

Correlating with Tax Administration Environment to Improve Tax Authority's Revenue Generation

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Abstract: The paper aims to improve tax revenue generation through improved correlation with tax administration environment. To achieve this, a case study methodology was employed, collecting data using face-to-face interview on ten Nigerian Federal Inland Revenue Service (FIRS) officials and analyzed using Nvivo10 software. The interview findings indicate that for a tax administration to function in the most efficient and effective manner, it must be in cordial relationships with legislatives, companies, judiciary, executives as well as banks which exist in the environment it is operating. The main policy implication of this study is that tax administration alone cannot achieve its objectives in a vacuum; it must work with other environmental elements for greater revenue generation.

Key words: *Tax Administration, Environment, Revenue Generation, Nigeria.*

INTRODUCTION

The most important source of revenue available to every government is taxation, which is a compulsory contribution made by individuals and corporate bodies towards meeting government expenditure. Taxation plays an important role to a country's revenue generation and economic growth, which largely depend on the efficiency and effectiveness of tax administration. This is because the way tax is being administered as well as solving problems that hindered efficient and effective tax administration plays an important role for any economy in generating adequate tax revenue. It is established that every tier of government whether federal, state or local government finance its activities from the revenue generated. Thus, every tier of government use taxes as a means of financing its expenditures apart from other sources of revenue.

Despite the importance of taxes in revenue generation, there are numerous problems associated with tax revenue generation in Nigeria. One of the problems as stated by [1] is the lack of cordial relationship between tax administration and its environment. This has motivated the present study to carry out a research to find the way a tax administration is expected to interact with other relevant parties in its environment towards revenue generation. This study will provide useful suggestions that could help to remedy to lack of

cordial relationship between tax administration and its environment.

LITERATURE REVIEW

The Concept of Revenue

The term 'revenue' as defined by [2] is the fund required by the government to finance its activities. These funds are generated from various sources such as fees, fines, borrowings as well as taxes. It is also defined as the total amount or income that comes to an organization whether public or private within a specified period of time. [3] states that revenue comprises of receipt from taxation as well as proceeds of taxation, either the realization from the sale of government properties or from other interest and returns from user charges.

Furthermore, [4] states that there are two basic types of revenue that accrues to a government. These are borrowing from within and outside the country and revenue generated by the government itself or from the sale of assets. The revenue generated by government itself is what is derived within the state from various sources, which includes taxes. However, the ability of federal government or state government to raise adequate revenue from taxes solely relied on tax administration efficiency and effectiveness [5] as

well as its relationship with other environmental variables [6].

Tax Administration

There is no country or state that can survive and prosper without imposition of taxation for the purpose of boosting revenue generation, which ultimately relied on tax administration [7]. Government had always used taxation to run the business of government as well as a fiscal tool for economic development and the alleviation of poverty. Taxation has also been used to encourage savings and investments, redistribution of income and curb social ills. Therefore, there is a need to place a strong and vibrant tax administration to ensure that the objectives of a tax system are achieved.

Tax administration is a body or authority that handles the process of assessing and collecting taxes from individuals and companies in an efficient and effective manner with minimum tax evasion. According to [8], there are relevant authorities for the purpose of tax administration in Nigeria, which are the Federal Board of Inland Revenue, which is constituted under section (1) of Companies Income Tax (CITA) 1990 to assesses and collect tax for the government; and the State Board of Internal Revenue (SBIR) which is a relevant tax authority for assessment and collection of tax due to the state government established under PITA 1993. However, for FIRS and SBIR to generate sufficient revenue, they must operate within a boundary of environmental factors known as tax environment [1].

Tax Administration Environment

Tax administration environment according to [6] is an establishment which exists within a given economy that has an impact on tax administration. It incorporates individuals, social and economic forces, other organizations, and legitimate constraints. The environment is the immediate setting of which a tax administration operates. It consists of external stakeholders, conditions and forces persistently impinging on the administration of revenue. Quite often, tax administration setbacks can be identified to the limitations carried out by such outside elements. Also, they originate from the failure of the tax administration to systematically handle environmental issues or identify the opportunities offered by the environment. Consequently, in order to comprehend the major causes of inefficiency and ineffectiveness of the tax administration, there is a strong suggestion to think more strategically beyond the boundaries of the tax administration in order to evaluate the significance of environmental factors in relations to its efficiency and effectiveness [1].

RESEARCH METHODOLOGY

This study used a case study research approach. A case study intends to find out “what is going on” in a given entity with the sole aim of discovering the “inside” opinions of the participants [9]. A case study is designed to concentrate on a single entity to investigate the phenomenon in-depth. [9] state that the use of a case study is an appropriate approach when the given case under research is extreme or critical in the sense that there is a need to examine and understand the inside phenomenon.

Therefore, this study is based on a single case study as it is the most appropriate design to understand the correlation between the environmental elements and tax revenue generation. The Federal Inland Revenue Service (FIRS) of Nigeria was chosen as the case study. The FIRS selection is due to four main reasons: (1) it is the body in charge of Federal tax collection in Nigeria; (2) it is the body that collects the most prominent and buoyant taxes in Nigeria; (3) by virtue of the 1999 Constitution of Federal Government of Nigeria, Nigerian Customs Service accounts its activities to FIRS; and (4) Nigeria is classified as a weak tax revenue generation country [8].

The data collected for this study was from face-to-face interviews with FIRS officials. The motivation behind the interview was to obtain firsthand information on the subject under investigation that cannot be easily explored using survey. Several studies suggest different size of respondents in achieving a saturation level of case study interview. For instance, the study of [10] as well as [11] stated that a sample size of one is sufficient for a single case study and not for comparable case studies (multiple case studies). [12] suggest the minimum number of interviewees required in a case study research are six and maximum of twelve. Hence, this study conducted semi-structure interviews on ten FIRS tax officers.

In term of data analysis, this study utilized thematic analysis using Nvivo10 qualitative software. The procedure of data analysis began with listening to the results obtain from the interviews i.e. the recordings were listened and transcribed verbatim. The transcriptions of each participant was read and re-read in order to ensure the accuracy of the transcriptions from which the coding emerges.

The researcher followed three coding stages, which are open, axial and selective coding [13]. In open coding, [13] suggest that fracturing data helps the researcher to reduce bias. Based on this suggestion, the researcher divided the data collected into five themes namely legislatives, companies, judiciary, executives and banks.

RESULT OF THE STUDY

Environment is a range of external stakeholders, conditions and forces persistently impacting tax administration. The success or failure of revenue administration depends largely on how tax administration judiciously handles the environmental issues imposed by the stakeholders. In order to bring final solution to the problem of low efficiency and effectiveness affecting revenue generation agencies, there is a need to strategically think beyond the boundaries of the organization of the tax administration to include other stakeholders. Therefore, evaluating the importance of each environmental factor may enhance the efficiency and effectiveness of tax administration thereby boosting revenue generation. Evidence from the responses of the participants shows that tax administration alone cannot achieve its objectives without numerous stakeholders. The stakeholders are classified to be legislative, companies, judiciary, executives and banks.

Legislative

Legislatives are lawmakers that provide rules and regulations governing government agencies including all undertakings in tax administration. According to [14], modernizing tax administration is a complex practice that requires reforming the tax laws and implementations. Therefore, to make it successful it must begin with determining the loopholes in the existing tax laws and regulations. Only then it can proceed with amendments or introducing new tax laws which may require legislative approval.

In Nigerian, the operation of tax administration is fully guided by the legislative arm of government. How informants in the interview perceive legislative as part of the environmental elements that plays a significance role in determining the success or otherwise of tax administration are captured in the view of an informant who says that “the inputs that are required by tax administration for tax revenue generation have to do with clear regulatory laws in terms of processes and procedures the administration must follow. These processes and procedures are designed by legislative arm of government” (informant 19, *Senior Manager*).

Responding on the same issue, one informant stated that “there has to be tax laws coming from the legislative in order for tax administration to be able to assess the level of taxpayers’ compliance effectively and efficiently; in addition, tax administrations laws cannot be passed without going through the legislative processes; therefore, they also play a vital role” (informant 12, *Senior Manager*).

Informant 20 (*Manager*) states that “the activities of FIRS are being guided by law, which

was provided by the law makers known as legislatives”. Informant 3 (*Tax Officer II*) expresses that “legislative provide tax laws that serve as a guide for successful operations of tax revenue in Nigeria”. In line with the above responses, informant 9 states that “the legislature provides the laws governing FIRS”. Informant 10 (*Manager*) also uttered similar view that “tax administration needs legislative to design the principles of law in ensuring the revenue is well generated for the government”.

The above statements show that national assembly passes the rules and regulations governing FIRS undertakings. When the researcher raises the question on how frequent the laws are reviewed to be aligned with the current economic reality, Informant 11 replied that “to be able to collect tax, you need the enabling laws. This is where legislators need to come in; where they need to review the laws which are outdated in order to be in tune with current realities” (Informant 11, *Tax Officer*).

In summary, the legislature is the body that defines the responsibilities of tax administration. It provides policies and procedures governing the tax administration exercise. However, a documentary study carried on FIRS tax policies shows that tax policies should be subjected to legislative review every four (4) years. However, the reality of FIRS is not in line with what the law stated. For instance, after 1980 tax policies in Nigeria were only reviewed in 1992 and 1993. The present tax laws were amended in 2011 and some policies have in existence since 1999 without any amendment. In terms of the appointment of the FIRS Chairman, the Nigerian legislature played a vital role by inviting the presidential nominee to appear before a Senate panel for confirmation. He is not expected to go contrary to the policies and procedures designed and approved by the legislature. These approved tax policies and procedures are imposed on taxpayers. The taxpayers include the companies that formed part of the stakeholders of the tax administration environment, as discussed in the next section.

Companies

A company is an entity that involves in day-to-day business activities. One or more persons usually own it. Companies are structured in different forms ranging from sole proprietorship, partnership to corporation. Companies and individual taxpayers are the most vital environmental players that tax administration relates with. Therefore, the attitude of both groups toward tax compliance determine the success or otherwise of tax administration functions. Furthermore, companies form associations in the same line of business that contribute to the success of tax administration. The associations serve as a mechanism used in passing information that has to do with changes in tax policies and procedures, report problems and misconduct faced by companies. Additionally, these associations help tax

administration to impose professional and ethical standards on their members.

In Nigeria, the study of [15] mention that companies are the major contributors to tax revenue, which presently stand to be the main contributors to the nation's federation account due to the sudden decrease in value of crude oil in the international market. The opinion of the informants confirmed this fact by stating that "companies as far as Nigerian economy is concerned are the major taxpayers. To that, our major source of income as far as FIRS is concerned is those companies. Therefore, FIRS cannot do without companies and individual taxpayers because they are the main sources of revenue to the government" (Informant 10, *Manager*). Regarding the kind of relationship that exists between FIRS and companies, Informant 12 (*Senior Manager*) said, "FIRS maintain a good relationship with companies in the friendliest manner".

When the researcher further stated that despite the progress recorded by FIRS in Nigeria, empirical evidence by [15] shows that FIRS generated only 30% of what should be collected. Informant one responded as follows: "this is because some companies have been fully sensitized, they are aware of what to do when doing business while others do not know and that is where the problem of tax evasion comes in and that lead to lower tax revenue generation in the country" (Informant 1, *Tax officer I*). In order to ensure full awareness of companies' responsibilities to the tax administration, Informant 11 states that: "to ensure voluntarily compliance to tax, companies should be regularly enlightened to know what is obtainable and what their obligation to the government is" (Informant 11, *Tax Officer I*).

In practice, taxpayer education and awareness programs are carried out only on newly established companies that are yet to start paying taxes which means that FIRS has no record of available education and awareness programs carried out by the department on existing companies despite periodic changes in tax policies as that of 1993 and 2011. Therefore, there is the need for FIRS to understand that its ability to relate and communicate changes in tax policies to companies in the most efficient and effective manner matters to tax administration success in revenue generation. However, a situation where companies are fully educated and found not to respect or honor tax laws calls for the involvement of the judiciary arm of government to tax administration exercise, as discussed in the next section.

Judiciary

The judiciary is an arm of government that interprets and applies law into action [16]. Judiciary has important impacts on tax administration. For instance, in a situation where tax evasions are

proven by the tax administration, such cases should be handed over to courts of law for investigation. The amount to be collected in such cases depends on the outcome of the investigation. At the point when the court established judgment, the tax administration collects only what the tribunal or court decided to be the taxpayer's liability. The judiciary is also comprehensively used in the recovery of tax arrears. Furthermore, all criminal prosecutions for tax evasion must be filed and decided by the judiciary. Therefore, the attitude of the judiciary in handling tax cases determines subsequent taxpayers' decisions on tax liability. Informant 12 (*Senior Manager*) explained that: "... judiciary is also needed to interpret the laws in circumstances where taxpayers prove to be stubborn". Informant 9 (*Manager*) shares the same view with Informant 12 on this point: "judiciary is necessary in tax administration environment; it stands as the unit of government, which interprets the laws; whenever there is tax evasion, we charge the company or individual to court" (Informant 9, *Manager*).

In addition, another informant highlighted that: "tax administration environment has to do with the implementations of what the laws say. If the tax authority can really go through what the law specifies, there will be no problem in the administration of taxes. Also, there is an issue of taxpayers' non-sensitization, although ignorance is not an excuse of the law, but there are people who venture into business without having proper knowledge on how tax is applied on their businesses, which affects tax administration objectives" (Informant 1, *Tax Officer I*).

On the issue of non-sensitization when the researcher shifted the blame to tax administrators for inadequate programs for taxpayers' education, another interviewee stated that: "in most cases taxpayers are sensitized but decide to be stubborn. Therefore, tax administration have no option rather than to ask judiciary to take legal action. This is because by virtue of 1999 constitution of the federal republic of Nigeria, FIRS cannot take legal action against taxpayers" (Informant 20, *Manager*). Informant 10 (*Manager*) further added that: "tax administration cannot do without taking into account the law enforcement agencies that should help in making the laws (legislative) and the courts that ensure revenue is not evaded" (Informant 10, *Manager*). In view of the aforementioned responses, one participant was quoted saying that: "where taxpayers are found faulty, judiciary is the only body that helps tax administration to trace back tax liability" (Informant 6, *Assistant Director*).

Therefore, given the immediate impact of the judiciary on tax administration performance, it must be understood that FIRS cannot achieve its objectives without a sound and fair judicial system. The level of judges' knowledge as regards to tax

laws and accounting and the level of corruption in the system are among the factors that play significant roles in the success or otherwise of tax administration. On the other hand, the effectiveness of the judicial system requires a solid support of the executive arm of government. It is one of the environmental elements emanating from the responses of the participants of this study on the parties that influence the tax administration operation in Nigeria.

Executives

Executives are arms of government that executes and enforces law. In a political setting, the separation of power is distributed among the three tiers namely executive, legislative and judiciary in order to prevent the concentration of control in the hands of a little group of people. The executive arm of government integrated various agencies of government among which include tax administration. [14] state that the strength and commitment of the government to tax reform have serious impacts on the success and failure of tax administration. According to [6], the more legislative enforcement in a government setting, the better support on fight against tax evasion and vice versa. Equally, it is less likely to submit to conferred interest that distorts the distribution of tax liability or erodes the tax base.

The democratic system of government that produces executives through politics has serious implications for tax administration. For instance, the ideologies of political parties in power create constraints or opportunities for tax administration in administering taxes. Therefore, there is no doubt that the extent to which government supports tax administration in implementing tax laws impact positively or negatively on the enforcement of tax liability [7]. For instance, lack of political will to support tax administration in high profile cases of tax evasion sent a wrong message to taxpayers and discourages tax administrators from performing their functions diligently. This consequently affects the level of voluntary compliance.

In the context of the present study, Informant 19 (*Senior Manager*) mentioned that executive as an environmental element enhances tax administration operations. The interviewee said that: "we have a lot of parties that determine not only tax administration efficiency and effectiveness but also performance in term of revenue generation and tax compliance. Everything about tax is remittance, compliance and getting funds. You need legislative to make tax laws, we need executives to express political will to deal with whoever fails to comply and we need the judiciary for those who evade tax. Among these, executive support is the most important factor" (Informant 19, *Senior Manager*).

The present study finds that only one out of ten participants recognizes the power of executive in

tax administration. The study by [1] shows that revenue administration performance is affected by the system of the government. For example, in a scenario where government agencies are been politicized including tax administration and in such a situation, employees and the management may be appointed base on political connections instead of qualifications. This subsequently affects the productivity of tax administration and set a serious setback to the principle of equity as some tax laws may not be enforced judiciously on the taxpayers with political connections. Alternatively, tax administration may be used to harass opposition members, which contradicted with the objective of voluntary compliance and affect the credibility of tax administration.

To be precise, in Nigeria the executive arm that assumed power on 29th May, 2015 under the All Progressive Congress (APC) party considered FIRS as the main source of revenue generation to the federation account since oil revenue was no longer promising. Furthermore, a documentary study was carried out by the researcher through observing a circular dated 22nd August, 2016 and distributed to all FIRS employees mandating FIRS to adopt innovative strategies in ensuring 100 percent voluntary tax compliance. Additionally, executives do not play a greater role in providing FIRS with the resources required.

On the other hand, evidence shows that there was illegal recruitment in FIRS, which was politically motivated by the executives. For instance, a FIRS employee off the record said that: "FIRS plan to recruit 1200 staff but to my surprise, seven hundred automatic offers were given to National Assembly while the remaining five hundred were advertise to general public from which more than 700,000 applications were received".

In summary, results implied that in Nigeria politics creates instability in tax administration. This is because there are so many uncertainties in FIRS. For example, in a situation where there is a change of management which resulted from the change in the minister of finance or transition of power from one party to another, a number of employees are disengaged and new ones are recruited into the FIRS. Consequently, tax administration may not have adequate time to embark on a longer time plan and there will be no continuity of operations. Nevertheless, some executives expressed political will to support tax administration that boosts tax revenue generation remittance to banks. This shows that tax administration environmental elements cannot be completed without taking into account the role of banks in the process of revenue generation.

Banks

Banks are financial institutions licensed and regulated by the Central Bank of a given country to provide financial service, such as receiving deposits,

make loans, currency exchange and deposits of other valuable items. There are three main types of banks, namely deposit money banks also known as commercial banks, retail banks and investment banks. Among these categories of banks, the activities of money deposit banks directly affect tax administration operations.

A part from the fact that such banks are business ventures and therefore are required by law to pay their tax liability, money deposits banks are also being used for tax collection. They help taxpayers to remit taxes conveniently and reduce the administrative responsibility of tax administration. The use of banking channels simplifies business transactions and hence widens the potential scope of taxation and simplifies tax administration. Furthermore, the efficacy of banks to enhance tax administration depends on many factors among which include the quality and nature of service delivered by the banks to tax administration, the availability of banks across the country, the advancement of the bank information, technology and communication gadgets and the efficiency and effectiveness of the banks in administering tax returns and remitting tax proceeds to the federation account as well as administrative charges on the services delivered.

In the context of the present study, participants were asked to express their views on how the tax administration relationship with other stakeholders influences tax administration operations. Informant 1 (*Tax Officer I*) and 10 (*Manager*) shared these views: "...we need banks to serve as our only medium of collection. We don't collect cash. We only generate Taxpayer Identification Number (TIN) at local, state and federal levels and "we need banks in our operations as taxpayers use their TIN to pay tax liability through banks". Participant 3 (*Tax Officer II*) further stressed that: "banks help in facilitating tax administration by the use of Bank Verification Number (BVN). It helps in giving us access to the records of companies". Furthermore, Informant 20 (*Manager*) revealed that: "...we need banks in our operations as they facilitate the remittance process. The FIRS does not collect cash, we ask taxpayers to pay their tax dues to the bank themselves and provide us with teller" (Informant 20, *Manager*).

In a similar view, another interviewee explained that "banks are the intermediaries between the taxpayers and FIRS. Every taxpayer whether individual or company must have an account in order to pay his or her taxes. Tax liability is charged according to the profit generated on a particular business. Thus, banks help us to know the transaction of a particular business" (Informant 9, *Manager*).

Informant 12 (*Senior Manager*) and 20 (*Manager*) stated further that "it is through banks that taxpayers remit to Central Bank of Nigeria

(CBN)". When participants were further asked to air their views on how efficient and effective the services delivered by Nigerian banks were, Informant 19 (*Senior Manager*) admitted that: "this is a very simple thing. In the past, it would've been very difficult because you had to do a lot of paper work. But today, most of the transactions are done online. The government is now using *Remita* to assess all revenues" (Informant 19, *Senior Manager*). In the course of the interview, another informant said that: "the accuracy and transparency in the system have improved. And because we are using banks as intermediaries between the taxpayers and the tax administrator, it is now very simple. There are no transactions that are done through cash" (Informant 16, *Tax Officer I*). The result of the interview shows that banks in Nigeria are efficient and effective enough to assist FIRS in achieving its objectives. The bank acts as an intermediary between the FIRS and taxpayers. Its involvement improves transparency and accountability in the tax collection process.

Finally, to summarize data collection from tax administration environment, the result shows that the legislature is required to establish and amend the law. It was found that it plays a vital role when it comes to the appointment of the FIRS Chairman (for 5-year tenure) but tax laws in Nigeria are not being amended frequently, as stated in FIRS compendium. This means that tax laws do not reflect current economic realities. Tax administration also cannot operate well without the contributions of companies, which stand to be the major taxpayers in Nigeria. However, there is the need for FIRS to improve the companies awareness programs because interview data shows that companies are not being educated when it comes to changes in tax policies. Judiciary that is expected to play a vital role in interpreting the laws governing FIRS operations, especially when there is a clash between FIRS and taxpayers, are so corrupt to the extent that taxpayers buy their freedom from such judges, leading to lower tax revenue generation. Executives are expected to play a role in demonstrating high political will to deal with taxpayers that fail to comply. It was found that the executive arm of government in Nigeria interferes with FIRS management by employing personnel that lack the necessary qualification, experiences and skills and in the long run affect administration performance. Finally, banks facilitate the process of collection and remittance. The interview data on banks show that Nigerian banks are efficient and effective enough to assist FIRS in achieving its objectives.

DISCUSSION

One of the inputs to a tax administration consists of the environment surrounding the tax administration. This study examined the

environmental elements that have impacts on tax revenue generation. Legislatives are required mainly to provide rules and regulations governing tax administration. This finding is in line with the study of [14] that proposed modernizing tax administration required reforming tax laws by legislative.

In addition to legislatives, companies are very much required in tax administration operation. This is because participants in this study argue that companies are the major taxpayers in Nigeria. Companies form unions that have a serious impact on tax revenue. Therefore, the ability of a tax administration to relate with companies in the most efficient and effective manner determines the success or otherwise of a revenue authority. This result is similar to the study of [5] that tax administration should establish a good relationship with companies since they are the most vital environmental players that relate with tax administration. In addition, companies also serve as a useful media to circulate tax administration messages in relation to administrative procedures and policies as well as changes that affect taxpayers. Companies sometimes form associations of businesses that impose professional and ethical standard on their member companies when dealing with tax administration. These associations of businesses serve as a strong interest group challenging efforts to increase tax rate, institutional capacity of tax administration and tighten enforcement.

The interview participants further stated that they need judiciary to handle criminal cases of tax evasion and other related tax cases. This finding is in line with the opinion of [16] that tax administration works with judiciary system to interpret the laws in the case of disagreement between tax authority and taxpayers. However, for tax administration to achieve its objectives efficiently and effectively the judiciary system is expected to be fair and corruption-free and the judges should have reasonable knowledge on the tax laws.

Moreover, findings obtained from the participants' responses also pointed the need for executives support to successfully administer tax functions. This is because the strength and commitment of government to tax reform have serious impacts on the success and failure of tax administration. This view is equally stated in [14], where there is no political support from the executive; tax administration may find it difficult to deal with tax evasion cases. In addition, politicians are not expected to intervene with tax administration system as found in FIRS where employment is influenced by political motive. This may lead to greater inefficiency and ineffectiveness in the tax system and the revenue to be generated may decrease since people with political connections are

exempted from the taxes or are charged lower than expected.

Similarly, tax administration needs banks in its operation. This is because participants appreciate the fact that banks ease the process of tax collections and remittance. This result is in line with the statement of [17] that the uses of banking channels simplify tax transactions, hence widen the potential scope of taxation. However, this has to do with a number of issues as emphasized by [6] that include quality and nature of services delivered. The availability of the banks across the country, advancement of the bank's information, technology and communication gadgets, efficiency and effectiveness of the banks in administering tax returns and remitting tax processed to federation account, as well as administrative charges on the services delivered. These factors may lead banks operations in relation to tax administration exercises to be effective. Although Nigeria is a developing economy, the banking system can be considered as efficient and effective and FIRS utilizes the strength of the banking system as much as possible.

CONCLUSION

In conclusion, the interview findings contributed theoretically that in order for a tax administration to function effectively, there must be effective correlations between the tax administration and its environmental elements which are legislatives, companies, judiciary, executives and banks. The results on the five environmental elements in this study and their correlations with tax administration effectiveness also provide the tax authority with the practical implications that need to be improved. Interview participants from FIRS agreed with the five environmental elements required for its successful implementation of the tax administration. Despite the importance of the five environmental elements, [6] argue that there are other factors that enhance every tax administration, among which are economic environment and fiscal policy that defines tax administration agenda for example the level of debt financing, fiscal deficit, and government spending that determine the tax revenue expected to be generated by a tax administration. In addition, public agencies such as police department and public practitioners also play significant roles in ensuring the timeliness and quality of services rendered by these agencies significantly impact the tax administration performance. Other stakeholders such as lawyers, tax consultants, clearing agents, accountants, customs brokers also play significant roles in a tax administration system by informing and assisting taxpayers in complying with their legal obligation in accurate and timely manners as well as minimize tax administration burden in providing taxpayers service and education. Therefore, future studies are

recommended to take these factors into account in order to see the benefits associated with each element and maximize tax revenue generation for a country.

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