](http://www.investopedia.com)

Pay as you earn (PAYE) system is a method of paying income tax whereby your employer deducts tax from your wages. This means that you pay tax over the whole year, each time you are paid,

and your employer is responsible for sending the tax on to HM revenue and customs (HMRC) which means is the government department which is responsible for collecting (VAT) revenues, custom Duties. Understanding pay as you earn (PAYE) <http://www.thesite.org>.

Pay as you earn are method by which an employees pay income tax on his earning from employment and other sources in twelve monthly installment over the year. It is not tax separate or different from personal income tax.

The deduction are made in twelve monthly installment over the year at a prescribe rate from an employee's income at the source payment, the employer is the agent of the government who is empowered to deduct tax from employee's salaries and the tax deducted is calculated by reference to the gross by before any deduction (pit) law no 104 of 1993(as amended to date).

Seyi Ojo (2003) referred pay as you earn (PAYE) as a taxation of employees, that PAYE scheme is such that is deducted from the income of an employee at sources. The tax deducted is then remitted



direct to relevant tax authority on a monthly basis. Muhammad Dan’ige (2005) define pay as you earn as a system of revenue generation whereby tax is deducted at a certain rate from an employment income at the sources payment. Employment income usually includes,

- a) Salaries and wages.
- b) Allowance e.g Housing transport, leave grant etc.
- c) Pension and gratuity.
- d) Bonus and commission.
- e) Benefit in kind or requisites

Pay as you earn can also be define as a situation whereby the employers deduct tax every month from their employees salaries or wages at the time of payment on behalf of the revenue authorities of the state on a monthly basis Umar Lawal ( 2006).

#### **2.4 Features of Pay as You Earn (PAYE)**

Ojo2003 enumerated the features of pay as you earn as follows

- An employer with not less than five staff is expected to register for PAYE.
- The employer is the unpaid agent of the relevant tax authority
- The employee completes the standard personal allowance form and submits to the employer who then files it with the relevant tax authority
- The relevant tax authority will issue tax free pay allowance certificate for each in the PAYE computation.
- The tax due from employees should be deducted at the sources by the employer.

## **2.5 Administration of Pay As You Earn**

Employers of labor are expected to use these PAYE guidelines as the standard for making tax deduction and tax payment to tax offices in respect of their employees on monthly basis.

The guidelines apply to all incomes (i.e. employment which include salary and allowances of employees derived or deemed to be

derived from Nigeria whether or not such income is received in Nigeria).

All employers of labor, agent and consultant should ensure that all employees make full disclosure of their income at the beginning of the year (whether or not such income is received in Nigeria or not) when tax forms 'a' are completed by them before returning the same to the tax office.

Such disclosure should encompass as required by the law all incomes earned, accruable derived or accumulated in Nigeria and outside Nigeria as well as full disclosure of all salaries and allowances paid in either in cash or in kind.

Employer of labor, tax agent and consultants and employees who engage in incomplete disclosure of income are liable to being charged for concealment of information with intent to defraud the government of the state and Nigeria, an act chargeable under the criminal code of Nigeria Legal Basis and Administration of PAYE.

The legal basis for the imposition of personal income tax in Nigeria is the personal income tax act, 2004 of 1993 as amended (pita) or the act”.

The act vests the administration of the pit on the (JTB),joint Tax Board state board of internal revenue in the respective states and Federal Inland Revenue services (FIRS) for residents of the fct Abuja.

The ministries, extra ministerial department and parastatals with the jurisdiction of kebbi state perform the function of deducting tax from their employees’ salaries and wages monthly on behalf of the revenue boards and submitted the tax amount to the board for proper administration.

The pay as you in Kebbi state covers such areas as salaries wage, bonuses, and commissions of the employee on account of his employment but excluding the following:

1. Luncheon vouchers where they are not transferable

2. Cost of meals provided to employees at a staff canteen, either free of charge or subsidized.
3. 3. Provision of uniforms, overalls or other protection clothing to employees are not taxable.

## **2.6 Assessment Notice in Kebbi State**

This assessment notice is the statutory notification to an individual chargeable tax payer of his/her income tax liability. These notices show the year of assessment of which tax is payable and is addressed to the individual tax payer stating that it contains an application for the payment of tax, the time upon which the notice is deemed to have been served and the time within which either tax must be paid or notice of objection.

In kebbi state the assessment notices is prepared in quadruplicate for distribution as follows.

- Original copy is sent to the tax payer
- Duplicate copy is filed on tax payer's file
- Triplicate copy is embodied on the assessment list.

- Quadruplicate copy is sent to the computer room for processing
- Quadruplicate is sent to the collection section

**Assessment Procedure in Kebbi State** for each year of assessment, a taxable shall without notice or demand file a turn of income in the prescribed information with the relevant tax authority of the state in which he is resident or deemed to be resident together with true and correct statement in writing containing:

- a. The amount of income from each and every sources of the year preceding the year of assessment, and such other particulars as may be finished under reforms.
- b. Personal particulars and claims to capital allowances and personal relief as appropriate
- c. The declaration that the return is true and correct statement of income and that the particulars given are true and complete.

The declaration must be signed by or on behalf of the taxable person shall file the returns within 90 days from the

commence of every year. A taxable person shall not file a return if his income is under N5, 000.00 the relevant tax authority may give notice in writing to any person when and often as it think necessary requiring him to deliver within reasonable time failure or refuse to keep books or account adequate for tax purposes, the relevant tax authority may require such person to keep such records, books and accounts.

Any direction of the relevant tax authority with regard to these provisions may be objected to and subject to appeal in like manner as any assessment. On hearing such appeal, the commission may conform or modify such direction. The decision of the appeal commissioner is not the final appeals.

Under the provision of section 53 (1) of ITMA, cap 60 1990. The minister or commissioner may establish by notice in the federal / state gazette, a body known as the appeal commissioners.

The body of appeal commissioners shall consist of not more than twelve (12) persons none of whom shall be designated as chairman among themselves.

## **2.7 Duties of Appeal Commissioner in Kebbi State**

Although there is not specific law that make provision of appeals and duties of appeal commissioners in kebbi state in particular, but there are provisions of constitutions that vests power to each and every state to appoint appeal commissioner to perform their following duties section 53 (1) of the ITMA, cap 60; 1990:

- a) Shall receive from taxable person's application to file an appeal against the assessment.
- b) Submit such applications to before the appeal commissioners
- c) Communicate decision of the appeal commissioner to such applicants
- d) Shall receive a copy of notice appeal and list such appeal for hearing.
- e) Received all the notice or documents to be given to appeal commissioner.



## **2.8 Appeal Procedure in Kebbi State**

It shall notice that the issue of a notice of refusal, or an amendment notice of assessment or of a notice of revised assessment accompanied by a notice or refusal, does not give that tax payer the right for further objection.

The only remedy open to him is an appeal to the appeal commissioners a body constituted under, section 53 of ITMA 1990 and section 6 (1) of PTID 1993. The appeal against the assessment may be made within 30 days from the date of service of the notice of refusal to amend the disputed assessment. All appeal shall be in the first instance, be to the body of appeal commissioners, or there after to the high court of appeal supreme court as the final arbiter. There are limitations of further appeals where amounts involved are not above certain range.

### **Hearing appeal**

Any three or more appeal commissioners may hear and decide the chairman of the body of appeal commissioners shall preside, and where the chairman is absent, the appeal commissioners shall elect

one of the members to be the chairman for the meeting. The commissioners may reduce and increase assessment if deemed.

### **Discontinuance of appeal**

The taxable individual; may discontinued any appeal by him of giving notice to the secretary to the appeal commissioners in writing at any time before the hearing of such appeal.

### **Appeal against the decision of the appeal commissioners in Kebbi state**

Usually in kebbi state an individual aggrieved by the decision of the appeal commissioner may within 30 days after the date on which such was given appeal against the decision on a point of law to the federal high court by giving notice in writing to the secretary to the appeal commissioners, such notice shall set out all grounds of law which the decision is being challenged. If the board is dissatisfied with the decision of the appeal commissioners, it may be giving notice in writing 30 days of the date of the decision of the appeal commissioners. Further appeal against the high court shall lie with

the federal court of appeal and from there is to the Supreme Court which is the final arbiter

## **2.9 Benefit in Kind**

Who is likely to be affected? Employers, Employees, Payroll providers, software providers.

General description measure, will introduce primary legislation to allow (HM) revenue and customs (HMRC) to make changes to the Pay As You Earn (PAYE) Regulation to provide for voluntary pay rolling of benefit in kind (BIK)

Pay rolling benefit provides the opportunity to remove or reduce employers' obligation to send returns to HMRC in Kebbi State Board of Internal Revenue, it can also make the system taxing BIK easier for employees to understand and more efficient at collecting the right amount of tax in real time

This clause amends the income Tax (earning and pension ) ACT 2003 (ITEPA 2003) to provide power to commissioners of HM Revenue and customs ( the commissioner ) to make regulations to

collect income tax o specified in kind through Pay As You Earn(PAYE)

Detail of the clause.

Subsection 1 and 2 insert new section IZA into section684 (PAYE regulation of ITEPA2003)

1 New provision IZA (a) provides that the commissioners may make regulation to authorized an employer to deduct or repay income tax through PAYE where the employer provides an amount to an employee that is charged to tax under the benefit code 3 of ITEPA2003.

1 New provision IZA (b) provides for the regulation to specify the time at which any deduction or repayment are to be made.

2 New provision IZA (c) provides for the regulation to specify how many deduction or repayment is to be calculated

3 New provision IZA (d) provide a power for the benefit to be treated as PAYE income for the purpose of the regulation

## **2.10 Steps to Compute the Taxation of an Employee**

Ojo (2003) designed the steps that steps need to be taken in the computation of taxation of an employee as follows:

STEP 1: Determine the basis salary chargeable to tax. This is best on the number of months spends at work in the year, especially where an employee has joined a new employment or where there has been a review of salary or promotion on the same job.

STEP 2: Determine the allowance chargeable to tax in accordance with the provision of the law.

STEP 3: collate the chargeable income and determine the total earned income

STEP 4: Identify the unearned income chargeable to tax on the proceeding year basis. This should be reported gross withholding tax.

STEP 5: sum of the balance in step 3 and 4 to obtain the statutory income

STEP 6: Determine the general charges, if applicable

STEP 7: Determine the statutory total income by taking step 6 for step 5

STEP 8: Determine the relief available to the employee such as personal, children dependent relatives, and other personal allowances

STEP 9: Determine the income chargeable to tax by deducting the total in step 8 from step 7

STEP 10: Complete the tax payable by applying the table for personal income tax rate.

Format for computing tax payable by an employee

Earned income	n	n
Basic salary	x	
Housing allowance	x	
Transport allowance	x	
Pension allowance	x	
Leave allowance	x	
Total employment income	x	

Other earned income	x	xx
Earned income	x	
Interest	x	
Divided	x	xx
Rent	x	xx
Statutory total income	x	xx
Less general charged		(x)
Net statutory total income		xx
Deduct		
Personal allowance	x	
Children allowance	x	
Dependent relative allowance	x	
Life policy allowance	x	
Donation r and d allowance	x	
Investment r and d allowance	x	
Chargeable total taxable profit	x	

## 2.11 Theoretical Framework

Among other theories, the researcher has chosen the optimal Theory” for which reasons might be outlined in this chapter.

The theory of optimal taxation: the standard theory of optimal

Taxation posits that a tax system should be chosen to maximize a normal welfare function subject to a set of constraints. The literature optimal taxation typically treats the social planner as a contrarian; that is the social welfares function is based on the ties of individuals in the society.

The researchers begin with a brief overview of how economist work about optimal tax policy, based largely on the foundational work of Ramsey (1927) and Mirrless (1971). I then put forward eight general lessons suggested by the optimal tax theory as it has developed in recent decades;-

1. Optimal marginal tax rate schedules depend on the distribution of ability.



2. The optimal marginal tax schedule could decline at high incomes
3. A flat tax, with a universal lump-sum transfer, could be close to optimal.
4. The optimal extent of redistribution rises with wage inequality.
5. Taxes should depend on personal characteristics as well as income.
6. Only final goods ought to be taxed, and typically they ought to be taxed uniformly.
7. Capital income ought to be untaxed, at in expectation and
8. In stochastic dynamic economics, optimal tax policy requires increased sophistication

For each of this lesson, I suppose to discuss its theoretical underpinnings and the extent to which it is consistent with actual tax policy but a work of this nature will necessitate me to pick only one which is the “taxes should depend on personal characteristic as well as income.

Because in previewing my conclusions, I find that there has been considerable change in the theory and practice of taxation over the past several decades-although the two paths have been far from parallel. Overall, tax policy has moved in the directions suggested by theory along new dimensions, even though the recommendations of theory along these dimension are not always definitive. In particular, among organization for economic coordination and development countries, top marginal rates have are more uniform and are typically assessed on final goods. However, trends in capital taxation are mixed, and rates still are well above the zero level recommended by theory. Moreover, some of theory's more subtle prescriptions, such as taxes that involve personal characteristics, asset-testing, policy remain; the harder question is whether policymakers need to learn more from theorist, or the other way around. Both possibilities have historical precedents.

Optimal taxes should depend on personal characteristics as well as income is one of the issues to be discussed here as it concerns this work.

Mirrless (1971) identified the heart of the problem of tax design to be the tax authority's lack of information about individual abilities. He assumed that the tax authority would use income as the only indicator of ability but he recognized that many more indicators could be used "one might obtain information about a man's income-earning potential from his apparent IQ; the number of his degrees; his address, age or colour; but the natural, and one would suppose, the most reliable, of his income earning potential in his income".

Akerlof (1978) soon showed that those other indicators were potentially important, both theoretically and empirically, he coined the term "tagging" to describe the use of taxes that are consequent on personal characteristics, and he formally demonstrated that the use of tagging might improve on an income-based tax system.

To simplify the problem facing the social planner, it is often assumed that everyone in society has the same preferences over, say consumption and leisure. Sometimes this homogeneity assumption is taken one step further by assuming the economy is populated by completely identical individuals. The social planner's goal is to choose the

tax system that maximizes the representative consumer's welfare, knowing that the consumer will respond to whatever incentive the tax system provide.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter intends to highlight the set of methods employed in the conduct of this work. The research methodology as the name implies means various methods which are employed or administered in conducting research projects.

The chapter consists of research design, Population of the study, research sampling technique, sample size of the population, sources of data, method of data collection and lastly the method of testing hypotheses.

#### **3.2 Research Design**

The research in this study shall be conducted by means of survey design, this is purposely to generate necessary data and for a full explanation of the study of an appraisal of the impact of PAYE administration on internal revenue generation in Kebbi State.

The research shall equally be conducted to cover the employees on PAYE in Kebbi State. During the process, a sample is to be taken from the population in order to gather the relevant data that is required. The reason for choosing survey method is to clear away bias, defectiveness and inaccuracy in arriving at the objectives, systematic and dependable knowledge and information capable of answering the research questions or hypotheses.

### **3.3 Population of Study**

The Kebbi State entire public sector employee strength is estimated to be about thirty thousand (30,000) are the population of the study. In view of the foregoing therefore, due to some constraints, a sample size of three hundred (300) respondents from among the population will be administered.

### **3.4 Research Sampling Techniques**

Random sampling or probability sampling, in this type of sampling technique each member of the population has 50-50 equal chance of being selected as a sample subject.

Deriving from the forgoing therefore, 10% of the total population is use which can also be mathematically represented as thus:-

$$\frac{10 \times 30,000}{100} = 3000$$

### **3.5 Sources of Data**

**-PRIMARY SOURCE OF DATA:-**This type of data source is the one used in this research work, it is to be the data which are directly collected from the employees of Kebbi State (i.e. the target population) although the questionnaires will be administered and personal interviews will be conducted by the researcher. This include administering questionnaires to the employees who are to be randomly select.

**- SECONDARY DATA:-** This is another source of data to be used in this research also, these are the data's which will be collected from relevant literatures, reports, and record etc, written by individual group of people organizations, which are used for the

purpose of reference. There fore in the research work the sources of data are considered as the primary and secondary sources) this include administering questionnaires to the employees and who are to be randomly select and relevant literatures.

### **3.6 Method of Data Collection**

The method of data collection to be used in this research work is the questionnaire. Therefore (300) questionnaires are to be distributed to the randomly selected employees of Board that are affected by the system of pay as you earn system of revenue generation.

The questionnaires are design in such a way that it interprets the research hypotheses and also the research objectives. The questions are in a short form of a merely yes or no, and where appropriate make short comments.

### **3.7 Method of Data Analysis**

In other to make the analysis of data very clear, more precise and brief, all the relevant data gathered in the course of this research



work will be analyzed in detail through the use of tables as well as percentages

### 3.8 Method of Testing Hypothesis

In the process of testing the hypothesis of the research work, the researchers intend to use the chi-square.

The chi-square method from the Greek letter  $\chi^2$  is the frequently used in testing a hypothesis concerning the difference between a set of observed frequencies of sample and a corresponding set of expected or theoretical frequencies. A chi-square is a sample statistic. It is computed as follows:

$$\chi^2 = \sum \frac{(FO - Fe)^2}{Fe}$$

i.e

Where fo = means on observed frequency

Fe = stand for an expected frequency

$\Sigma$  = stand as a symbol meaning “the sum of

$\chi^2$  = stand as chi- square (chi- Greek letter)

This formula says that chi- square or  $\chi^2$ , is the sum we will get if we;

Firstly            subtract  $f_0$  from  $f_e$

Secondly    -    square each of the difference

Thirdly            divide each square difference by  $f_e$

Fourthly            sum all the answers

While in calculating the number of degree of freedom we use  
this formula:  $df =$

Where  $r$  stands for the number of rows  $c$  means number of  
columns

## CHAPTER FOUR

### PRESENTATION AND ANALYSIS OF DATA

#### 4.1 Presentation of Data Analysis

The researcher in his quest to collect the relevant data to this research work have distributed (300) copies of questionnaires at random to selected staff of Kebbi state `Board of Internal Revenue in which (203) questionnaires were filled and returned to the researcher by the respondents. While 76 questionnaires are withhold by the respondents. All data used in this research work are drawn from these responses of the selected staff.

Though the questionnaires is segmented into section ‘A’ and ‘B which can be presented and analyze below.

**TABLE 4.1.1** Age of the Respondents

Response	No Respondents	Percentage (%)
20-29	80	39.4
30-39	40	19.7
40-49	43	21.2
50 above	40	19.7
Total	203	100

Source: Questionnaire Administered 2015

From the table 4.1.1 above, 80 respondents representing 39.4% were 20-29 of age, 40 respondents representing 19.7% were 30-39 age and 43 respondents representing 21.2% were 40-49, while 40 respondents representing 19.7% were 50 and above age respectively.

**TABLE 4.1.2:** Size of the respondents

Response	No of response	Percentage (%)
Male	153	75.4
Female	50	24.6
Total	203	100

Source: Questionnaire Administered 2015

From the table 4.1.2 above, it shows that total number of male were 153 amounting to 75.4%, while the female were 50 which amounting to 24.6% from the above table it shows that the majority of the respondents are male

**TABLE4.1.3** : Educational Qualification of respondents

Response	N of Respondents	Percentage (%)
Post Graduate	25	12.3
Bsc (HND)	40	19.7
Diploma/ NCE	58	28.6
S. S. C E	20	9.8
Others	60	29.6
Total	203	100

Source: Questionnaire Administered 2015

From the table 4.1.3 above, 60 respondents out represented by 29.6% have other qualification, diploma has 58 respondents represented by 28.6% 40 of 19.7% were Bsc/ HNd, the post graduate holders were 25 represented by 12.3 while out of the total numbers 20 respondent represented by 9.8% were s.sce level.

**TABLE 4.1.4: Working Experience of Respondents**

Response	No of Respondents	Percentage (%)
1 year- 9 month	35	17.3
10-19 years	48	23.6
20-29 years	70	34.5
30-above	50	24.6
Total	203	100

Source: Questionnaire Administered 2015

Table 4.1.4 about shows that 70 respondents represented by 34.5% have 20-years of work experience, 50 represented by 24.6 were of 30 and above, in the same view 48 out of the respondents represented by 23.6 have 10-9 years working experience while 35 of them represented by 17.3 have 1 year 9 months- work experience.

TABLE 4.1.5: Category of staff

Response	No of Respondents	Percentage (%)
Top Management	58	28.6
Middle level management	61	30.0
Ancillary Staff	84	41.4
Total	203	100

Source: Questionnaire Administration 2015 From the table 5.1.5 above, 84 respondents represented by 41.4 were ancillary staff, while 61 and 58 respondents represented by 30.0 and 28.6 constitute top management and the middle level management respectively.

**TABLE 4.1.6:** What is your own assessment in the administration of personal income tax in kebbi state?

Response	No of respondents	Percentage (%)
Good	90	44.3
Fair	82	40.4
Poor	31	15.3
Total	203	100

Sources Questionnaire 2015

From the table 6 above, 90 respondents representing 44.3% opted for good, administration, 82 at the other hand representing 40.4% viewed it to do be fair administration while 31 respondents representing 15.3% opted for poor administration of personal income tax in kebbi state.

**TABLE 4.1.7:** What is your own opinion about the system of personal income tax in kebbi state, do you advocate for re-organization?

Response	No of respondents	Percentage (%)
Yes	193	95.1
No	10	4.9
Total	203	100

Source : Questionnaire administered 2015

Table 4.1.7 above shows that 193 respondents representing 95.1% were of the opinion that there should be re – organization while 10 respondents represented by 4.9% did not support the re-organization of the personal income tax in the state.



**TABLE 4.1. 8:** Are you convinced that the tax administrators are trained and qualified for their duties?

Response	No of Respondents	Percentage (%)
Yes	33	16.3
No	170	83.7
Total	203	100

Sources : Questionnaire Administration 2015

From the above table4.1.8 170 respondents representing 83.7% were not convincing that they are trained and qualified for their duties while 33 respondents representing 16.3% were convinced.

**TABLE4.1. 9:** Do you think that there is embezzlement of personal income tax collected by the board of internal revenue officials?

Response	No of respondents	Percentage (%)
Yes	81	39.9
No	122	60.1
Total	203	100

Source: Questionnaire administration 2015

Table 4.1.9 above shows that 122 respondents representing 60.1% said there is no embezzlement of the income tax while 81 of 39.9% were of the view that, there is embezzlement.

**TABLE 4.1.10:** Is the tax collected used for what it is meant for?

Response	No of respondents	Percentage (%)
Yes	72	35.5
No	131	64.5
Total	203	100

Source: Questionnaire administration 2015

Table 4.1.10 above have an indication that 131 respondents representing 64.5 did not accepted that tax are used for what it is meant for while 72 respondents representing 35.5% agreed on that.

**TABLE4.1. 11:** Do you for see tax evasion and avoidance of any PAYE in kebbi state

Response	No of respondents	Percentage (%)
Yes	171	8.2
No	32	15.8
Total	203	100

Source: Questionnaire administration 2015

The table 4.1. 11 above shows that 171 respondents representing 84.2% agree to collect tax evasion and avoidance by tax payer in kebbi state 32 respondents representing 15.8% did not agree with concord with that.

**TABLE 4.1. 12:** Are personal income tax payers enlightened on the reasons for paying the tax

Response	No of respondents	Percentage (%)
Yes	12	5.9
No	191	94.1
Total	203	100

Source: Questionnaire Administered 2015

From table 4.1.12 above, 191 respondents representing 94.1% said no that the tax payers were not enlightened while 12 respondents representing 5.9% say yes they were enlightened.

TABEL4.1. 13: Does the Board strictly adhere to paye laws

Response	No of respondents	Percentage (%)
Yes	170	83.7
No	23	16.3
Total	203	100

Source: Questionnaire Administered 2015

From the table4.1. 13 above, 170 respondents representing 83.7% says the PAYE law in kebbi state is rigid while 33 respondents representing 16.3 divined that the laws are not rigid.

**TABLE 4.1. 14:** Do the tax officials need to be motivated in order to boost their morale?

Response	No of respondents	Percentage (%)
Yes	199	98.0
No	4	2
Total	203	100

Source: Questionnaire Administered 2015

The above table 14 shows that 199 respondents representing 98.0 whole heartedly agree that the officials need motivation to boost their morale while 4 respondents out of 203 representing 2% did not agree to that belief.

**TABLE4.1. 15:** Do you agree that weak economic base in kebbi state has greatly affect he personal income drive

Response	No of respondents	Percentage (%)
Yes	192	94.6
No	11	5.4
Total	203	100

Source: Questionnaire Administered 2015

From table 4.1.15 above, 192 respondents representing 94.6% agreed that weak economic base of kebbi has greatly affect the

personal income tax while 11 respondent representing 5.4% do not agree.

**TABLE 4.1.16:** Does the implementation of government programs in kebbi state have influence in the collection of personal income tax?

Response	No of respondent	Percentage (%)
Yes	91	44.8
No	112	55.2
Total	203	100

Source: Questionnaire Administered 2015

Table 4.1.16 above shows that 112 respondents representing 55.2% do not agree that the government implementation have influence on the collection of income tax while 91 respondents representing 44.8% agree on that.

**TABLE4.1. 17:** Do you agree that kebbi state internal revenue service is actualizing is set target?

Response	No of respondents	Percentage%
Yes	101	49.7
No	102	50.3
Total	203	100

Source: Questionnaire Administered 2015

From the table 4.1.17 above, 102 respondents representing 50.3% do not agree that huge amount is realized as tax in kebbi state while 101 respondents representing 49.7% were of the view that huge amount of money is been realized.

**TABLE 4.1.18 :** Does the personal income tax administered by the kebbi state internal revenue service embrace nearly all public institution in kebbi state

Response	No of respondents	Percentage (%)
NO	51	25.2
YES	152	74.8
Total	203	100

Source: Questionnaire Administered 2015

Table 4.1. 18 above shows that 152 respondents representing 74.8% said the administered of income tax does not embraces all aspect of life of people while 51 respondents representing 25.2% agreed with the assertion.

**TABLE 4.4.1. 19:** Do you believe that the PAYE revenue generated and government developmental projects in kebbi state are in concomitant?

Response	No of respondents	Percentage (%)
Yes	31	15.3
No	172	84.7
Total	203	100

Source: Questionnaire Administered 2015

Table 4.1.19 above indicates that 172 respondents representing 84.7% opinion that there is no concomitant with government projects and the revenue generated while 31 respondents representing 15.3% agree on the concomitant.



**TABLE4.1.20** : Does the PAYE supervision by the government officials have any relationship with the reduction of embezzlement of generated revenue?

Response	No of respondents	Percentage (%)
Yes	97	47.7
No	106	52.3
Total	203	100

Source: Questionnaire Administered 2015

From the table 4.1.20 above, 106 respondents representing 52.3% in any positive relationship between supervision and reduction in the embezzlement of revenue generated, while 97 respondents representing 47.7% agree that there is positive relationship between supervision and reduction in the embezzlement.

#### 4.2 Testing of Hypothesis

Usually the value of a statistic gathered from the sample data is compared with the hypothesized value of the population parameter. based on this, if the data are consistent with the hypothesis we concluded that the hypothesis is reasonable and

therefore accepted, but if there is big discrepancy between the data and hypothesis we concluded that the hypothesis is wrong and it is rejected for that reason.

In an attempt to test all the two (2) hypothesis of the research work, two (2) items in the questionnaires were selected and used. This is because the responses given by the respondents can be directly or indirectly answer the hypotheses theoretical question of the research word.

As state in chapter three, the statistical formula to be used to test these hypotheses is chi-square which is as follow:

$$X^2 = \sum \frac{(F_0 - F_e)^2}{F_e}$$

Furthermore, all the hypotheses are to be tested on the bases of 5% level significance which is equal to 0.05.

TEST 1:

**TABLE 15:** Do you agree that weak economic bases in Kebbi State have greatly affects the personal income tax drive?

Responses	Yes	No	Total
Those for	192	—	192
Those against	—	11	11
Total	192	11	203

Source: Questionnaire Administered 2015

Rc	Fo	Fe	(fo – fe)	(fo – fe)	$\frac{(fo - fe)}{Fe}$
1-1	192	181.6	10.4	108.16	<u>0.5</u>
1-2	0	10.4	-10.4	108.16	<u>10.4</u>
2-1	0	10.4	-10.4	108.16	<u>10.4</u>
2-2	11	0.6	10.4	108.16	<u>180.2</u>
Total					<u>201.5</u>

$$Fe = (ct) (rt)$$

At

$$\underline{Fe1 = 192 \times 192 = 181.6}$$

203

$$\underline{Fe2 = 11 \times 192 = 10.4}$$

203

$$\underline{Fe3 = 192 \times 11 = 10.4}$$

203

$$\underline{Fe4 = 11 \times 11 = 0.5}$$

203

Calculate value 0.5

In order to calculate the critical value, we will use the formula

below:

$$Df = (c - 1) (r - 1)$$

Where df = degree of freedom

c = total number of column

r = Total number column

$$Df = (c - 1) (r - 1)$$

$$= (2 - 1) (2 - 1)$$

$$= (1) (1)$$

Testing on 5% level of significance critical value = 1

$$1 < 0.5 \quad = 3.841$$

Therefore, considering the fact that calculated value which is 0.5 is greater than the critical value 3.441 that is 0.5 is greater we therefore accept the alternative and reject the null hypotheses.

### **TESTING 2:**

Table 20: Does the PAYE supervision by the government officials have any relationship with the abolition or reduction of embezzlement of generated revenue?

Responses	Yes	No	Total
Agreed	106	-	106
Disagree	-	97	97
Total	106	97	203

Source: Questionnaire Administered 2015

### Contingency Table

Rc	Fo	Fe	(fo – fe)	(fo – fe)	$\frac{(fo - fe)}{Fe}$
1-1	106	55.4	50.4	2540.16	<u>45.8</u>
1-2	0	50.6	-50.4	2540.16	<u>50.2</u>
2-1	0	50.6	-50.4	2540.16	<u>50.2</u>
2-2	97	46.4	50.4	2540.16	<u>54.7</u>
Total					<u>200.9</u>

fe (ct) (rt)

GT

$$\underline{Fe1 = 106 \times 106 = 55.4}$$

203

$$\underline{Fe2 = 97 \times 106 = 50.6}$$

203

$$\underline{Fe3 = 160 \times 97 = 50.6}$$

203

$$\frac{Fe_4 = 97 \times 97 = 46.4}{203}$$

$$\frac{\sum(F_0 - Fe)^2}{Fe} = 200.9$$

Calculate value = 200.9

In order to calculate the critical value, we will use the formula below:

$$Df = (c - 1) (r - 1)$$

$$= (2 - 1) (2 - 1)$$

$$= (1) (1)$$

Testing on 5% level of significance

Critical value = 1

$$1 < 0.05 = 3.841$$

### **4.3 Summary of Findings**

As mentioned earlier that this chapter deal with the presentation of data analysis as well as testing hypothesis, it is

important to remember that two hypotheses have been put forward in the conduct of this work and their result obtained.

Based on the result obtained, it shows that the calculated value of the entire hypothesis is greater than their critical value that is  $201.5 > 3.841$ .  $200.9 > 3.841$  respectively.

Therefore, it has to be concluded that all the two (2) hypotheses are accepted as alternative rather than null hypotheses

## **MAJOR FINDING**

The study was conducted to appraise the impact of PAYE administration on internal revenue generation in kebbi state.

Based on the data collected and analyzed in this work, it has been discovered that an appraisal of the impact of PAYE administration on internal revenue generation in kebbi state bears the following;

- i. It has been discovered that the board of internal revenue have a legal backing in the discharge of her duty, i.e. it can sue and be sue for any deviation. The legality of the board makes it to get confidence from the taxpayer. The issue of multiple and



illegal tax collection is discourages tax will be deducted from the main source at the end of each month of the year.

- ii. PAYE minimizes tax avoidance and evasion in the state.
- iii. The issue of embezzlement of personal income tax by the official of the board of internal revenue is discouraged.
- iv. The weak economic base of the state has greatly affected the issue of personal income tax in the area.

## **CHAPTER FIVE**

### **SUMMARY CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

This is the last chapter in this research work. Being the last chapter it focus more on the summary of the research findings, likewise the conclusion of the entire research, obstacles encountered during the study and finally the general recommendation, advocated by the researcher which are considered to be more relevant and useful if given due consideration in its application.

#### **5.2 Summary**

As earlier stated, this is an attempt to make an assessment or appraisal of the impact of pay as you earn (PAYE) revenue on internal revenue generation in kebbi state. Therefore two hypotheses have been presented for verification and possible testing as mentioned in the chapter.

The second chapters of this work in its part, relevant literatures have been consulted so as learn more about what

management scholars said about the administration of PAYE revenue generation and appraised its input. This of course served as a guide and a parameter to enable one to have a wider knowledge and idea on the subject matter.

The chapter three deals with the research methodology, questionnaires as well as random sampling techniques were employed in which three hundred (300) questionnaires were randomly distributed to some selected staff of Board of Internal Revenue Kebbi state in which two hundred and three (203) were returned.

Chapter four constitute presentation and analysis of data collected of which each question from the questionnaire were carefully analyzed by the use of statistical techniques like tabulation simple percentage, and frequency. The data used in this research work is based on the responses obtained from the selected staff. The data obtained was the one used to verify and test all the two(2) hypotheses. Lastly, the result obtained indicated that the alternative hypotheses have been accepted and thereby rejecting the null

hypotheses. Finally, the research work ends with the summary of the entire work, conclusion and some consideration that will improve the administration of PAYE revenue generation in kebbi state internal revenue service in general.

### **5.3 Conclusion**

Based on the knowledge and experience acquired in conducting this research work as well as available proved features in it and considering the need for more writing on this aspect of taxation. This enable the study to make an analysis of a number of matters related to the administration of PAYE revenue generation in kebbi state board of internal revenue as a whole: as a result of this problem, importance attached to it were appraised.

This aspect of taxation ( PAYE) has a number of good prospects if property implemented as suggested. The offered suggestion would go along side in improving the general efficiency in administration of pay as you earn (PAYE) revenue generation in kebbi state board of internal revenue service, and if such is done huge amount will be realized and the problem of short of money

realized from the revenue in the board will be come a past event or a thing of the past. Indeed there is need for urgent improvement in overall performance of the board and this could be achieved by greater determination and dedication on the part of all those concerned directly or indirectly.

#### **5.4 Recommendations**

Following the investigation made by the study on the overall appraisal of the impact of pay as you earn on revenue generation and its effectiveness in the collection of such revenue in kebbi state. It is considered necessary that certain suggestions have to be made so as to help in solving the problems highlighted.

The recommendations are as follows:

The federal government should on the basis or ignorance in the administration of PAYE system of revenue generation create an enlighten campaign programme to the public so that the tax payers will be adequately made known of their right and civic responsibilities. So doing will encourage them in maintaining proper record of their income.

Merit system in the recruitment of personnel should be adhered to. Recruitment of qualified personnel, training and retraining opportunities should be accorded to deserving officers to enable them improve their knowledge thereby increase productivity.

Adequate punishment meant for the defaulters, be it the taxpayers or the officials who commit offences at will should be intensified in order to curtail the habit of not remitting the tax collected or refusal to pay the tax.

PAYE as a veritable tool for revenue generation should have a well documented instrument like computer to meet up with the present trend of development in the society. The use of computing will not only accelerate computation of works but store more than what an individual can do.

The proper implementation of personal income tax act will unlock the hidden potentials of personal income tax as a source(s) of revenue which will not only resolve many of the issues which affect tax administration in the state, but enable states to focus energy and resources on areas which will bring in a higher yield of tax revenue

and bring in a large number of taxpayers, who have previously operated outside the tax system or have been ignored or neglected by the tax authorities.

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APPENDIX  
DEPARTMENT OF PUBLIC ADMINISTRATION  
FACULTY OF MANAGEMENT SCIENCE  
USMANU DANFODIYO UNIVERSITY,  
SOKOTO,  
SOKOTO STATE, NIGERIA.

SIR/ MADAM,

REVENUE GENERATION IN KEBBI STATE.

I am a student of the above named institution.

I am conducting a research to collect relevant information for my research project in partial fulfillment of requirement for the award of B sc. public administration.

The answer you give in this questionnaire will be treated as strictly confidential and will be used for the research purpose only.

I will be glad, if you would kindly accord me necessary cooperation and assistance in gathering the requested information.

Thanks for usual cooperation.

Yours faithfully,  
Hamisu Haruna  
1011904077

## QUESTIONNAIRES

### SECTION A: PERSONAL PROFILE

Please tick the box provided for the appropriate answer.

#### 1. Your Age

a . 20-29 ( ) b. 30-39 ( )

c. 40-49 ( ) d. 50-above ( )

#### 2. Your sex

a. male ( ) b. female ( )

#### 3. Educational qualification

a. Post Graduate ( ) b. Degree/HND ( ) C. Diploma/NCE ( )

d . ssce level ( )

e. Others ( )

4. How long have you worked in this organisation

a 1 year – 9 years ( ) b. 10- 19 years ( )

C 20 – 29 years ( ) d. 30 years above

5 Which category of staff do you belong?

a. Top management level ( )

b. Middle level management ( )

c. Auxiliary staff ( )

**SECTION B : Appraisal of the impact and administration of PAYE**

revenue generation

6 what is your own assessment in the administration of personal income tax in kebbi state?

a. Good ( )      b. fair ( )      C. poor ( )

7 What is your opinion about the system of personal income tax in kebbi state ? do you advocate its re-organization?

a. Yes ( )      b. No ( )

8. Are you convince that the tax administrators are trained and qualified for their duties?

a. Yes ( )      b. No. ( )

9 Do you think that there is embezzlement of personal income tax collected by the board of internal revenue officials?

a. Yes ( )      b. ( ).

is the tax collected used for what it is meant for?

a. Yes ( )      b. No ( )

11 do you foresee tax evasion and avoidance of any PAYE in kebbi state?

a. Yes ( )      b. No ( )

12 Are personal income tax payers enlightened on the reason for paying the PAYE

a. Yes ( )      b No ( )

13 Does the Board strictly adhere to PAYE laws?

a. Yes ( )      b No ( )

14 Do tax official needs to be motivated in order to boost their Morales?

a . Yes ( )      b. No ( )

15 do you agree that weak economic base in kebbi state has greatly affects the personal income tax drive?

a. Yes { }      b. No ( )

16 Does the implementation of government programmed in kebbi state have influence in the collection of personal income tax?

a. Yes ( )      b. No ( )

17 do you agree that kebbi state internal revenue service is actualizing is set target?

a. Yes ( )      b No ( )

18 Does the personal income tax administered by the kebbi state internal revenue services embrace nearly all public institution in kebbi state

a. Yes ( ) b No ( )

19 Do you believe that the PAYE revenue generated and government developmental projects in kebbi state are in concomitant?

a. Yes ( ) b. ( )

20 Does the PAYE supervision by the government officials have any relationship with the abolition or reduction of embezzlement of generated revenue?

a. Yes ( ) b. ( )