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Tax proceeds and fiscal advancement: Pragmatic configuration in Cross River State, Nigeria

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Abstract

This study examined tax proceeds and fiscal advancement: pragmatic configuration in Cross River State, Nigeria. The specific objectives of the study were to determine the relationship between personal proceeds tax and fiscal advancement of Cross River State and the extent to which tourism development tax affects the fiscal advancement of Cross River State. The study adopted the ex-post facto research design and scope comprised of the entire data related to personal proceeds tax and tourism development tax from the Cross River State Internal Revenue Service from 1990-2020. This study adopted the classical ordinary least squares regression techniques as the technique of estimation. Findings from the study revealed that, tax proceeds exerted a negative and insignificant effect on fiscal advancement in Cross River State. The study therefore recommended that, regarding road tax, there should be institutional reforms in order to plug leakages and enhance collection mechanism used by tax officials so as to free the collection of these taxes from corrupt tax payers and minimized embezzlement by insincere tax collectors. Government should make it impossible for companies to evade taxes by penalizing any registered company that evades tax.

Keywords: Advancement; Configuration; Fiscal; Proceeds; Tax

1. Introduction

The fact that Nigeria depends on oil exports as its major source of foreign exchange cannot be overstressed. It is evidence that the fluctuating market prices of oil in the international market as well as the consistent unrest in the oil producing Niger Delta Region of Nigeria has accounted for the poor fiscal performance of the Nigerian state resulting from a decrease in available funds for development, thus resulting in conflict and destruction of lives and properties [7]. The result of the above is the need for government at all levels to device other sources of generating revenue from internally as a matter of urgency.

Taxation as a revenue earner for government is aimed at generating income to carter for the welfare and improvement of the populace. It is focused on promoting fiscal advancement through the provision of social amenities for improved human life attained through a well-planned and designed administration. Proceeds from taxation play a significant role the magnitude of fiscal activities which results in fiscal advancement and enlargement. The function of taxation and monetary policies as drivers of fiscal advancement and enlargement is usually hindered and troubled by deprived and destitute government and management of the tax structure and alignment [5, 8, 10, 28,].

The challenge of providing public goods and services and execute evolving schemes which improve human capital index of the people accounts for the drive by government at all levels to intensify their revenue drives especially through direct taxation. Taxation must be effective if good governance by the formulation and implementation of financial conventions are to be accomplished while tax proceeds have to be properly utilized to the benefit of the masses in terms

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of social amenities such road network, schools, water supply, security, hospitals, etc. which are key to the attainment of the basic human development indices. The revenues generated form income taxes such as pay as you earned, withholding taxes from dividend, rents, royalties, interests, business profits, capital gains, etc. account for a major source of income for government at all levels. Taxation yields a significant portion of government revenue and available funds for funding of fiscal activities and by extension the advancement and enlargement of the economy. For taxation to play its role in the fiscal advancement and improvement of a nation, it must generate significant income for the government and this call for an examination of the effect of tax revenues on the fiscal advancement and enlargement of Nigeria with particular emphasis on some selected taxes [11, 14, 15, 23, 26, 27].

The revenue accruing to the Cross River State government from taxation over the years has remained grossly insufficient to meet the expanding social and public spending required in fostering fiscal advancement and development in the state. Tax system is grossly inefficient as it is characterized by low personal proceeds tax, hindrances in collection of road taxes, reduced tourism activities, withholding of taxes by tax payers, avoidance and record falsifications which have led to consistent low tax revenue inflow. Grossly inefficient management of public funds, leakages, paucity of data, inefficient monitoring, enforcement and corrupt practices which have hampered the amount of revenue realized from tax sources over the years and thus affecting the advancement of the economy negatively [9].The main objective of this study is to establish the relationship between tax proceeds and fiscal advancement of Cross River State. Specific objectives are: to determine the extent to which personal proceed tax relates fiscal advancement and to examine the relationship between tourism development tax and fiscal advancement.

1.1. Conceptual and theoretical framework

1.1.1. Concept of Tax

Tax as seen in modern day is an obligatory payment levied on persons or businesses to meet the expenditure incurred on conferring common benefits upon the people of a nation. From the foregone definition, two features of taxes are established: Tax is an obligatory payment and no one can decline to pay and proceeds from taxes are utilized for communal welfares or a general purpose of the state [31]. Taxes are not imposed on an individual as settlement for services rendered to them, their families or their businesses rather taxes are money levied by the government on individuals and businesses other than for transactions or specific goods and services while taxation is that specific approach of taxing people or businesses [2]. Taxation is a curtail component in a country's economy: It is a source of funding for all important necessities such as security, health care, education, and the several other things that are necessary for the safe administration of any nation. It also be seen as a means through which government funds its expenditures by imposing levies on citizens and businesses. Taxation is also a tool deployed by government to either encourage or discourage certain economic decisions (Business dictionary).

According to Okoye and Gbegi [34], most economies rely on income from taxation for its development and that other than raising revenue for government, tax is also performs the function of regulating the economy, redistribute income and wealth as well as induce preferred behavioural modes within a country. The economic history of both developed and developing nations indicates that one very significant instrument of revenue generation for government and creates fiscal objectives that determines investment in terms of provision of tax incentives and concession to investors, consumption and production of goods and services direction is taxation [21, 13]. The imposition of taxes and monetary policies are aimed at regulating the production of specific commodities, protection of growing and new industries, control business and commerce, control inflation, reduce income disparities and these in turn result in to fiscal advancement. And a good tax system is one which protects new, growing, manufacturing businesses, encourages entrepreneurship in the country, which is vital to the sustenance of fiscal advancement of every economy [30, 24, 5, 6,]. From another perspective, Okpe [35] was of the opinion that taxation is the transfer of resources and income from the private sector to the public sector with the sole objective achieving a nation's economic and social goals.

The imposition of income tax in Nigeria originated started in 1904 when Sir Lord Lugard of Britain, introduced community tax in Northern Nigeria. Historically, the Nigeria taxation can be traced back to the northern territory. It was a convenient place to experiment the system of direct taxation because the people of the area were used to paying tax under Fulani administration and also because the Muslim religion adhered to by the people approved of taxation as being consistent with the tenants of Islam. The laws passed by the British commissioner include: Land and revenue proclamation of 1904; native revenue proclamation of 1906; direct taxation ordinance of 1940 and native revenue ordinance of 1917. Taxation was operational in northern and western regions of Nigeria until 1928 when it was introduced in eastern Nigeria. The administration and discrimination of these laws lead to the evolution of 1950. It was at this time that the Raisman Fiscal Commission recommended the introduction of uniform basic principle for taxation income in 1958, this passes for our present day Income Tax Management Act of 1961 [5]

Anyanwu [3] upheld that there were two bases for the classification of tax. Tax is classified on the level of difference of the tax rate and on the method of payment. When taxes are characterized on the basis of variation in tax rates, the following types of taxes system are recognized: Progressive tax system, proportional tax system and regressive tax. On the other hand, when tax is categorized on the basis of method of payment we recognize. Taxes could be categorized as either direct taxes or indirect taxes. Direct taxes are taxes assessed directly on the tax payers who are required to pay tax on his income, profit or property. The tax payer is not only advised by notification called (assessment notice). These formalities are to bring to the tax payers notice the incidence of such tax. Some of the direct taxes paid by individuals includes: Personal income tax: This is the tax levied on the income of an individual usually for a period of one year; Company income tax: This is tax levied on the profit of companies and capital gain tax: This is imposed on assets such as land and building, inventories shares, etc.

Indirect taxes on the other hand are taxes paid by parties other than the one from whom the tax is collected. These are taxes imposed on commodity which before reaching the final consumers and are paid by those upon whom they ultimately fall not as taxes but as part of the selling price of the commodities. The types of indirect taxes payable in Nigeria include: Values added tax: This is the multistage consumption tax which is levied at the stage of production; custom duties: They are levied on imported goods exported to other countries (export duty). The import duty is usually used to protect infant industries and prohibit consumption of harmful good; purchase tax: This is the tax that is imposed on certain items e.g. electronic care, etc. and sales tax.

1.1.2. Concept of fiscal advancement

Fiscal advancement is defined as a continued yearly increase in an economy's real national income over a long period of time. It is the yearly advancement in real per capital income of a country over a long period of time. Thus Professor Arthur Lewis says that "fiscal advancement means the expansion of output per head of population. Fiscal advancement could be seen as an increase in a country production or income per capita which is usually measured by gross national product of goods and services. Fiscal advancement involves a stress on quantitative measure that is, higher gross national product, income per capita, higher production in the societies. Gross domestic product is one of the primary indicators used to phage the health of an economy. It represents the total naira value of goods and services produced overall specific time period.

Measuring gross domestic product can be done using three methods which are income approach, expenditure approach and value added approach. But income and expenditure approach are regarded as the major methods. The income approach to gross domestic product is gotten by adding up total compensation to employees, gross taxes less any subsidies. The expenditure approach is the more common approach and is calculated by adding the total consumption; investment, government spending and net export. The top economic goal of Nigeria is the sustainability of its fiscal advancement in terms of gross domestic product, which is the total amount of goods and services produced in a nation, usually within one year. This top economic goal of most nations is constant, never ending rise in total gross domestic product of varying per cent per annum that should be the Nigeria's fiscal advancement target.

1.1.3. Theoretical framework

The theoretical base of this study is anchored on the activities between tax liability and the state which primary purpose is to generate revenue for the government to meet its expenditures as well as the provision of social amenities and welfare for the populace. Ogbonna and Appah [32] argued that the justification for the imposition of taxes is the financing state activities which form the basis for apportioning the tax burden between members of the society. Collaborating Ogbonna and Appah [32] argued that the socio political theory of taxation is a theory that advocates for a tax system which is not designed to serve individuals but one that cures the ills of the society as a whole. This is because although the society comprises of individuals, it is more than the sum total of its individual members; consequently, the tax system should be directed towards the health of the society as a whole, since individuals are an integral part of the larger society. Bhartia [17] affirms that the expectancy theory of taxation is that a tax proposal must pass the test of practicality which must be the sole consideration before the tax authorities in a bid to propose any tax. It strongly emphasizes that the economic and social objective of the state is considered irrelevant since it is meaningless to have a tax that cannot be levied and effectively collected.

The benefits-received theory assume an exchange or contractual relationship between the state and the tax-payers, certain goods and services are provided by the state and the cost of such goods and services are contributed in the proportion of the received benefits, thus, the benefits received present the basis for distributing the tax burden in specific manner. This theory overlooks the possible use of the tax policy for bringing about fiscal advancement or stabilization [21]. They see the cost of service theory as very similar to the benefits-received theory, the theory emphasize semi commercial relationship between the state and the citizens to a greater extent. The implication is that the citizens are not entitled to any benefits from the state and if they do receive any, they must pay the cost thereof. In this theory, costs of services are rigorously recovered unlike the benefits-received theory where a balanced budget is implied.

Another theory of interest is the ability to pay theory, the principle in this taxation holds that taxes imposed on tax-payers should be based on the progressive tax approach which maintains that taxes should be levied according to a tax-payer's ability to pay. This system of taxation requires that higher earning persons pay taxes higher than those with lower income. The basic tenet of this theory is that the burden of taxation should be shared by the members of the society on the principle of equity and justice and that this principle necessitates that tax burden is apportioned according to their relative ability to pay. Adam Smith is the brain behind the principle of equity and justice, he advocates that the amount of tax payable should be equal, this by implication means that tax payable is in proportion to earned income. Equity and justice is assumed only when the tax system is based on the ability of the tax payer to pay the amount levied as tax liability.

The theoretical backings underpinning the concept of fiscal advancement and development are also key to the conclusion of this study. First, it should be noted that the theory of fiscal advancement and development theory can be traced back to Adams Smith's Wealth of Nation. According to Smith's theory, the wealth of a nation is determined by the level of division of labour and is limited by the restrictions of the division of labour. Another theory of fiscal advancement is the Harrod-Domar model which was developed independently by Sir. Roy Harrod in 1939 and Evsey in 1946. This model makes evident the rate of fiscal advancement in an economy. However, a later postulation by Richardo, Milthus and Mill took definite shapes in correcting Adam Smith's exposition with further analyses which took a decade eventually surpassed the Smithian view.

Today, Nigeria is indeed in dreadful need for an effective and efficient tax system in order to generate sufficient income required to stimulate fiscal advancement [31, 32]. According to Onakoya and Afintini [36], taxation may be perceived as a menace to an individual's proposed living standard or even a business proposed income generation, but to the government and the fiscal need for taxation, it is the pillar and facilitator of advancement and development. In national development, taxation is increasing, and the introduction of new technology has stimulated continuous fiscal advancement and development. The real purpose of taxation is to take purchasing power from tax payers so that tax payers relinquish control over fiscal resources and make them available to the state. It is a fiscal policy instrument which the government manipulate to achieve macroeconomic objective. This objective could be an expansionary one directed at reducing the rate of national unemployment, government through tax incentives can stimulate investment as the tax liability on investors is reduced and more money becomes available for investment purposes thus, reducing the level of poverty as more unemployed people becomes gainfully employed, this for sure is a signal for fiscal development. Taxation ensures redistribution of income and wealth, thus, a tool for the achievement of socially desirable goal [4, 22, 29, 37].

1.1.4. Empirical literature

A number of researchers have studied the effect of taxation as a tool for fiscal advancement and development in diverse nations using different approaches and have obtained diverse results. A review of the different results indicates a level of relationships in the outcomes of the different studies. The Federal Inland Revenue Service in Nigeria has pushed for several tax reforms aimed at achieving voluntary tax compliance, increased tax income and reducing the poor relationship between tax payers and tax administrators. Wambai and Hanga [42] studied taxation and social development in Nigeria: tackling Kano's hidden economy. This study established that the attitude of the government on taxation need to change and recommends a tax system that concentrate on establishing simplicity, predictability, and neutrality. Chiumia and Simwaka, [19] studied the effect of taxation in sub-Saharan Africa. The study observed that taxes levied on personal and corporate income reduces economic growth. According to their study, it is possible to conclude that the tax structure is largely irrelevant in less developed economies, but embedded in an effective tax system are benefits for both the taxpayers and the government.

In a study on fiscal advancement and tax changes in OECD countries from 1980 to 1999 conducted by Tosun and Abizadeh [40], it was found that economic growth measured by GDP per capital has significant effect on tax mix of GDP per capita. The study revealed a decrease in shares of payroll, goods and services and positive growth from personal and property taxes. While studying taxation as a fiscal policy tool for income redistribution amongst civil servants in Lagos state, Onakoya and Afintini [36] used spearman's rank correlation coefficient and found a positive correlation between tax as fiscal policy tool and income redistribution. In a study by Engen and Skinner [25] on taxation and fiscal advancement of the United State, a modest effect on the order of 0.2 to 0.3 percentage point differences in advancement rates in response to major tax reform was found. The findings of this study further suggest that such minor effect cumulatively can have large impact on the standards of living. Adereti, et al, [1] examined the effect of value added tax on fiscal advancement in Nigeria. Their result indicated no causality existing between gross domestic product and value added tax revenue while indicating a positive and significant correlation between value added tax revenue and gross domestic product. Saez [39] examined the effect of direct or indirect tax instruments for redistribution of income in both the short run and long run.

The study findings discloses that in a long-run context individuals respond to tax incentives through the occupational margin, which is in contrast to a short-run situation where individuals are stuck into their occupations and can only adjust labour supply on the job. In an examination of the effect of tax revenue on economic development in Nigeria, Worlu and Emeka [43] using the three stage least square estimation technique found that tax revenue stimulates economic growth through infrastructural development. The findings also highlighted the channels through which tax revenue influences economic growth in Nigeria and also that tax revenue has no dependent effect on growth through infrastructural development and foreign direct investment but just allowing the infrastructural development and foreign direct investment to positively respond to increase in output. Uzoka and Chiedu [41] investigated the effect of tax revenue on fiscal advancement of Nigeria between 1997 -2016.

The study deployed the use of times series data and analyzed using unit root tests, co-integration tests and vector error correction mechanism. The unit root test result reveals that company income tax and custom and excise duty and capital gain tax are stationary at level. While real gross domestic product, petroleum profit tax, value added tax and road development tax are stationary at first order that is after first difference. The co-integration tests (both Johansen and Engle-Granger) showed that a long run relationship existed between the fiscal advancement and real gross domestic product, petroleum profit tax, value added tax and road development tax, company income tax, custom and excise duty. The results revealed that in the model capital gain tax and education development tax has no significant effect on fiscal advancement while petroleum profit tax, company income, value added tax and custom and excise duty have significant effect on the fiscal advancement in Nigeria. Studying the co-integration relationship between tax revenue and fiscal advancement in Nigeria from 1980 to 2013, Onakoya and Afintinni [36] conducted various preliminary tests including descriptive statistics, trend analysis, and stationary tests using Augmented Dickey Fuller test. Their finding indicated a significant and positive relationship at 0.05 level of significance between petroleum profit tax, company Income tax and economic growth. A negative relationship between fiscal advancement and customs and excise duties was also found.

However, the tax components are jointly insignificant in affecting the Nigerian economic growth. This study recommends strong institutional reforms in the Department of Customs in order to plug the manifest leakages. The tax collection mechanism used by tax officials must be free from corruption and embezzlement. If this is not done, the revenue collected many not reach the desired point. Chibu and Njoku [20] investigate the impact of taxation on the Nigerian economy for the period 1994 -2012. The variables adopted in the model were subjected to Augmented Dickey Fuller Unit Root test, which reveals that the variables are stationary and the co-integration test also revealed that the variables are co-integrated and a long run relationship existed between the variables. The results of the statistical analysis revealed that positive relationships exist between the explanatory variables (custom and excise duties, company income tax, personal income tax, petroleum profit tax and value added tax) and the dependent variables (gross domestic product, unemployment). The study therefore recommends total restructuring of the tax system in the country and the provision of basic amenities (good roads, steady power supply, internal security, etc.) which will encourage individuals and corporate organizations to honour their tax obligations in Nigeria.

2. Material and methods

To achieve the objective of this study, ex-post facto design was deployed to obtain secondary data from Cross River State Internal Revenue Service and the CBN statistical Bulletin. The Area of study was Cross River State Internal Revenue Service Calabar. Cross River State Internal Revenue Service Calabar was established as an autonomous body by edict No 545 of 1969 amended 1973 and then elongated by decree 104 of 1993 which introduced a unified internal revenue structure Across the Nation. The study covered of 1990 to 2020. Data used in this study is secondary data. The secondary data was obtained from Cross River State Internal Revenue Service and report of Federal Inland Revenue Service for the period between 1990 and 2020. In examining the impact of tax revenue management and economic development of Cross River State, this study adopted the classical ordinary least squares regression techniques as the technique of estimation. The reason for using the ordinary least squares technique follows from the Gauss- Markov theorem, which states that of all classes of estimators, the classical ordinary least squares regression techniques is the Best, Linear, Unbiased Estimator, because it has minimum error.

2.1. Model specification

For the purpose of achieving the objectives of this study, a statistical model was deployed to establish the relationship between the variables in the study. The independent variables are represented by the sources of tax income to the state identified in the study such as personal income tax and tourism development tax. The dependent variable on the other hand is fiscal advancement measured by gross domestic product of Cross River State for the period under study. The following models will be adopted;

$$Y = f(x)$$
$$Y = x_1, x_2$$

Where;
Y_1 = Gross Domestic Product (GDP)
X_1 = Personal Income Tax (PIT)
X_2 = Tourism Development Tax (TDT)

$$GDP = f\ (PIT, TDT,)$$

From the above function, the following model is derived:

$$GDP = æ + \beta_1 PIT_t + \beta_2 TDT + + E$$

β_1, β_2, are the co-efficient of the parameter estimate.
æ is a constant
E is the error term.

2.2. Data presentation and analysis

2.2.1. Descriptive statistics

Table 2 presented the descriptive statistics for the tax income and fiscal advancement measured by the gross domestic product of the state. The descriptive statistics covered advancement variable (gross domestic product), and personal income tax and tourism development tax.

Table 1 Descriptive statistics for tax income on fiscal development of CRS

	GDP	PIT	TDT
Mean	33725.22	107.9845	53.09737
Median	23068.85	49.40000	25.67000
Maximum	69810.02	446.2500	203.4200
Minimum	13779.26	0.260000	0.240000
Std. Dev.	19578.10	122.4400	61.39236
Skewness	0.734406	0.887982	0.912535
Kurtosis	1.996529	2.723382	2.493114
Jarque-Bera	5.010239	5.115062	5.680702
Probability	0.081666	0.077496	0.058405
Sum	1281558.	4103.410	2017.700
Sum Sq. Dev.	1.42E+10	554687.9	139453.8
Observations	31	31	31

Source: Researcher's Computations (2022)

As revealed in the above table 1, the mean values of gross domestic product, personal income tax and tourism development tax were ₦33725.22 billion, ₦107.98 billion and ₦53.48.09 billion respectively. The maximum values of gross domestic product, personal income tax and tourism development tax were ₦69810.02 billion, ₦446.25 billion and ₦203.42 billion respectively. The minimum values of gross domestic product, personal income tax and tourism development tax were ₦13779.26 billion, ₦0.26 billion, ₦0.24 billion respectively. The standard deviation values of the variables were ₦19578.10 billion for gross domestic product, ₦122.44 billion for PIT and ₦61.39 billion for TDT.

Examination of the skewness showed that all the variables were positively skewed, given their positive values of the skewness. Analysis of the kurtosis showed that the distributions for gross domestic product, PIT and TDT ere platykurtic, given that their kurtosis values were less or equal to 3.

Table 2 Parsimonious result of tax proceeds – fiscal advancement

Dependent Variable: D(LGDP)				
Method: Least Squares				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	0.021437	0.008529	2.513411	0.0178**
D(LGDP(-1))	0.482599	0.138326	3.488846	0.0016*
D(LPIT (-1))	-0.004658	0.010521	-0.442724	0.6612
D(LTDT)	0.025495	0.011353	2.245617	0.0325**
D(LRT)	0.029872	0.011234	2.659222	0.0126**
R-squared	0.590443	Mean dependent var		0.042742
Adjusted R-squared	0.585018	S.D. dependent var		0.041739
S.E. of regression	0.032732	Akaike info criterion		-3.828255
Sum squared resid	0.031070	Schwarz criterion		-3.520349
Log likelihood	75.90860	Hannan-Quinn criter.		-3.720788
F-statistic	4.652034	Durbin-Watson stat		1.873162
Prob(F-statistic)	0.001996*			

*, **, *** denotes significance at 1%, 5% and 10% levels of significance, respectively; Source: Researcher's Computations (2022)

The result as presented in the table 2 above showed that the error correction factor has the expected negative sign of its coefficient and was also statistically significant as postulated theoretically. The magnitude of the coefficient of the error correction variable of 0.086 showed that only about 8.6 per cent of the disequilibrium in the gross domestic product was corrected back to equilibrium within one year. This portrayed a very slow speed of adjustment from the short run disequilibrium to the long run equilibrium. The R-squared of 0.590 and the adjusted R-squared of 0.585 showed that the estimated short run equation has a moderately good fit and moderately high explanatory power. In particular, the adjusted R-squared of 0.585 showed that approximately 59 per cent of the systemic variation in the dependent variable has been explained by variations in the independent variables. The F-statistic value of 4.652 with its low probability value of 0.001996 showed that the overall model was statistically significant at the conventional one per cent, five per cent and 10 per cent levels of significance. This is so, given that the probability value of 0.001996 was less than 0.01, 0.05 and 0.1, respectively for one per cent, five per cent and 10 per cent levels of significance. This means that the independent variables have joint impact of on the dependent variable. The Durbin-Watson statistics was carried out to determine whether there was or no autocorrelation in the model. The decision rule for the no autocorrelation condition is that $d_u < DW < 4\text{-}d_u$. That is, the Durbin-Watson value must be greater than the value of the upper boundary but less than $4\text{-}d_u$. From the result, the Durbin – Watson value of 1.873 was greater than the upper boundary value and less than $4\text{-}d_u$, and fell in the no autocorrelation region of the Durbin-Watson critical regions. This showed that there is no problem of autocorrelation in the estimated model. The absence of autocorrelation meant that the residual terms were not interdependent. Hence, the estimated regression equation is well specified and well-behaved.

Evaluation of the short run coefficients showed that one period lagged of gross domestic product exerted a positive impact on the gross domestic product in the current period in Nigeria. This result is consistent with theoretical expectation, showing that a one per cent increase in one period lagged of gross domestic product resulted to an increase in gross domestic product in the current period by approximately 0.48 per cent, ceteris paribus. Statistically, one period lagged of gross domestic product was significant in influencing the current level of gross domestic product the conventional one, five and ten per cent levels of significance given that its low probability value of 0.0016. One period lagged of personal income tax has negative impact on gross domestic product in Nigeria. This result is not consistent with the *a* priori expectation, showing that a one per cent increase in the personal income tax led to a decrease in gross domestic product by approximately 0.005 per cent. Statistically, personal income tax was not significant in influencing gross domestic product at the conventional one, five and ten per cent levels of significance because of its high probability value of 0.6612. Examination of the result showed that tourism development has positive impact on gross domestic product in Nigeria in line with a priori expectation, which is in support of the findings made by Asuquo, Oti, and Etim [6]. This result in real term showed that a one per cent increase in tourism development led to an increase in gross domestic product by approximately 0.03 per cent, ceteris paribus. Statistically, tourism development tax was significant in influencing gross domestic product in Nigeria. This is because it is computed probability value of 0.0325 was less than 0.05.

3. Discussion

The analysis of empirical result in the preceding section showed that tax proceeds exerted a negative and insignificant impact on fiscal advancement in Cross River State. This outcome was not in agreement with theoretical postulations that tax revenue spurred fiscal advancement. The results of the estimation showed that tax has a positive and significant impact on fiscal advancement during the period under review. This result was consistent with the findings by Obaje and Ogirima [31] who examined the effect of taxation on economy in Nigeria. Null hypothesis one posited that that tax and other variables have significant effect on Nigerian fiscal advancement and therefore concluded that abundance of personal income tax and its associated income has been beneficial to the fiscal advancement of Cross River State. Similarly, Oji [32] studied tax revenue and Nigerian fiscal development. However, it was found that there is a positive significant relationship between tax revenue and fiscal development in Nigeria. In the same vein, Worlu and Nkoro [43] examined the impact of tax revenue on fiscal advancement of Nigerian's between 1980 and 2007 They reported that tax revenue has direct and indirect relationships with the infrastructural development. Also, Asuquo, Oti, Etim [6] found that tax revenue impacted positively on fiscal advancement in Nigeria. They discovered that there was a significant relationship between tax proceeds and fiscal development. It is shown that tourism development taxes have responded positively to fiscal advancement.

4. Conclusion

This study was undertaken to examine tax income as an instrument for fiscal advancement with specific emphasis in Cross River State. In particular, this study undertook an analysis of tax income components such as personal income tax and tourism development tax. The results showed that personal income tax has a negative and have an insignificant effects gross domestic product. It was also found that tourism development taxes has a positive and have a significant effect on gross domestic product of Nigeria. Based on the findings from the study, it has been concluded that personal income tax has a negative and insignificant impact on gross domestic product. Tourism development tax has also been found to have a positive and significant impact on gross domestic product of Nigeria. Arising from the results obtained, the study makes the following recommendations: In order to reduce the menace of corruption in taxation, tax administration should be automated and collected at source to reduce human interface in the system; government should make it impossible for companies to evade tax and penalize any registered company that evades tax; Regarding road tax, there should be an institutional reform in order to plug leakages, and collection mechanism used by tax officials so as to free the collection of tax from corruption and embezzlement.

Recommendations

It is recommended that in order for withholding tax to significantly impact fiscal development, it should be shifted from direct taxation to indirect taxation and such payments automated. Furthermore, no system can work well without adequate accounting records and institution of professional accounting practices that ensure transparency and accountability, hence government should ensure that accounting standards and ethics are adopted in keeping tax records, tax assessment, collection and utilization.

Compliance with ethical standards

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Disclosure of conflict of interest

The Authors declare that there is no conflict of interest in form; known or unknown.

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