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Effect of tax farming on tax revenue collection in Nigeria: Evidence from Federal Inland Revenue Service of Nigeria.

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Abstract
The study appraised the effect of tax farming on tax revenue collection in Nigeria: evidence from Federal Inland Revenue Service of Nigeria. The study used monthly data obtained from Annual Accounts/Financial Statement for sixty months (2013-2018). The variables used in this study include: tax revenue payable into Federation Account (TRFPA); Value Added Tax (VAT); National Information Technology Development Levy (NITDL) and Tax Revenue Payable into Consolidated Account (TRPCA). The study adopted time series statistical analysis by using the technique of t-test suitable for analyzing structural break in policy. The study all the series to test of stationarity using the Augumented Dickey Fuller (ADF) test statistics to ensure the reliability and validity of the result obtained. Evidence from the result indicated that the series were stationary at level and free from producing misleading result. Furthermore, the result indicated positive significant difference in tax revenue payable into Federation Account (TRFPA) since the implementation of tax farming. The result also showed positive significant difference of VAT, NITDL and TRPCA collected by FIRS in Nigeria after tax farming during the period under study. Specifically, the findings showed that FIRS revenue increased significantly after tax farming implying that the policy was worthwhile since it contributed to the rise in revenue generation of FIRS. The study recommended the strengthening of the services of tax consultants to sustain the current momentum of revenue generation.

Introduction

Tax farming is a condition that contains the engagement of tax functions, workings and obligations of tax collections to a third party service provider usually tax consultants (Marvin, 2013). It is a means of harnessing their intellectual ingenuity and experiences of tax experts towards enhancing systems and processes of revenue collections. Zubairu, Aliyu and Mohammed (2013) opine that tax farming is a situation where the government transfers its obligations of gathering levies and taxes to private firms in reciprocation for a fixed sum of money to them as reward or service fees. It indicates lower managerial cost for the government by delegating or relinquishing the responsibility of tax collections and its explicit cost to private sector.

Tax farming which long started in the developed countries is rapidly shifting to developing countries. For instance, the first tax privatization in modern history started in America in 1872, when the American Treasury Department engaged the services of Stanborn Company to collect tax revenue from 39 Whiskey companies on behalf of the US tax authority. The success their services recorded aroused the US government to re-new their services in 1873 and in 2004, the US government under George Bush signed into law the corporate tax-cut bill which empowered the Inland Revenue Service to use private firms to collect unpaid taxes. This practice has traversed in many countries in Africa such as Kenya, South Africa and Nigeria.

In Nigeria, Lagos state and Rivers state governments were the first to engage the services of contractors in tax collections with the primary objective of raising revenues for the states.

For instance 1996 the Niger State government and Rivers and Lagos and about 26 states of the country during the military regime hired the services of Olusola Adekanola & Co to collect taxes for their respective governments.

Thinking outside the box became necessary if the government must remain afloat following the sharp drop in oil revenue predicated on the drop in prices of oil at the international market from 115 dollar to less than 38 dollars per barrels in 2015, fiscal operations and obligation of the Federal Government began to suffer major setbacks, Revenues, grants and royalties began to shrink whereas the expenditure of the government continued to rise. This notwithstanding the internally generated revenue (IGR) of the government was evidently low, a condition that has sustained for past decades. The low tax collections has been attributed to ineffective tax administration exacerbates by lack of skill and competence of tax personnel, connivance by tax officers with tax payers in enforcement of policies, the control of the economy by informal sectors and portfolio limited liability companies and non-availability of IT equipment's to aid electronically related tax tracking as well as enlarging the tax net. Given the dismal performance of FIRS staff to provide the desired impetus and aggression required to enhance the revenue obtained within, from the state, added to the huge cost of collecting the little revenue for the government, the management decided to think outside the box thereby hiring the services of tax agents cum contractors so as to increase the tax collectibles of the Federal government. This study therefore, appraises the tax farming effect on collection of revenue by FIRS in Nigeria

The use of out sourcing companies for the provision of manpower needs of organizations have experience steady rise both in developed and developing countries and also in Nigeria. It is also becoming increasingly fashionable for government agencies and corporate organizations to engage private firms to provide specialized services under what is referred to as contract services to execute certain services on their behalf. The reasons behind this gesture are: to have access to specialized knowledge; access to equipment's all aimed at garnering greater productivity and financial returns. Besides, out sourcing is useful for cutting cost and enjoying short run profits or benefits.

Every government desires to fulfill her electoral mandate of improving the welfare of its citizens by providing social and economic infrastructure. Thus, substantial revenue in needed to achieve this feat. In Nigeria, crude oil sales which are significant sources of revenue of government had continued to witness a continued sharp decline in price since 2015. This persistent fall in price has significantly affected the entire revenue of the government thereby creating a wide fiscal operations gap. The Federal Government found it mainly uneasy to pick their bills of managing the government (recurrent and capital expenditure).

In view of this scenario the government diversified the revenue sources. The Federal Inland Revenue Services (FIRS) which is revenue of tax producing body of the government responded quickly in the agitation for a strong revenue source to complement the oil money. The management of FIRS identified inherent short fall in revenue realizable to the government caused by the quality and quantity of personnel in the tax administration of the organization. The staff of FIRS are few whereas the tax net is large and as such large number of tax evaders. More so, the personnel are ill-equipped, intellectual weak with little knowledge of ICT and tax laws thereby lacking the capacity to the system for optimal tax administration need to implement internally generated revenue (IGR) drive. Given these setbacks, the management of FIRS decided to farm out tax administration to private firms who have the competence, experience and aggression to raise tax revenue of the government.

However, the staff of FIRS seem to differ from the policy of tax farming on grounds that it is simply a duplication of tax function that will increase the price of tax collection. The cost-revenue ratio before tax farming and during the period needs to be examined and analyzed for the purposes of positioning the agency for tax revenue maximization. Thus raising the question whether there exists a significant variation of tax revenue payable to federation account by FIRS after the introduction of tax farming.

Literature Review

This sub-area is worried about an audit of applicable and fundamental hypotheses in order to make a hypothetical safe haven and driving force for the research study. The work will concentrate on certain strands of theories. Around there of concentrate a few researchers like Barney and Hesterly (1996) sees "that assets and liabilities can move wholly crosswise over firms, and that these peculiarities can be constant. In the event that assets and capacities of a firm are blended and sent in an appropriate manner they can make upper hand for the firm". The asset based view in re-appropriating works from a suggestion that a nexus that needs important, uncommon, supreme and asset arranging capacities, will look for an outer supplier so as to beat that shortcoming. Accordingly, the most conspicuous use of the hypothesis is in the preparation time of the re-appropriating process for featuring the basic leadership system and in the merchant determination stage for choosing a proper seller. The hypothesis has been additionally used to clarify a portion of the key issues of the overseeing relationship and reevaluation stages.

Agency Theory

Jensen and Meckling (1995) opined that the focal point of the agency theory initially was on the connection among administrators and partners yet had spread over the time on clarifying the connection between two between firm subjects. In that setting we partner the agency theory to understanding the connection among outsourcer and merchant. Wellsprings of the organization issue, moral dangers and unfriendly choice (Arrow, 1985) these ought to be settled by checking and holding (Barney & Hesterly, 1996). Subsequently, the use of the theory in the redistributing procedure research was in the arrangement stage, when screening for merchants and characterizing its very own frame of mind towards the kind of the relationship. Normally, the overseeing relationship stage has been additionally investigated, and to an exceptionally little degree the reexamination stage. Mponguliana (2005) expressed that most tax collection experts concur that some expansive standards or criteria for assessment of a tax framework are fundamental laws and guidelines. Then again contrast on the weight or extent of these criteria. This distinction as a rule is on individual reasoning and worth judgment.

Given the arrangement of speculations checked on in this investigation, we will consider resource based view theory by Barney and Hesterly (1996) who conceded that assets and abilities vary in associations and tackling these decent varieties make focused and common favorable position to the organizations and to the general population. Since, tax cultivating is the contracting of progressively gifted and skilled hands to enhance the exertion of FIRS staff to improve their income accumulations, the resource based view theory of core competence best suits this study. This is a direct result of the tx cultivating and merchant relationship.

Empirical Review

Empirical literature will review a body of studies and investigations already done in this field. The study will evaluate and analyses previous studies in a thematic form by examining the objectives, area and time scope of the work, empirical methodology as well as their findings. In this study, the empirical literature is made up of a preponderance of studies conducted both in developed and developing countries that seek to measure the effect of tax farming on revenue collection of Federal Inland Revenue Service (FIRS). Among the various studies in this field, differences exist especially in the choice of instruments and methodological approaches adopted from studies in developing and developed countries.

Appah et.al. (2012) analyze the effect of tax reforms on economic growth in Nigeria from 1994-2009. The macroeconomic information they utilized secured a wide scope of taxes, for example, petroleum profit tax, companies income tax, education tax custom, value added tax and exercise duties. In the wake of applying the Johansen and Causality tests, their outcomes uncovered that tax reforms are positively and essentially related to economic growth. Muriithi and Moyi(2003) examined tax reforms in revenue mobilisation in Kenya from 1973 to 1999.The reform failed to make VAT responsible to changes in income. It was observed from the result of the study that VAT reported the lowest tax to income elasticity of (0.104) and the lowest tax to base elasticity of (0.210) which they concluded that may have resulted from the combine negative effect of tax evasion and inefficient tax administration over the period covered.

Asaolu, Dopemu and Monday (2015) surveyed the effect of tax reforms on revenue generation in Lagos State of Nigeria. Utilizing ordinary least square regression procedures (OLS), the outcome demonstrated that, on pattern, somewhere in the range of 1999 and 2005, there was no perceptible increment in revenue created from tax; yet from 2006, there was a sharp, consistent and observable increment in the tax revenue produced. On the example of tax organization in the state, from 2006 the state focused more on tax changes with less reliance on different wellsprings of internally generated revenue. The outcome further uncovered that there was a long run connection between the tax reforms and revenue realized in Lagos State; along these lines, the tax reforms had positive and noteworthy impact on the revenue structure of the State. The examination presumed that tax reforms had altogether added to revenue generation in Lagos State, which had empowered the state to convey her obligations to the populace with less dependence on the Federal Government.

Mitchell (2005) examined the effect of introducing value-added tax in America and concluded that Value-added tax will be a costly mistake for American consumer and workers. According to him, once VAT is adopted, it will prove irresistible to the political class who are sourcing for money to introduce and implement new programmes. He asserted that introducing VAT will result in stagnating economy, higher budget deficit and lesser job for the American worker. He further argued that VAT may have some attractive theoretical attributes compared to taxes on income and production but in reality, it would simply amount to another burden on already highly taxed economy. Conversely, using data from Nigeria, Ajakaiye (2000) studied the impact of VAT on main sectoral and macroeconomic variables using a computable General Equilibrium approach. The study developed three scenarios and it was revealed that VAT had a negative impact on the Nigerian economy, causing about (11.34%) decline in gross domestic product.

In a study conducted by Rotimi et al (2013) on revenue generation and use of tax experts in Lagos State, Nigeria, persistent tax evasion and abnormalities aims at analyzing the cost-benefit of tax farming in Lagos State. In the study, descriptive statistics was applied and the result showed that engagement of tax consultants has positive effect on revenue collection of Lagos State. Thus, from the findings of the result the study recommends that tax farming is sine qua non for increased revenue generation of the State.

Amaechi (2016) carried out an empirical investigation on revenue generation in Enugu State and local government in Nigeria. The study assessed the impact of tax consultants on revenue collection of Enugu State and the local government using standard statistical tools as a method of analysis. The result obtained from the statistical result indicated that there was considerable positive impact of tax privatization on revenue collection in the State. This result corroborates with the findings made by Rotimi et al (2013).

On the other hand, Kiabel and Nwakah (2009) examined the several methods through which the revenue generation agencies of Nigerian government can boost their revenue. Specifically, the study explored the effect of tax farming in promoting generation of revenue of State Governments of Nigeria. In other to arrive at an acceptable and scientifically based solution towards raising revenue generation of State Governments in Nigeria the study employed the descriptive research method and personal interviews. The outcome of their studies indicated that there exists a positive and considerable correlation between tax farming and revenue generation. Furthermore, the findings show that tax consultants contributed significantly to locally obtained revenue of the State Government in Nigeria

However, the studies of Fjeldstad, Katera and Ngalewa (2009) attempted to examine the experiences of the paradigm shift of tax collection. The study sampled some local government authorities in Tanzania that engaged the services of private revenue collection agencies local and culled some relevant evidences. The study adopted the technique of Ratio analysis to evaluate whether tax farming boosted the revenue generation of local Governments in Tanzania. The result of the study revealed that tax farming does not have the magic wand that can increase local government revenue generation capabilities. Oral narratives by some staff of sampled local Governments according to the study revealed that monumental corruption and high profit targets by the tax consultants significantly and negatively affected the tax returns of local government authorities.

Contrary to the findings of the studies of Fjeldstad, Katera and Ngalewa (2009), Flavian (2013) attempted a study in a different dimension on the effects of revenue collection outsourcing on organizational output in Tanzania. The research work adopted an exploratory approach by processing both primary and secondary data. It conducted oral interviews from a sample of workers and revenue agents; questionnaires were given and processed as well documentary records were deployed by the researcher to elicit information from the sample population. The statistical result indicated that, outsourcing has led to contributed to enhanced organizational output through revenue collection that has increased and operating cost that has reduced.

The studies of Kabiru and Sadiq (2014) corroborated the views of previous studies on the implications of hiring tax experts on tax revenue generation with emphasis on Kogi State, Nigeria some selected years (2004-2008). In other to evaluate the degree of correlation between revenue generation and the independent variable (tax generation of the tax consultant) using secondary, the study attempted the significant difference between the structural break and changes in policy. The result of their studies revealed that there is a considerate difference between changes in tax policy. This implies that there is considerate positive effect in revenue collection of Kogi State Board of Internal Revenue during the period of tax outsourcing.

Otieno, Obura and Siringi (2013) inspected the impact of information systems on collection of revenue by nearby experts in Homa Bay County, Kenya. An organized cross-segment overview was utilized to gather information; the investigation received a review research structure where essential information were gathered from chosen test through surveys. The investigation found that there is a connection between Information Systems and both productivity and viability in collection of revenue.

Kwaji and Dabari (2017) analysed tax revenue collection by the Federal government in Nigeria. The study used quantitative research design; the secondary data will be obtained from the FIRS in respect of the total tax revenue collected from the oil and non-oil taxes for the period of 2011-2015. The population of the study was made up of Federal Inland Revenue Services and the sample size is Planning, Reporting and Statistics Departments. The findings showed that Capital Gains Tax, Stamp Duty, Education Tax and Petroleum Profit Tax are positively significant at 1%, 5% and 10% respectively while Company Income Tax and Value Added Tax are not significant. However, Company income tax has more total collected revenue than all the remaining variables.

Gap in Literature

Since the adoption of tax farming in Nigeria by FIRS, although few studies exist but such studies failed to take into consideration the revenue sub-heads collected by the Service. This is the gap filled by this study. The essence is to appraise each sub-head differently and ascertain whether there is a significant difference in revenue collected before and after tax farming. Findings from these is expected to enable the FIRS determine the various sub-heads in which tax farming is most beneficial or not beneficial.

Methodology

The study adopted *ex post facto* research design. In economic theory variables already exist and their relationships unknown as such data cannot be manipulated by the researcher to confess in a predetermined manner. The ex post facto fits well into this study because in time series all variables of interest are put under observation, their relationships and inter dependences examined as their outcomes are estimated. Also, their feedback effects are at the same time considered and empirically measured (Gujarati, 2003). The study made use of applied econometric method which combined the average econometric involving estimation of classical econometric approach that is concerned with the testing of results obtained to ensure that output is valid and conforms to theory and data. The choice of applied econometrics method stems from the scientific basis of testing hypothesis by gathering data and drawing conclusions through deductions and making forecast and predictions of economic outcomes where necessary. Since, each hypothesis is drawn from a particular objective of the study, therefore every hypothesis will be evaluated to empirically analyze the objectives and also provide answers to the research questions raised in the study.

Sources of Data

The data for this study were monthly tax revenue of revenue payable into federation account, Value Added Tax, National IT Development Levy and tax revenue payable into Consolidated Account ex-ante 2013 and ex-post 2017 by Federal Inland Revenue Service. The data will be sourced purely from the official publications of FIRS. As such, the data for this study is secondary as it has been processed by FIRS and exist in published forms.

Description of Variables

Revenue payable into Federation Account:

Revenue collected by FIRS and payable into the Federation Account include company withholding tax, income tax, stamp duties and capital gains tax. The sum total revenue of the above taxes will be used.

IT Development Levy

The National IT Development Agency (NITDA) Act 2007 imposes a levy of 1% on the profits before tax for the companies and enterprises listed below and which have an annual turnover of N100m ($315,700) or more. The businesses included are as follows:

- Service providers of GSM and entire companies of telecommunications;
- Providers of internet and Cyber companies;
- Managers of Pension and companies relating to pension;

- Banks and other institutions of finance
- Companies for insurance.

When paid by the companies the levy shall be considered tax deductible – that is the levy is an allowable deduction in computing companies' profits for tax purposes. The NITDA Act 2007 empowers the FIRS to assess and collect the IT development levy. The assessment of an enterprise for the purpose of the levy is conducted at the same time as the company is being assessed for CIT.

Value Added Tax (VAT)

VAT was introduced into the Nigerian system in 1993 by the federal government through Decree 102 of 1993. Sales tax was replaced with VAT with some reasons which include the fact that the sales tax was targeted at mostly locally manufactured goods, as well as the fact that the sales tax was very narrow in nature.

Population of Study

The population of the study is the major taxes collected by the FIRS

Sample Size Determination

The sample size consist of 4 out of the various taxes collected by the FIRS

Model Specification

In writing the models, the following symbols were used to denote the respective variables.

TRPFA = Tax Revenue Payable into Federation Account

VAT = Value Added Tax

NITDL = National IT Development Levy

TRPCA = Tax Revenue Payable into Consolidated Account

In writing the models we start with hypothesis one which states that there is no significant difference in tax revenue payable into the federation account by FIRS after the adoption of tax farming. The t-test statistics process is specified thus;

$$t\, n_1 + n_2 - 2 = \frac{\overline{X}_1 - \overline{X}_2}{S\,(X_1 - X_2)} \qquad \ldots\ 1$$

Where;

$\overline{X}_{TRPFA1}$ = Sample mean of Tax Revenue Payable into Federation Account in the pre-IFRS period.

$\overline{X}_{TRPFA2}$ = Sample mean of Tax Revenue Payable into Federation Account in the post-IFRS period.

Result Presentation And Analysis

Table.1

Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed) prob
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
TRFPA - VAT	1790576.10	4635232.68	598405.97	593168.53	2987983.67	2.99	59	.004
VAT - TRFPA	-1790576.10	4635232.68	598405.97	-2987983.67	-593168.53	-2.99	59	.004
NTDL - TRPCA	153805.54	84993.58	10972.62	-175761.71	131849.37	-14.01	59	.006

Researcher's computation 2019

- **Decision Criteria**

The decision rule is to reject H_0 if the calculated p-value is less than 0.05 of degree freedom (DF) = n-k.

$H_0:b_1 = 0$

$H_0:b_1 \neq 0$

From the result in table1, the t-statistics p-value of tax revenue payable to Federation Account (TRFPA) is equal to 0.004 which is less than the critical p-value of 0.05. Since the decision entails rejecting the null hypothesis if the estimated p-value is less than the critical p-value. This implies that the null hypothesis of no significant difference in tax revenue payable into Federation Account is hereby rejected. In specific terms, following introduction of tax farming in FIRS there is a significant difference in terms of revenue payable into Federation Account in Nigeria.

Table 2
Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed) prob
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
VAT - TRPCA	2516271.62	301087.47	38870.23	2438492.48	2594050.76	64.74	59	.000
TRPCA - VAT	-2516271.62	301087.47	38870.23	-2594050.76	-2438492.48	-64.74	59	.000
NTDL -	153805.54	84993.58	10972.62	-175761.71	-131849.37	-14.02	59	.006

Researcher's computation 2019

Decision Criteria

If the t-statistics is greater than the tabulated t-statistics at 5% level of significance of degree freedom (DF) = n-k, reject the null hypothesis (H_0) and conclude that the parameter estimate is statistically significant and not different from Zero otherwise accept the null hypothesis that the parameter estimate is not significantly and different from zero.

H_0:$b_1 = 0$

H_0:$b_1 \neq 0$

From the result in table 3, the t statistics value of VAT is equal to 0.002.Since the estimated the t-statistic p-value of VAT is 0.002 less than the p-value of 0.05 of degree of freedom of (60-1) =59,we reject the null hypothesis and conclude that the parameter estimate b_1 is statistically different from zero. Thus, there is significant difference in VAT collections of FIRS after the introduction of tax farming during the period under study.

Table 3

Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed) prob
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
NTDL - TRPCA	-153805.54	84993.58	10972.62	-175761.7074707	-131849.3691960	-14.017	59	.006

Researcher's computation 2019

Decision Criteria:

The tests intend to reject or accept the null hypothesis within the pre-defined F- statistical value. The null hypothesis is rejected if the F- calculated value is less than or equal to F- tabulated at 0.05 level and conclude that there is a significant difference in

From the result in table 3, the t-statistics p-value of National IT Development Levy (NITDL) is equal to 0.001 which is less than the critical p-value of 0.05. Since the decision entails rejecting the null hypothesis if the estimated p-value is less than the critical p-value, then the null hypothesis of no significant difference in National IT Development Levy (NITDL) collections is hereby rejected. In specific terms, following introduction of tax farming in FIRS there is a significant difference in terms of National IT Development Levy in Nigeria.

Decision criteria:

The tests intend to reject or accept the null hypothesis within the pre-defined t- statistical value. The null hypothesis is rejected if the estimated t- statistics p-value isless than or equal to 0.05 level, we conclude that there is a significant difference in structural break.

Table 4.

	Paired Differences					t	df	Sig. (2-tailed) prob
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
TRFPA - TRPCA	4306847.72	4650913.75	600430.383	3105389.30	5508306.14	7.173	59	.002
VAT - TRPCA	2516271.62	301087.47	38870.225	2438492.48	2594050.76	64.735	59	.000
							59	.000
TRPCA – NITDL	153805.54	84993.58	10972.6236141	131849.37	175761.71	14.017	59	.006
NTDL – TRPCA	-153805.54	84993.58	10972.6236141	-175761.71	-131849.37	-14.017	59	.006

Researcher's computation 2019

From the result in table 3, the t statistics value of NITDL is equal to 0.006. Since the estimated the t-statistic p-value of tax revenue payable into the consolidated account (TRPCA)is 0.006 less than the pre-defined p-value of 0.05 of degree of freedom of (60-1) =59, we reject the null hypothesis and conclude that the parameter estimate b_1 is statistically different from zero. Thus, there is significant difference in (TRPCA) collections of FIRS after the introduction of tax farming during the period under study

Discussion of Result

In other to determine the effect of tax farming on revenue generation of Federal Inland Revenue Service (FIRS) some selected revenue generation indicators were used to test whether there is any significant difference in revenue collections before and after tax farming in Nigeria. The variables of interest were subjected to stationarity test so as to avoid spurious and misleading result. The Augmented Dickey Fuller (ADF) test statistic was used to conduct the stationary test and the result indicated the variables: the tax revenue payable into Federation Account (TRPFA); value added tax (VAT); National IT Development level (NITDL; Tax Revenue Payable into Consolidated Account (TRPCA) are all stationary at level. Thus, there is strong evidence that the result generated in the course of this study is reliable and robust to policy makers and research audience.

Secondly, the study made use of the paired sample statistics to evaluate whether there is any significant difference existing between revenue collections of FIRS before and after tax farming. The study adopted the critical P-value statistic technique to reject or not to reject the null hypotheses of this study. From the estimated result presented in table 3 the null hypothesis of no significant difference in tax revenue payable into Federation Account (TRPFA) was rejected. Also the null hypothesis of no significant difference in value added tax (VAT) collections of FIRS within the period was rejected. Furthermore, the null hypothesis of no significant difference between National IT Development levy (NITDL collections after tax farming was rejected. Lastly, the null hypothesis of no significant difference in Tax Revenue Payable into Consolidated Account (TRPCA) after tax farming was rejected. The findings of this study indicates that tax farming has significant positive effect on revenue generation of Federal Inland Service (FIRS) in Nigeria. This assertion is in conformity with theory and empirical a priori. resource based view theory of Barney and Hesterly (1996) who admitted that competence and resources differ in organizations and harnessing these diversities create mutual advantages to firms and the public. Moreover, the findings of the study is in line with the empirical works of Fjeidstaad, and Ngalewa (2009), Flavian (2013), Kabiru and Sadiq (2014) and Amaechi (2016) who found positive significant effect of tax farming on revenue generation of Tax Agencies of government of Nigeria.

Conclusion and Recommendation

The empirical result revealed that there is significant difference in tax revenue payable into Federation Account after tax farming Thus, study indicated there exists significant influence of tax farming on FIRS revenue during the period under study.

The empirical results clearly indicated significant difference in tax revenue payable into Federation Account following the introduction of tax farming in FIRS.The study found that tax farming resulted to increase in overall revenue collection of FIRS in Nigeria.

The empirical results also revealed significant difference in National IT Development Levy (NITDL) revenue collection of FIRS after the introduction of tax farming. The study attributed the increase in (NITDL) revenue collection of FIRS in Nigeria during the period of the study to the use of tax consultants.

The result further revealed significant difference in tax revenue payable into the consolidated account (TRPCA) by FIRS after the introduction of tax farming.

Recommendations

The following recommendations were made based on the findings of this study to proffer solution on whether to retain tax farming policy or to disengage the tax farmers.
Since tax farming has been identified as a panacea for raising revenue for FIRS in Nigeria. Therefore, emphasis should be focused on strengthening the efforts of tax farmers to boost their collection so as to further increase the revenue of FIRS.

Conclusion

The study aimed at finding whether there is change in revenue collection of FIRS before and after tax farming in Nigeria. The study revealed significant positive difference in revenue collection before and after tax farming which is an indication that tax farming is a worthwhile policy by the government of Nigeria to boost revenue generation of revenue generating agencies. Also the study found that tax farming resulted to increase in overall revenue collection of FIRS in Nigeria. There the study recommended that the activities of the tax consultants should be further strengthened and boosted for a sustainable higher revenue generation.

The Revenue Service should employ ethical control measures to curtail the sharp practices of their staff to reduce the loss of revenue caused by unethical behavior of their employees.

Furthermore, the tax authorities should train and retrain their staff to develop requisite competences comparable to the tax farmers so as gain the advantage of labour economies when the tax farmers become unproductive in the long run.

Since tax farming has significant positive effect on cost of collection which is an indication that tax farming is not cost effective, therefore the tax authority should be conscious to optimize tax transaction.

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