Personal Income Tax and the Performance of Internally Generated Revenue in Benue State - Nigeria

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Abstract

This paper examined the income profile of Benue State Government and assessed the impact of personal income tax on the internally generated revenue accruable to the state. Adopting the ex-post facto research design, secondary data was obtained from Benue State Board of Internal Revenue Service (BIRS) from 2007 – 2016 and analyzed using descriptive statistics, correlation and ordinary least square multiple regression technique. The study found that pay-as-you-earn has significant positive contribution to internally generated revenue in Benue state while direct assessment has insignificant negative contribution to internally generated revenue in the state over the study period. It was recommended among others, that the tax authority and government of Benue state should conduct a thorough census and aggressive registration of the self-employed in order to drag them into the tax-net of the state to further enhance tax revenues accruing to the state through direct assessment.

Keywords: Personal Income Tax, Pay-As-You-Earn, Direct Assessment, Internally Generated Revenue, Board of Internal Revenue Service.

1. Introduction

Government's money-needs are tapped from various sources of revenue, among which are; taxation, borrowing (loans), profit from government companies and miscellaneous incomes which include aids from other countries or organizations. Of all these sources, tax is the most important. This is because it contributes more than 50 percent of the total government revenue. However in recent times, government budgets at both state and federal levels are inundated with high borrowing as the major means of financing government expenditures. There has been dwindling Internally Generated Revenue (IGR) at all levels of government in Nigeria as only three out of the thirty-six states of the federation are capable of raising adequate revenues from IGR that can cover the states' financial obligations. IGR, the income that accrues to the State and Local Governments from within as a result of their internal efforts as opposed to allocations received centrally from the federation account includes personal income taxes (PAYE and Direct Assessments), road tax, fines and fees, licenses, stamp duties, land registration and survey fees, rents of government properties, interest repayment/dividends and reimbursement refunds (Abiola & Ehigiamusoe, 2014). According to Dike (2000:36) the overriding objective is to 'collect the maximum revenue with the minimum cost and without interference with the legitimate trade of the taxpayer'.

In Nigeria today, only salary earners pay Personal Income Tax (PIT) faithfully through the Pay as You Earn (PAYE) system, which deducts tax at source. It has remained difficult, if not impossible to get the self-employed to pay tax faithfully and since the government has not been able to effectively device means of assessing the income of those in self-employment, they have been evading tax successfully (Omogui, 2007). The situation now is such that, people with means are walking on the streets free without paying any tax at all to the government thus contributing to inadequate IGR accruable to the states.

Benue State government, like most other state governments in Nigeria, always runs short of funds relative to their expenditure. The need for all tiers of government to generate adequate revenue from internal sources has become a matter of extreme urgency and importance, following the increased responsibility on the part of the government to its citizens amidst a decrease in the funds available for distribution to the Federal and State Governments from the federation account. This need underscores the eagerness on the part of states and local governments and even the federal government to look for new sources of revenue or to become aggressive and innovative in the mode of collecting revenue from existing sources. Aguolu (2004) and Oseni (2013) observed that though taxation may not be the most important source of revenue to the government in terms of the magnitude of revenue derivable from it, taxation is the most important source of revenue to the government from the point of view of certainty, and consistency of tax revenue. Owing to the inherent power of the government to impose taxes, the government is assured at all times of its tax revenue no matter the circumstances.

Since the responsibility of every government is to avoid a collapse of its economy by providing a conducive atmosphere where all micro and macro-economic variables thrive and this responsibility can only be achieved with a buoyant strong revenue base, and of course requisite human capital (Wole, 2008), **this paper seeks to** assess the relationship between PIT and IGR in Benue state, with a view to examining the extent to which PIT contributes to revenue generation in the state.

One of the greatest developmental challenges facing Benue State since its creation is the low IGR base of the State. It is true that the problem of lack of financial capacity and autonomy is not peculiar to Benue State alone; the problem is more acute in Benue State because of the near absence of federally established industries or parastatals. The IGR profile of States in Nigeria was worsened by the dire consequences of the global economic crisis on the finances of all tiers of government in the country, such that the Nigerian Governors Forum (NGF), in its First National Round Table on IGR, sought ways and means of boosting revenue generation in the country. Benue State has been relying almost solely on one source of revenue derived from the Federation Account. Since the global economic meltdown, revenue accruing to the State has steadily declined. Over the years, revenue derived from PIT has been very low in Benue State, which could be the reason for low pace of physical development and non-payment of the state workers stipends in recent times; hence its impact on the poor is insignificantly felt. There has been an increase in the demand for governmental service for the masses. Government is expected to satisfy collective wants

and regulate the economic and social policies of the nation. Therefore, the fact that Benue State is predominantly a civil service and small business state, there is need to ascertain the impact of the various sources of PIT revenue on the total IGR in the State. Thus, the main problem investigated in this study is to ascertain whether Pay-As-You Earn (PAYE) and Direct Assessment (DA) are making significant impact on total IGR in Benue state of Nigeria.

2. Review of Related Literature and Hypotheses Formulation

Theoretical Framework

The issue of income generation from tax is guided by several theories as taxation is said to be a product of theories. This study however adopted two of the theories as the basis for the work; these are the ability-to- pay and the pecking order theory.

The Ability – to – Pay Theory

The Ability – to – pay theory propounded by Kendrick (1939) is deemed to be the dominant theory of taxation. It states that taxes should be based on the ability to pay, that is, those who have more income should pay more taxes. This principle makes a great deal of sense, especially for the provision of public goods that are consumed by all. If everyone benefits from public goods, without exclusion, then everyone should pay. However, not everyone can pay, so those who can afford to pay need to bear the burden more.

This theory is usually interpreted in terms of sacrifice. It is hard to justify progressive taxation under any one of these three possible interpretations of sacrifice: the equal, equal-proportional, and least-sacrifice theories. These theories rest in turn on three assumptions: the declining marginal utility of money with an increase in its supply, the existence of sacrifice. Analysis discloses each of these supports to be defective and thereby breaks down the theory of ability to pay. Progressive taxation may, however, be justified on other grounds. These grounds should be founded on the broad realities of the economic system. Taxes have economic effects, and these effects entail social consequences. The choice of the taxes to be laid and rates at which they are to be applied express a preference for one set of economic effects, and hence of social consequences, to another. **The ability – to – pay theory relates to this study because it is of the view that personal income taxes should be levied based on the ability of the taxpayer, which is capable of generating adequate revenue from the most capable hands into government coffers**

Pecking Order Theory

This study is also anchored on the Pecking Order Theory popularized by Myers and Majluf (1984) together with the law of increasing state activities. According to this theory, firms and government authorities prefer internal funding over external funding. It holds that, in case organizations require external funding they would prefer debt over equity, and equity is generated as last resort. So the firms do not have predetermined or optimum debt to equity ratio due to information asymmetry. The organizations adopt conservative approach when it comes to dividends, and use debt financing to maximize the value of firm. In corporate finance, **pecking order theory** postulates that the cost of financing increases with asymmetric information. Financing comes from three sources, internal funds, debts and new equity. Companies prioritize their sources of financing, first preferring internal financing, and then debt, lastly raising equity as a "last resort". Hence, internal financing is used first; when it is depleted, then debt is issued; and when it is no longer sensible to issue any more debt, equity is utilized.

This study adopts the pecking order theory since government, when faced with fund raising issues, seeks to raise its funds internally than to resort to external financing, like debt (government borrowing). The internal approach of fund raising by a government is mainly through the imposition of taxes more equally, conveniently, and economically on the income of its citizens (both corporate and individuals), which has huge potentials to impact positively on the IGR.

Revenue Generation and Personal Income Tax

The sources of revenue of the state government can be divided into two parts viz: recurrent revenue and capital receipts (Adam, 2006; Soyode & Kajola, 2006; Adesopo & Akinlola, 2004). The Recurrent Revenue include: taxes, licences, earnings from economic activities, allocation from the Federation Account and VAT allocations while capital receipts include: grants, loans, and financial aids. It is however, noted that sources of revenue are by no means uniform among the states. States derive their revenue depending on the resources available to them (Adam, 2006; Anyafo, 1996).

Hofer and Schedal (1978) as cited in Adesoji and Chike (2013) defined strategy of revenue generation

as the fundamental pattern of present and planned resource department, and environmental interaction that indicates how an organization will achieve its aims and objectives. However, for effective revenue generation, Hofer and Schedal (1978) suggest the following strategies: Introduction of additional sources of revenue; Providing an incentive for extra efforts of the revenue generation staffs; Periodic raiding by officer of the revenue generation; Efficient and effective collection of existing taxes; and Public enlightenment and campaigns that will educate the tax payer on the importance of prompt tax payment.

While tax policy and tax laws create the potentials for raising tax revenues, the actual amount of taxes flowing into the government treasury, to a large extent, depends on the efficiency and effectiveness of the revenue administration agencies. Weaknesses in revenue administration lead to inadequate tax collections. Financing of the resulting budget deficit through borrowing can cause unsustainable increases in the State public debt. In the alternative, revenue shortfalls shrink the budgetary resource envelope thus, affecting the government's ability to implement its policies and programmes and provision of public services. Unexpected dips in revenue collections also cause budget cuts that result in major inefficiencies in the public expenditure management. Benue State in recognition of this, granted full autonomy to the State Board of Internal Revenue in 2010 targeted at increasing internal revenue accruable to the government.

According to Soyode and Kajola (2006), there are basically two types of tax; they are direct taxes and indirect taxes. Direct tax includes Personal Income Tax (PIT), poll tax, company tax, Capital Gain Tax (CGT) and so on while indirect tax include import and export duties, excise duty, Value Added Tax (VAT) and so on. Personal Income Tax as a form of direct tax is however, the field to which this study relates. Personal income tax Act of 1993 (PITA, 1993) which repeals the Income Tax Management Act 1961 (ITMA 1961) defined personal income tax as the tax charged on individuals' chargeable income. It is a compulsory levy imposed on employment income and income or profit of individuals derived from a trade, business, profession or vocation. The income tax also includes other benefits-in-kind relating to the employment such as houses and cars provided by employers for employees' use. Sources of Personal Income Tax include: Basic salary, all allowances subject to certain limits, investment income such as dividend, interest and rent and business income or profit.

The PAYE system of tax payment is an example of personal income tax used to describe a situation whereby an employee pays tax on whatever income he earns from his employment in any particular month at the end of that month (Ekpe, 2012). Under this system, the employer deducts the relevant tax from the employee's total earnings, including allowances on monthly basis and the employer remits such deductions to the SBIR.

The employee at the beginning of each year is expected to render returns of his income to the relevant tax authority. The returns are usually made on 'Form A' where the employee supplies his income to be earned for the year. The details in the return form are then entered into a Tax Deduction Card used for operating the PAYE system. However, in practice, the PAYE system of tax deduction is not followed and the computation of personal income tax is not also followed according to the provisions of the tax law on personal income taxation. Various salaries are partially operated on the PAYE system as employees pay as they earn their salaries.

Ekpe (2012) depicts that direct assessment is one of the systems of personal income tax based on the proportion of the taxable income of self-employed persons from trade, business, profession or vocation. The self- employed persons are expected to render returns of their annual income at the beginning of each year to the relevant tax authority. A self-evaluation is usually done by the individual, or corporation sole from which the tax authority calculates the tax liability of the individual or corporation sole. This is usually referred to as self-assessment.

Empirical Review

Studies that have investigated the relationship between Personal Income Tax and IGR are rather sparse. The results of a few cases of studies that have examined the impact of personal income tax on **IGR** are summarized in the table below.

Table 1: Results of prior studies on impact of personal income tax on IGR.

Author (s)	Year	Study Focus	Methodology	Findings of Study
Samuel and Tyokoso	2014	Effect of taxation on revenue generation in Nigeria	OLS regression technique	Taxation had a significant contribution to revenue generation in the sampled states.
Afuberoh and Okoye	2014	Impact of taxation on IGR in Nigeria	OLS regression technique	Taxation has a significant contribution to IGR and also on Gross Domestic Product (GDP)
Dabo, Aimuyedo and Tanko	2014	Effect of PIT Amendment Act on Revenue Generation in Nigeria	Chi – square and t – test statistics	The 2011 PIT laws have not successfully encouraged tax payers to voluntarily comply with self – assessment and compliance; It has therefore not improved the revenue generated by the state boards of internal revenue.
Adesoji and Chike	2013	Effect of IGR on state government resources in Lagos-Nigeria	Spearman's rank correlation analysis	There is a positive relationship between IGR and the state government resources.
Oseni	2013	The proportions of internally generat ed revenues to total revenues of states	Descriptive statistics	States getting additional revenue from the statutory allocations as derivation have lower proportions of IGR to their total revenues than other states.
Jamala, Asongo, Mahai and Tarfena	2013	Appraisal of revenue generation in Numan, Southwestern Adamawa State in Nigeria.	Descriptive statistics	Tax authorities normally employ the use of law enforcement agents to assist in revenue collection to improve revenue generation in Adamawa State.
Olusola	2011	Impact of internal sources of revenue on the total revenue in Ogun State	OLS multiple regression	Internal sources of revenue impact positively on total revenue of sampled local governments and rates, fines, fees, licenses and rent sources of reven ue are significant factors influencing IGR in Ogun State
Nassar and Fasina	2005	Impact of personal income tax on the income accruable to Oyo state.	Stepwise regression technique.	Personal income tax has a significant positive contribution to IGR in Oyo s tate. It also revealed that both taxes and licenses jointly and significantly accounted for variations in IGR in the state.

Sources: Authors Compilation 2017

Hypotheses

From the studies examined in table 1 above, it is evident that the few available research works on the relationship between PIT and IGR have focused mainly on assessing the impact PIT has on IGR without giving much consideration to ways of enhancing IGR through improved PIT in the studied populations. *While a lot has been written about inter-governmental fiscal relations and the need for improved allocation to states and Local Governments from the Federation account, not much attention is paid to the management of available funds in states across the country or the perpetual inability of states to tap available resource base through improving their IGRs. This study is therefore an attempt to fill the existing gap* assessing the impact of PIT on the **IGR** accruable to the states with a view to suggesting ways to improve IGR in the state.

Following from the above arguments, hypotheses for this study are stated as follows:

***H0$_1$*:** PAYE has not significantly affected IGR generation in Benue State.

***H0$_2$*:** DA has not significantly affected IGR generation in Benue State.

3.0 Methodology

This study adopts ex-post facto research design on a purposive selected case study, Benue State Board of Internal Revenue Service (BIRS) **covering a period of ten years from 2007–2016. S**econdary source of data obtained from the State Ministry of Finance, and Budget and Planning office of Benue State were used.

The data gathered for the study was subjected to descriptive and inferential statistics. The statistical tools that were used for data analysis includes correlation and ordinary least squares (OLS) multiple regression analysis to examine the relationship between variables under study. The research hypotheses in the study were tested at a five percent (5%) level of significance (0.05), with the aid of STATA Version 14 using a regression equation for the prediction expressed as:

$IGR_t = \alpha + \beta_1 PAYE_t + \beta_2 DA_t + \beta_3 MR_t + \epsilon_t$

where: IGR_t = Dependent Variable, (Internal Generated Revenue) for time t,
$_t$ = Independent Variable, (Pay–As–You–Earn) for time t,
DA_t = Independent Variable (Direct Assessment) for time t,
MR_t = Control Variable (Miscellaneous Revenue) for time t.
β_1- β_3 = Coefficient of Variables
α = Constant (intercept);
ϵ_t= error term (unexplained variance).

The a-priori expectations of variables are: $\beta_1 > 0$; $\beta 2 > 0$; and $\beta_3 > 0$.

Results and Discussion

This section presents the descriptive statistics, analysis and interpretation of the results relating to the data collected for the study. Details of the STATA output are attached in the appendix A_1 – A_9.

Descriptive Statistics

The summary of the descriptive statistics is shown in Table 2.

Table 2: Descriptive Statistics

VAR	MEAN	SD	MIN	MAX	SKEW	KURT	N
IGR	40086110915.0	18031183896.0	19718357612.5	70780101870.0	0.12686	1.52472	10
PAYE	2080690761.3	1981068299.4	875390900.0	7386813224.0	1.21031	3.50191	10
DA	95425819.7	93225811.9	13632999.2	286943384.2	0.18595	1.77232	10
MR	37909994333.8	16683221201.7	18712191671.5	67656126767.0	0.09414	1.53514	10
Source: STATA Output on Appendix A1 - A4.							

Table 2 shows that the mean IGR of Benue State during the period of study was N40,086,110,915.0 with a standard deviation (SD) of N18,031,183,896.0. This is an indication that the IGR of the state deviate from both sides of the mean by N18,031,183,896.0, which means that the data is widely spread from its mean. The IGR also has a minimum and maximum value of N19,718,357,612.5 and N70,780,101,870.0 respectively. See appendix B_1 and B_2 for details. The data for IGR is positively skewed with a coefficient of 0.12686, meaning that most of the data fall on the right side of the normal curve. The kurtosis coefficient of 1.524718 shows that the data was normally distributed. The table also shows that the mean PAYE of Benue State during the study period was N2,080,690,761.3 with a standard deviation (SD) of N1,981,068,299.4. This is an indication that the data is widely spread from its mean. The PAYE also has a minimum and maximum values of N875,390,900.0 and N7,386,813,224.0 respectively. The data for PAYE is positively skewed with a coefficient of 1.21031, meaning that most of the data fall on the right side of the normal curve. The kurtosis coefficient of 3.501909 shows that the data was abnormally distributed, which is explained by the wide range N6,511,422,324. In the same vein, the mean DA of the state for the period was N95,425,819.7 with a SD of N93,225,811.9. This shows that the DA deviates from both sides of the mean by N93,225,811.9. The DA also has a minimum and maximum values of N13,632,999.2 and N286,943,384.2 respectively. The data for DA were positively skewed with a coefficient of 0.18595, meaning that most of the data fall on the right side of the normal curve. The kurtosis coefficient of 1.77232 shows that the data was abnormally distributed.

Table 2 also shows that the mean MR of the state during the period was N37,909,994,333.8, with an SD of N16,683,221,201.7. This shows that the MR deviates from both sides of the mean by N16,683,221,201.7, meaning that the data were widely spread from the mean. The MR also has a minimum and maximum value of N18,712,191,671.5 and N67,656,126,767.0 respectively. The data for

MR were positively skewed with a coefficient of 0.09414, meaning that most of the data fall on the right side of the normal curve. The kurtosis coefficient of 1.53514 shows that the data was normally distributed.

Correlation Coefficients

The summary of the correlation coefficients of the variables under study and P -values are presented in Table 3.

Table 3: Correlation Matrix

VARIABLES	PAYE	DA	MR
PAYE	1.0000		
DA	0.0723	1.0000	
	'0.8426'		
MR	*0.7293*	0.5314	1.0000
	'0.0167'	'0.1139'	
Source: STATA Output on Appendix A8.			

Table 3 shows that there is an insignificant positive statistical correlation between PAYE and DA of the state during the period, which was explained by the 0.0723 correlation coefficient, which was statistically insignificant at 84.26% level of significance (P-Value = 0.8426). MR has a significant positive correlation with PAYE at the correlation coefficient of 0.7293 and 1.67% level of significance (P-Value = 0.0167) and an insignificant positive correlation with DA at 0.5314 correlation coefficient and 11.39% level of significance (P-Value = 0.1139).

Diagnostic Tests

To ensure that the data for this study are fit for the model, three (3) diagnostic tests, the Shapiro-Wilk W Test for Normal Data, the Breusch-Pagan/Cook-Weisberg Test for Heteroskedasticity and the Variance Inflation Factor (VIF) Test for Multicollinearity, were carried out on the data.

Shapiro-Wilk (W) test for data normality was conducted to check the variables emanate from a normally distributed population. It tests the null hypothesis that the data is not normally distributed at a 0.05 level of significance. The result of the test is shown in Table 4 below.

Table 4: Result of Shapiro-Wilk W Test for Normal Data

VARIABLE	W	V	Z	P-VALUE	OBS
IGR	0.91853	1.255	0.399	0.34489	10
PAYE	0.82806	2.65	1.856	0.03170	10
DA	0.94314	0.876	-0.223	0.58840	10
MR	0.92434	1.166	0.267	0.39460	10
Source: STATA Output on Appendix A5.					

Table 4 shows the P-Values of 0.34489, 0.03170, 0.58840 and 0.39460 for IGR, PAYE, DA and MR respectively. Therefore, the study rejects the null hypothesis that the data were not normally distributed, except for PAYE, which was significant at 3.17 % (P-Value = 0.03170). This indicates validity of IGR, DA and MR data. However, the abnormality of PAYE calls for heteroskedasticity and multicollinearity tests to ascertain whether or not the standard errors of the data values have constant variance and perfect collinearity.

Breusch-Pagan/Cook-Weisberg test was conducted to ascertain the existence or otherwise of heteroskedasticity and further test the null hypothesis that there is absence of heteroskedasticity among the standard errors of the data at a 0.05 level of significance. The result of the test is contained in Table 5 below:

Table 5: Result of Breusch-Pagan/Cook-Weisberg Test for Heteroskedasticity

VARIABLE	Chi2	P-VALUE
Fitted Values of IGR	3.24	0.0718
Source: STATA Output on Appendix A6.		

Table 5 shows that the fitted values of IGR have a Chi-square (Chi^2) of 3.24 with the P-value of 0.0718. Therefore, the study accepted the null hypothesis that there is absence of heteroskedasticity among the standard errors of the fitted values of IGR and concludes that data values for the study are homoscedastic.

Multicollinearity is a situation where there is high correlation between independent variables. If VIF = 1, the set of independent variables is uncorrelated, while if VIF ϵ 5, the set of independent variables is highly inter-correlated (Gelman & Hill, 2007). The VIF was conducted to ascertain the existence or otherwise of multicollinearity between independent variables of the study. The result of the VIF test is contained in Table 6.

Table 6: Result of Variance Inflation Factor (VIF) Test

VARIABLE	VIF	TOLERANCE (1/VIF)
PAYE	3.03	0.329573
DA	1.98	0.505259
MR	4.21	0.237742
MEAN VIF	3.07	
Source: STATA Output on Appendix A7.		

Table 6 shows the VIFϵ5 in all the dependent variables of 3.03, 1.98 and 4.21 for PAYE, DA and MR respectively with the mean VIF of 3.07. The tolerance levels also were greater than 0.10 in all the cases. This result has shown that there is absence of perfect multicollinearity between the independent variables, indicating the fitness of the model.

Regression Analysis

The result of the OLS regression of IGR, PAYE, DA and MR is presented in Table 7 below.

Table 7: Result of OLS Regression Analysis

IGR	COEFFICIENT	T-VALUE	P-VALUE
CONST.	-0.0227589	-0.27	0.796
PAYE	0.0526167	6.34	0.001***
DA	-0.0010681	-0.24	0.817
MR	0.9591385	65.08	0.000***
R Square	0.9997		
Adjusted R Square	0.9996		
F-VALUE (3, 6)	6679.13		
P-VALUE	0.0000		
IGR = -0.0227589 + 0.0526167 PAYE - 0.0010681 DA + 0.9591385 MR + e			
Source: STATA Output on Appendix A9.			

*** The results are significant at 1%.

The result from table 7 show that PIT has accounted for 99.96% (Adjusted R Square = 0.9996) of variations in the IGR of Benue State during the study period and 0.04% is accounted for by other factors. In addition, the F-Value of 6679.13 at the significance level of 0.0000 indicates that the model for the study is fit. The coefficient of the constant (CONST.) is -0.0227589, which determines the value of IGR given a unit increase or decrease in any of the independent variables, while all others are rendered zero. PAYE has a coefficient of

0.0526167 at a T-value of 6.34 and P-Value of 0.001, indicating that all things been equal, PAYE significantly and positively affects IGR at 99% confidence level. This finding is consistent with the apriori expectation of this study ($\beta_1 \epsilon$ 0) and it is similar to the findings of Nassar and Fasina (2005) and Adesoji and Chike (2013), who found that PIT has a significant positive contribution to the IGR of Oyo and Lagos states respectively. DA has a coefficient of -0.0010681 at a T-Value of -0.24 and P-Value of 0.817, indicating that all things been equal, DA will insignificantly and negatively affect IGR at 18.3% confidence level. This is inconsistent with the apriori expectation of this study ($\beta_2 \epsilon$ 0). The reason could be that most self-employed tax-payers were not registered or captured in the tax net of Benue state, leading to the low tax revenue from DA. This finding contradicts the work of Nassar and Fasina (2005) and Adesoji and Chike (2013), who found a significant positive relationship between PIT and IGR. It is however consistent with the findings of Dabo, Aimuyedo and Tanko (2014) who concluded that the PIT laws have not successfully encouraged tax payers to voluntarily comply with self – assessment and compliance, therefore not improved the revenue generated by the state boards of internal revenue. MR has a coefficient of 0.9591385 at a T-Value of 65.08 and P-Value of 0.000. This is in line with the apriori expectation of this study ($\beta_3 \epsilon$ 0) and indicates that, all things been equal, MR significantly affect IGR at 99% confidence level.

Test of Hypotheses

HO_1: PAYE has not significantly affected IGR generation in Benue State.

Table 8: Regression between PAYE and IGR

IGR	Coeff.	Std Error	t	P ? |t|	[95% Conf. Interval	
CONST.	-0.0227589	0.0842963	-0.27	0.796	(0.229025)	0.183507
PAYE	0.0526167	0.0082935	6.34	0.001	**0.032323**	**0.072910**
MR	0.9591385	0.014739	65.08	0.000	**0.923074**	**0.995204**
Source: STATA Output on Appendix A9.						

Table 8 indicates that the coefficient of PAYE is 0.0526167 with T-Value of 6.34 and P-Value of 0.001. This shows that PAYE has a significant and positive influence on the IGR. This is significant at 99% level of confidence. Therefore, we reject the null hypothesis and accept the alternative hypothesis that PAYE has significantly and positively affected IGR generation in Benue State.

HO_2: DA has not significantly affected IGR generation in Benue State.

Table 9: Regression between DA and IGR

IGR	Coeff.	Std Error	t	P ? |t|	[95% Conf. Interval	
CONST.	-0.0227589	0.0842963	-0.27	0.796	(0.229025)	0.183507
DA	-0.0010681	0.0044246	-0.24	0.817	**(0.011895)**	**0.009759**
MR	0.9591385	0.014739	65.08	0.000	**0.923074**	**0.995204**
Source: STATA Output on Appendix A9.						

Table 9 indicats that the coefficient of DA is -0.0010681 with T-Value of -0.24 and P-Value of 0.817. This shows that DA has an insignificant and negative influence on the IGR. This is insignificant at 18.3% level of confidence. Therefore, we accept the null hypothesis and reject the alternative hypothesis that DA has insignificantly and negatively affected IGR generation in Benue State.

Conclusion and Recommendation

Based on the result of analysis carried out and the discussion on the impact of personal income tax on the internally generated revenue of Benue state for a 10-year period from 2007 to 2016, the study finds that PAYE has significantly and positively contributed to IGR of Benue state, while DA has insignificantly and negatively contributed to IGR of Benue state during the study period. Sequel to the findings, the study concludes that PAYE has a strong positive impact on the IGR of Benue state during the study period and DA has an insignificant negative impact on the IGR of Benue state during the study period of 2007 to 2016.

Since there is a significant positive impact of PAYE on IGR, the BIRS in Benue State should ensure that the relationship is maintained. This will entail collaborating with the state civil service and private employers of labour in the state to ensure proper

assessment, deduction and remittances of PAYE to the state treasury to boost the internally generated revenue of the state. Again, since DA has an insignificant negative impact on the IGR, the Benue State BIRS should put in place measures that would ensure that the self – employed pay their taxes appropriately. One of such measures could be to conduct a thorough census and registration of the self – employed in the state. This would guarantee an aggressive and massive dragging of the self – employed into the tax net that would boost the DA source of PIT and subsequently improve IGR of the State.

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