An Assessment of PAYE System of Taxation in Nigeria (TETFUND Sponsored)

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Abstract: **This study was carried out with the aim to assess PAYE system of taxation in Nigeria. In order to actualize the objectives of the study, various literature and theoretical issues were discussed. The researcher administered one hundred (100) questionnaires to respondents, out of which eighty (80) were retrieved for the purpose of presenting and analyzing responses on issues raised in the questionnaires. The data used for the purpose of this research was gathered through primary source. The mass information generated from the questionnaires was analyzed, summarized and presented in tables using simple percentage. The hypotheses were tested using Z-test statistical tool. The findings from analysis revealed among other things that non availability of tax statistics, inability to prioritize tax effort, poor tax administration, multiplicity of tax stands a barrier to Pay-As-You-Earn (PAYE). In line with the findings of the study, therefore recommend that government should have the political will and should also ensure effective assessment, collection and utilization of tax revenue; this would improve Pay-As-You-Earn (PAYE) collection.**

I. INTRODUCTION

Personal Income Tax which applies to all employees of a Nigerian company including expatriates as well as self employed individuals, partners and trustees is collected through Pay-As-You-Earn (PAYE). PAYE is the system whereby the employee pays tax on whatever income he earned from his employment in any particular month at the end of that month. It is a progressive tax arrangement whereby an employee pays income tax on his/her current earnings when it becomes payable. PAYE applies only to employees resident in Nigeria and employees of Nigerian government oversee. It applies to income from all sources, salaries, bonuses, commission, directors' fees and any other income from employment among others (Yahaya, (2009). The employer deducts the tax from the employee's monthly earnings including any allowances or benefits paid in cash or given to or on behalf of the employee. The total amount deducted by the employer from the employee's earning at the end of every month is then remitted to the relevant tax authority (the relevant state board of internal revenue) (Samaila, 2012). Taxes are levied on individuals, groups, business or corporate bodies, by constituted authorities for funds use d by state in the maintenance of peace, security, economic growth and development and social engineering among others for the benefit of the citizenry (Chigbu, Akujuobi and Appah, 2012).

The nature and level of taxes vary according to the economic policies adopted by the various tax authorities. Intense advocacy for better tax incentives in many countries is a clear indication of growing concern for economic growth and sustainable development. These tax holiday, capital allowances, tax-payers' right of election, re-investment allowances, investment tax credit, interest subsidy, and export processing zone (EPZ) incentives. They are expected to attract more investments, which would ultimately translate to higher future production in the economy. Much as the impact of tax incentives on productivity, employment, and economic growth has been examined extensively; evaluation of the impact of tax incentives on corporate financial performance is still relatively limited in literature. It was further stated by Worlu & Emeka (2012) that tax revenue mobilization is a source of financing developmental activities in less-developed economies. It has also been a difficult issue primarily because of various forms of resistance, such as tax evasion, tax avoidance and corrupt practices. These activities are considered as sabotaging the economy and are readily presented as reasons for the underdevelopment of the nation.

In this regards, the researcher intend to carry out a study on the assessment of PAYE system of taxation in Nigeria.

Statement of the Research Problem

Before a country considers how best to administer its tax system it must possess a clear picture of the scope of its tax system. This research work examines the crisis associated with the PAYE system in accounting and its impact in the economy in Nigeria. The quantity and quality of resources required by tax administrators are to a large extent determined by the type of tax system which is introduced (of which Nigeria currently operating about ten tax system). A nation's tax goals are not achieved by designing a tax system which is fair. Any fair system which is not administered as planned becomes inequitable. Thus, a good tax system is capable of financing the necessary level of public spending in the most efficient and equitable way possible. Some of the issues addressed in this research includes:

(1) Its capacity to raise enough revenue to finance essential expenditures without recourses to excessive public sector borrowing,

(2) its ability to raise the revenue in ways that are equitable that minimized its disincentive effects on economic activities and how they will do so in ways that do not deviate substantially from international norms. Leyira, Chukwuma and Asian, (2012) observe that the Nigerian Tax system is lopsided and dominated by oil revenue and therefore the establishment of effective and efficient tax systems faces

some formidable challenges. The first of these challenges is non availability of tax statistics. The second is the inability to prioritize tax effort. The third is poor tax administration. The fourth is the multiplicity of taxes. The fifth is the structural problems in the economy that affects the maximization of VAT and finally, the challenge of underground economy. They added that, it would take too much space to enumerate all the challenges so a few comments on some of them will have to suffice. The main objective of this study is to examine these challenges affecting the proper implementation of a good tax system in Nigeria and proffer strategies for an efficient tax regime.

Against this background, this study raises the following research questions:

- To what extent does non-availability of tax statistics affect Pay-As-You-Earn (PAYE) in Nigeria?
- To what extent does inability to prioritize tax effort affect Pay-As-You-Earn (PAYE)?
- How does poor tax administration constitute barrier to Pay-As-You-Earn (PAYE)?
- To what extent does multiplicity of tax stand a barrier to Pay-As-You-Earn (PAYE)?

Objectives of the Study

The following are the objectives of this study:

- To determine the extent to which non availability of tax statistics affect Pay-As-You-Earn (PAYE) in Nigeria.
- To verify the extent to which inability to prioritize tax effort affect Pay-As-You-Earn (PAYE).
- To find out if poor tax administration constitute barrier to Pay-As-You-Earn (PAYE).
- To examine the extent to which multiplicity of tax stand a barrier to Pay-As-You-Earn (PAYE).

Research Hypotheses

The hypotheses of this study are stated in null form as follows:

- Non availability of tax statistics does not affect Pay-As-You-Earn (PAYE) in Nigeria.
- Inability to prioritize tax effort does not affect Pay-As-You-Earn (PAYE).
- Poor tax administration does not constitute barrier to Pay-As-You-Earn (PAYE).
- Multiplicity of tax stand does not a barrier to Pay-As-You-Earn (PAYE).

Tax

Anyaduba (1999) defines tax as a compulsory levy imposed by a public authority on the income, profit or wealth of an individual, family, community, corporate or unincorporated body e.t.c. for the public purpose. Eiya (2012) established that tax is a compulsory imposition on income or profit or capital gain of individuals, companies or other legal entities by the government in order to raise revenue. According to the New Webster Dictionary of the English language, tax is define as a charge imposed by government authority upon property, individuals or transactions to raise money for public purpose.

Taxation

Odingenyi (1999) define taxation as a process of levying and collection by a public authority with proper jurisdiction of compulsory contribution from persons or body of persons to defray cost incurred by authority in the common interest of all. Anyaduba (1999) is of the opinion that taxation is the process or system of raising income through the levying of various types of taxes.

It should however, be noted at this juncture that a fine or penalty is not a tax, not even when the fine is imposed by a statute. A charge imposed for a particular service rendered or for goods sold is not a tax. A tax is not the same as a debt, although an undercharged tax liability may be statutorily converted into a debt due to the government. A voluntary payment, donation or contribution is not a tax, not even when it is made for a public purpose.

PAYE as a Means of Tax Collection in Nigeria

Personal Income Tax (PIT) is the oldest form of tax in the country. It was first introduced as a community tax in the Northern Nigeria in 1904 (before the unification of the country in 1914). It is implemented through the native revenue ordinances to the western and eastern regions in 1917 and 1928 respectively.

It was later incorporated into direct taxation ordinance number 4 of 1940 (Ola, 2001). The need to tax personal income prompted the Income Tax Management Act (ITMA) of 1961. Several amendments have been made to the 1961 ITMA Act in 1985, 1989, 1990, and 1992.

The application of ITMA varied across regions/states causing the burden of multiple taxes on individuals. As stated by Odusola (2006) two study groups were set up in 1991 to review the situation and improve tax collection. The 1961 ITMA was replaced with an amended act which was superseded in 1993 by Personal Income Tax Act (PITA) number 4. It was applicable with nationwide coverage. Its administration however, was assigned to the states, which were empowered to tax individuals, or bodies of individuals residing in its territory in a particular year. The PITA empowered the Joint Tax Board to administer the tax throughout the country and to coordinate its administration while the State Board of Internal revenue (SBIR) became responsible for the administration of the revenue.

Dandago and Alabede (2000) defined Personal Income Tax as taxes imposed on the income of individuals, communities and families, etc. arising from employment, business, trade, profession, vocation etc. Two forms of personal income tax exist; the Pay-As-You-Earn system (PAYE) and Direct assessment. He described PAYE as the system whereby the

employee pays tax on whatever income he earned from his employment in any particular month at the end of that month. It is a progressive tax arrangement whereby an employee pays income tax on his/her current earnings when it becomes payable. PAYE applies only to employees resident in Nigeria and employees of Nigerian government oversee. It applies to income from all sources, salaries, bonuses, commission, directors' fees and any other income from employment etc. The employer deducts the tax from the employee's monthly earnings including any allowances or benefits paid in cash or given to or on behalf of the employee. The total amount deducted by the employer from the employee's earning at the end of every month is then remitted to the relevant tax authority (the relevant State Board of Internal Revenue).

The PAYE system seems to be the most effective way of enforcing payment of tax (from employment). Since tax is deducted at source, Hence, PAYE system reduces the level of evasion.

In an attempt to solve the problem of Personal Income Tax and Companies Income Tax, especially in the areas of evasion, self assessment system was introduced by the federal government of Nigeria through the 1991 budget pronouncement. The system is to run concurrently with the existing Government assessment (or non-self assessment) for both individual and corporate tax payers. The system is based on the assumption that every tax payer is patriotic. It is expected to be reinforced by some compliance measures like regular and selective tax audit in order to sustain credibility of the system. Those who exploit the system to evade legitimate tax liability are to be severely punished.

The growing concern of tax administration throughout the world is on how to simplify the tax assessment system to encourage voluntary compliance and many countries have adopted the self-assessment as a solution (Sarker, 2003). This recent trend in developing countries sees a shift from the official assessment system to self assessment. Compliance costs are all costs incurred by taxpayers, non-filers and third parties to comply with tax obligations. The success or failure of the self assessment system from the view point of the tax administration is ascertained from the amount of taxes collected by the system and is found to be successful in countries like Japan as a result of their half century experience. The self assessment tax system is an assessment by the tax payer in which he carries out the computations of the tax liability, usually on a prescribed form and accompanies this with payment of the tax due to the tax authority. The non-self assessment tax on the other hand, is the assessment made by the tax authorities and conveyed on an assessment notice to the tax payer. In most cases, the tax payer provides the relevant information on a tax return form to assist the tax authority to carry the necessary assessment'.

Quite number of works has been carried out in taxation and its contributions in enhancing revenue generations to boost economic development of the country. From the Analysis the study was discovered that electronic taxation will enhance revenue generation in the states studied.

Also large data base of the citizenry achieved through proper record keeping will enhance revenue generation. The researcher equally found out that e-government is an indispensable factor in achieving the objective of e-taxation. Computer literacy will enhance electronic tax administration which will significantly curb tax evasion and avoidance and reduce operational compliance cost. To ascertain the significance of private sector revenue generation at the local government level using data from FCT, Abuja. The study was prompted by mobilization of tax income from self-employed people which has always posed a serious challenge to Local Government authorities in Nigeria hence Millions of naira have been lost due to prevalence of tax evasion and avoidance among the self-employed people. As a result, taxation can be used as a major instrument of revenue mobilization and or as a key to sustainable economic development in Nigeria since it hinders realization of fiscal policy objectives of government. The study thereby aimed at finding the root causes of tax evasion and avoidance among the self-employed people in FCT, Abuja, with a view to exploring ways of encouraging them to comply with tax matters in a bid to boost local government revenue sources that will provide adequate funds for development efforts of government. Finally, that effective and efficient tax policy will eliminate high compliance costs; make self-employed people tax compliant and increase total revenue generated from tax sources thereby making taxation a veritable tool in the hand of government to sustainable economic growth and development in the emerging Nigerian economy.

A survey research design was adopted and responses were obtained through the use of a well-structured questionnaire administered to 185 respondents. Findings from the empirical analysis using Kendall''s w-test and Chi-square test statistics reveal that tax evasion and avoidance have adversely affected economic growth and development in Nigeria, and also, that lack of good governance is the basis for which tax leakages activities is perpetrated. The study therefore recommends that the government should embrace and promote good governance so as to encourage voluntary compliance of tax liability by the citizenry. Ming- Ling-Lai in (2009) embarked on a study on Self-Assessment Tax System and Compliance Complexities in Malaysia. In the study, 700 questionnaires were administered to tax practitioners who attended "Budget 2008 Tax Seminar" in the months of September and October 2007 organized by the Malaysian Institute of Accounting in Peninsular Malaysia. A total of 208 usable responses from tax practitioners who are in tax practice were used for the data analysis. In the study, the tax practitioners were self employed 'in house' tax accountants, tax advisers and registered tax agents. The findings revealed that the ten areas where tax practitioners encounter most difficulties in tax compliance for companies were mostly related to inherent weaknesses of the self-assessment system, as well as the inefficiency and quality of tax services provided by the Inland Revenue Board Malaysia.

In a research conducted by Yahaya in 2009 on The Analysis of The Challenges of Taxation in Kwara State Nigeria, 125 questionnaires were administered to tax officials in Kwara State Board of Internal Revenue (KSBIR), as well as tax agents in the state of which 20 questionnaires were fully completed and analyzed using relevant statistics. The study identified the major societal factors hindering effective self-assessment taxation as high rate of poverty, rampant case of corruption, high rate of illiteracy and tax evasion and avoidance. The findings further revealed that ineffective utilization of the collected taxes, poor remuneration of tax officers, improper record keeping and inadequate facilities to assess taxable resources constituted major challenges to efficient taxation in Kwara State. A survey conducted by Aliu in 2011 on Self-Assessment Regime in Nigeria, made some revelation as to the system. Using a cross-sectional survey, random sampling was adopted and questionnaires administered to tax authorities and tax payers in Delta State Nigeria. In the study, 100% of the respondents who are employee of tax authorities felt that the self-assessment system was necessary, but 85.71% of the responses from taxpayer suggested that the system was not necessary. When respondents were asked the level of personal compliance to self-assessment, 28.57% had high compliance, while 64.29% were moderate and 7.14% had low compliance. From his study, we can see that the self-assessment regime is yet to be fully accepted and complied with by tax payers in Nigeria.

II. THEORETICAL FRAMEWORK

Theory of taxation

Taxation has always been an issue for the government and taxpayers alike from the early years of civilization Brautigam, (2008. The issue of taxation has generated a lot of controversy and severe political conflicts over time. According to its importance, several economic theories have been proposed to run an effective system. Taxes are generally classified under three different theories as given: ability to pay principle, benefit approach and equal distribution principle. However, in this paper is guided by the ''ability to pay principle''.

Ability-to-Pay Principle: As the name suggests, it says that the taxation should be levied according to an individual's ability to pay. It says that public expenditure should come from "him that hath" instead of "him that hath not". The principle originated from the sixteenth century, the ability-to-pay principle was scientifically extended by the Swiss philosopher Jean Jacques Rousseau (1712-1778), the French political economist Jean- Baptiste Say (1767-1832) and the English economist John Stuart Mill (1806-1873). This is indeed the basis of 'progressive tax,' as the tax rate increases by the increase of the taxable amount. This principle is indeed the most equitable tax system, and has been widely used in industrialized economics. The usual and most supported justification of ability to pay is on grounds of sacrifice. The payment of taxes is viewed as a deprivation to the taxpayer because he surrendered money to the government which he would have used for his own personal use. However, there is

no solid approach for the measurement of the equity of sacrifice in this theory, as it can be measured in absolute, proportional or marginal terms. Thus, equal sacrifice can be measured as:

- Each taxpayer surrenders the sane absolute degree of utility that s/he obtains from her/his income;
- Each sacrifice the same proportion of utility she/he obtains from her/his income.
- Each gives up the same utility for the last unit of income; respectively.

Analysis

The data obtained for this study were presented in tabular form and analyzed by the use of simple percentage to enhance quick and easy understanding.

In testing the stated hypothesis in section one of this study. Z-test is used.

The formula is stated below:

$$Z = \frac{x - npo}{\sqrt{npo\,(1-po)}}$$

Where:

Z = Symbol used to denote z-test

x = number of positive response received

n = number of response analyzed

po = critical value of the level of significance

The level of significance used in this test is 5% or 0.05.

Decision rule: If the calculated value of Z is greater than Z, at table value, we reject the null hypothesis and accept the alternative hypothesis.

Descriptive Statistics

This involves the use of tables to analyze the responses of respondents and their respective percentages. Out of one hundred (100) questionnaires administered only 80 were retrieved from the respondents. This represents 80% (percent) response.

PAYE is a very effective tax process

	No	%
Agreed strongly	40	50
Agreed slightly	16	20
Undecided	8	10
Disagree slightly	12	15
Disagree strongly	4	5
Total	**80**	**100**

Source: Field Study, 2019

From the responses, 50% of the respondents agreed strongly that PAYE is a very effective tax process, 25% Agreed slightly, 10% were undecided, 15% disagreed slightly while 5% disagreed strongly to it.

Question 2:Tax on my salary has serious impact on my disposable income

	No	%
Strongly Agree	40	50
Agree	16	20
Undecided	8	10
Disagree	12	15
Strongly Disagree	4	5
Total	**80**	**100**

Source: Field Study, 2019

From the responses, 50% of the respondents agreed strongly that tax on my salary has serious impact on my disposable income, 25% Agreed slightly, 10% were undecided, 15% disagreed slightly while 5% disagreed strongly to it.

Question 3: I would neither pay tax nor encourage its payment if I had the option

	No	%
Strongly Agree	34	42.5
Agree	14	17.5
Undecided	10	12.5
Disagree	12	15
Strongly Disagree	10	12.5
Total	**80**	**100**

Source: Field Study, 2019.

From the response above, 42.5% agreed strongly that I would neither pay tax nor encourage its payment if I had the option, 17.5% Agreed slightly, 12.5% were undecided, 15% disagreed slightly while 12.5% disagreed strongly to it.

Question 4: Non availability of tax statistics affect Pay-As-You-Earn (PAYE) in Nigeria

RESPONSES	NUMBER	PERCENTAGE (%)
Strongly Agree	27	31
Agree	29	34
Undecided	6	9
Disagree	14	20
Strongly Disagree	4	6
Total	**80**	**100**

Source: Field Study, 2019

31% respondents agreed strongly to the response that Non availability of tax statistics affect Pay-As-You-Earn (PAYE) in Nigeria, 34% agreed slightly, 9% were undecided, 20% disagreed slightly while 6% of the respondents disagreed strongly to it.

Question 5: Inability to prioritize tax effort affect Pay-As-You-Earn (PAYE)

	No	%
Strongly Agree	38	47.5
Agree	22	25.5
Undecided	6	7.5
Disagree	10	12.5
Strongly Disagree	4	5
Total	**80**	**100**

Source: Field Study, 2019.

38% of the respondents agreed strongly, 22% agreed slightly, 6% were undecided about it, 10% of the respondents disagreed slightly, while 4% also disagreed strongly that, inability to prioritize tax effort affect Pay-As-You-Earn (PAYE).

Question 6: Assessment and interpretation of tax under the direct tax system is very poor

	No	%
Agreed strongly	40	50
Agreed slightly	18	22.5
Undecided	8	10
Disagree slightly	4	5
Disagree strongly	10	12.5
Total	**80**	**100**

Source: Field Study, 2019.

The table depicts that 50% of the respondents agreed strongly, 22.5% agreed slightly, 10% were undecided, 5% disagreed slightly while 12.5% disagreed strongly that assessment and interpretation of tax under the direct tax system is very poor.

Question 7: Poor tax administration constitute barrier to Pay-As-You-Earn (PAYE)

	No	%
Strongly Agree	38	47.5
Agree	22	25.5
Undecided	6	7.5
Disagree	10	12.5
Strongly Disagree	4	5
Total	**80**	**100**

Source: Field Study, 2019.

The table above depicts that 47.5% of the respondents agreed strongly, 25.5% agreed slightly, 7.5% were undecided, 12.5% disagreed slightly while 5% disagreed strongly that poor tax administration constitute barrier to Pay-As-You-Earn (PAYE).

Question 8: Multiplicity of tax stand a barrier to Pay-As-You-Earn (PAYE)

RESPONSES	NUMBER	PERCENTAGE (%)
Strongly Agree	27	31
Agree	29	34
Undecided	6	9
Disagree	14	20
Strongly Disagree	4	6
Total	**80**	**100**

Source: Field Study, 2019

31% respondents agreed strongly to the response that multiplicity of tax stand a barrier to Pay-As-You-Earn (PAYE), 34% agreed slightly, 9% were undecided, 20% disagreed slightly while 6% of the respondents disagreed strongly to it.

Table 4.14

Question 9: Enlightenment and adequate utilization of tax revenue on public goods will encourage tax payment

	No	%
Strongly Agree	36	45
Agree	12	15
Undecided	4	5
Disagree	20	25
Strongly Disagree	8	10
Total	**80**	**100**

Source: Field Study, 2019.

The table above depicts that 45% of the respondents agreed strongly, 15% agreed slightly, 5% were undecided, 25% disagreed slightly while 10% disagreed strongly that enlightenment and adequate utilization of tax revenue on public goods will encourage tax payment.

Question 10: The Pay-As-You-Earn tax rate is too high

	No	%
Strongly Agree	44	55
Agree	40	25
Undecided	2	2.5
Disagree	8	10
Strongly Disagree	6	7.5
Total	**80**	**100**

Source: Field Study, 2019.

From the table above, 55% of the respondents agreed strongly, 2.5% agreed slightly, 2.5% were undecided, 10% disagreed slightly while 7.5% disagreed strongly that the Pay-As-You-Earn tax rate is too high.

Question 11: High tax rate discourages investments

	No	%
Strongly Agree	44	55
Agree	20	25
Undecided	2	2.5
Disagree	8	10
Strongly Disagree	6	7.5
Total	**80**	**100**

Source: Field Study, 2019.

From the table above, 55% of the respondents agreed strongly, 2.5% agreed slightly, 2.5% were undecided, 10% disagreed slightly while 7.5% disagreed strongly that high tax rate discourages investments.

Question 12: Tax brings about increase in the price of commodities

	No	%
Strongly Agree	42	52.5
Agree	22	27.5
Undecided	6	7.5
Disagree	6	7.5
Strongly Disagree	4	5
Total	**80**	**100**

Source: Field Study, 2019.

The table above depicts that 52.5% of the respondents agreed strongly, 27.5% agreed slightly, 7.5% were undecided, 7.5% disagreed slightly while 5% disagreed strongly that tax brings about increase in the price of commodities.

Question 13: Nigeria tax administrative structure lack autonomy

	No	%
Strongly Agree	8	10
Agree	6	7.5
Undecided	4	5
Disagree	48	60
Strongly Disagree	14	17.5
Total	**80**	**100**

Source: Field Study, 2019.

60% of the respondents disagreed slightly, 17.5% disagreed strongly, 5% were undecided, 7.5% agreed slightly while 10% agreed strongly that Nigeria tax administrative structure lack autonomy.

Question 14: People in the informal sector does not pay their tax regularly

	No	%
Strongly Agree	30	37.5
Agree	24	30
Undecided	8	10
Disagree	10	12.5
Strongly Disagree	8	10
Total	**80**	**100**

Source: Field Study, 2019.

37.5% of the respondents agreed strongly 30% agreed slightly, 10% were undecided, 12.5% disagreed slightly while 10% disagreed strongly that people in the informal sector does not pay their tax regularly.

Question 15: Politicians interferes too much with the Nigerian tax system

	No	%
Strongly Agree	36	45
Agree	22	27.5
Undecided	12	15
Disagree	6	7.5
Strongly Disagree	4	5
Total	**80**	**100**

Source: Field Study, 2019.

The table above revealed that 45% of the respondents agreed strongly, 27.5% agreed slightly, 15% were undecided, 7.5% disagreed slightly while 5% disagreed strongly that politicians interferes too much with the Nigerian tax system.

4.3 Test of Hypothesis

The Binomial (Z) test was used to test the claims made by the researcher in this study. In this research work, four (4) hypotheses were formulated in SECTION ONE which are now being tested with the use of the Z-test statistical technique.

The formula is stated below:

$$Z \quad = \quad \frac{x - npo}{\sqrt{npo\ (1\text{-}po)}}$$

Where:

Z   =   Symbol used to denote z-test

x   =   number of positive response received

n   =   number of response analyzed

po   =   critical value of the level of significance

The level of significance used in this test is 5% or 0.05.

Decision rule:

If the calculated value of Z is greater than Z, at table value, we reject the null hypothesis and accept the alternative hypothesis.

Hypothesis One

H_0:   Non availability of tax statistics does not affect Pay-As-You-Earn (PAYE) in Nigeria.

H_1:   Non availability of tax statistics affects Pay-As-You-Earn (PAYE) in Nigeria.

In analyzing the above hypothesis, question four (4) of the questionnaire was used.

Q.4:   N on availability of tax statistics affects Pay-As-You-Earn (PAYE) in Nigeria.

Table 4.3.1: Analysis of Respondents

RESPONSES	NUMBER	PERCENTAGE (%)
Agreed strongly	27	31
Agreed slightly	29	34
Undecided	6	9
Disagree slightly	14	20
Disagree strongly	4	6
Total	**80**	**100**

Source: Field Study, 2019.

Using Binomial P, the null hypothesis (Ho) as regarding the above table is tested using one tail test as follows:

Ho: $P \leq 0.5$

Hi: $P > 0.5$

Zcal is computed using

$$Z \quad = \quad \frac{x - npo}{\sqrt{npo\ (1 - po)}}$$

$$Z \quad = \quad \frac{56 - 80\ x\ 0.5}{\sqrt{80\ x\ 0.5(1 - 0.5)}}$$

$$Z \quad = \quad \frac{56 - 40}{\sqrt{40\ x\ 0.05}}$$

$$Z \quad = \quad \frac{16}{\sqrt{20}}$$

$$Z \quad = \quad \frac{16}{4.472}$$

$$\therefore\ ZCal = \quad \underline{\underline{3.578}}$$

Decision

Since Z cal is 3.578 is greater than Z value at 5% which is 1.645, we accept the alternative hypothesis which states that non availability of tax statistics affects Pay-As-You-Earn (PAYE) in Nigeria.

Hypothesis Two

H_0:   Inability to prioritize tax effort does not affect Pay-As-You-Earn (PAYE).

H_1:   Inability to prioritize tax effort affects Pay-As-You-Earn (PAYE).

In analyzing the above hypothesis, question five (5) of the questionnaire was used.

Q.5:   Inability to prioritize tax effort affects Pay-As-You-Earn (PAYE).

Analysis of Respondents

	No	%
Agreed strongly	38	47.5
Agreed slightly	22	25.5
Undecided	6	7.5
Disagree slightly	10	12.5
Disagree strongly	4	5
Total	**80**	**100**

Source: Field Study, 2019.

However, using the Binomial P, the null hypothesis (Ho) as regards the above table is tested using one tail test as follows.

Ho: $P \leq 0.5$

Hi: $P > 0.5$

Zcal is computed using

$$Z = \frac{x - npo}{\sqrt{npo(1 - po)}}$$

$$Z = \frac{60 - 80 \times 0.5}{\sqrt{80 \times 0.5(1 - 0.5)}}$$

$$Z = \frac{60 - 40}{\sqrt{40 \times 0.5}}$$

$$Z = \frac{20}{\sqrt{20}}$$

$$Z = \sqrt{4.47}$$

$$\therefore ZCal = \underline{\underline{4.47}}$$

Decision:

Since Z-cal is 4.47 is greater than Z value at 5% which is 1.645, we accept the alternative hypothesis which states that inability to prioritize tax effort affects Pay-As-You-Earn (PAYE).

Hypothesis Three

H$_3$:   Poor tax administration does not constitute barrier to Pay-As-You-Earn (PAYE).

In analyzing the hypothesis, question seven (7) in the questionnaire was used.

Q.7:   Poor tax administration does not constitute barrier to Pay-As-You-Earn (PAYE).

Table 4.3.4: Analysis of Respondents

	No	%
Agreed strongly	38	47.5
Agreed slightly	22	25.5
Undecided	6	7.5
Disagree slightly	10	12.5
Disagree strongly	4	5
Total	**80**	**100**

Source: Field Study, 2019.

However, using the Binomial P, the null hypothesis (Ho) as regards the above table is tested using one tail test as follows.

Ho: $P \le 0.5$

Hi: $P > 0.5$

Zcal is computed using

$$Z = \frac{x - npo}{\sqrt{npo(1 - po)}}$$

$$Z = \frac{60 - 80 \times 0.5}{\sqrt{80 \times 0.5(1 - 0.5)}}$$

$$Z = \frac{60 - 40}{\sqrt{40 \times 0.5}}$$

$$Z = \frac{20}{\sqrt{20}}$$

$$Z = \sqrt{4.47}$$

$$\therefore ZCal = \underline{\underline{4.47}}$$

Decision:

Since Z-cal is 4.47 is greater than Z value at 5% which is 1.645, we accept the alternative hypothesis which states that, poor tax administration constitute barrier to Pay-As-You-Earn (PAYE).

Hypothesis Four

H$_o$:   Multiplicity of tax stand does not a barrier to Pay-As-You-Earn (PAYE)

H$_1$:   Multiplicity of tax stands a barrier to Pay-As-You-Earn (PAYE).

In analyzing the above hypothesis, question four (4) of the questionnaire was used.

Q.4:   Multiplicity of tax stands a barrier to Pay-As-You-Earn (PAYE).

Table 4.3.1: Analysis of Respondents

RESPONSES	NUMBER	PERCENTAGE (%)
Agreed strongly	27	31
Agreed slightly	29	34
Undecided	6	9
Disagree slightly	14	20
Disagree strongly	4	6
Total	**80**	**100**

Source: Field Study, 2019.

Using Binomial P, the null hypothesis (Ho) as regarding the above table is tested using one tail test as follows:

Ho: $P \le 0.5$

Hi: P > 0.5

Zcal is computed using

$$Z = \frac{x - npo}{\sqrt{npo\,(1 - po)}}$$

$$Z = \frac{56 - 80 \times 0.5}{\sqrt{80 \times 0.5(1 - 0.5)}}$$

$$Z = \frac{56 - 40}{\sqrt{40 \times 0.05}}$$

$$Z = \frac{16}{\sqrt{20}}$$

$$Z = \frac{16}{4.472}$$

$$\therefore ZCal = \underline{\underline{3.578}}$$

III. DECISION

Since Z cal is 3.578 is greater than Z value at 5% which is 1.645, we accept the alternative hypothesis which states that multiplicity of tax stands a barrier to Pay-As-You-Earn (PAYE).

IV. CONCLUSION

The study posits that non availability of tax statistics, inability to prioritize tax effort, poor tax administration, and multiplicity of tax stands a barrier to Pay-As-You-Earn (PAYE). Other factors militating against the PAYE system of taxation are poor remittance and collection machinery, lack of motivation of revenue staff, inadequate demographic information on tax payers, Inadequate and unreliable information furnished by tax taxpayers, Politics and partisanship, Corrupt practices by some tax officials and tax payers among others.

V. RECOMMENDATIONS

The following recommendations have also been drawn or reached based on the result of the research analysis;

- It is recommended that effort should be made to identify taxpayers that are yet to be captured in the tax payers net, through the issuance of a unique tax identification number and the development of data base of tax payers' profile.
- Government should have the political will and should also ensure effective assessment, collection and utilization of tax revenue; this would improve Pay-As-You-Earn (PAYE) collection.
- The issue of multiplicity of tax should be discouraged in order to encourage tax compliance.

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