EFFECTIVENESS AND EFFICIENCY OF TAX MANAGEMENT IN NIGERIA

(CASE STUDY OF FEDERAL INLAND REVENUE SERVICES)

BY

AKANNI ABDULQUADRI BABATUNDE
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CERTIFICATION

This is to certify that this project work has been written by **AKANNI ABDULQUADRI BABATUNDE with Matriculation Number ND/23/ACC/PT/0003** and has been read and approved as meeting parts of the requirements for the Award of National Diploma (ND) in the Department of Accountancy, Institute of Finance and Management Studies, Kwara State Polytechnic, Ilorin, Kwara State.

_____

MR. HASSAN, O.A   *Date*
(Project supervisor)

_____

MRS. ADEGBOYE, B.B   *Date*
(Project Co-coordinator)

_____

MR. ELELU, M.O   *Date*
(Head of Department)

_____

IKHU-OMOREGBE SUNDAY (FCA)   *Date*
(External Examiner)

DEDICATION

This project is dedicated to Almighty God the lord of the universe, the creator of all creatures.

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All thanks to Almighty God the owner and the creator of Universe for His divine protection and guidance throughout my life in school and this research project work.

First and foremost, I give thanks and I appreciate the efforts of my distinguished project supervisor, **Mr Hassan, O.A**, who made sure I acquired all the necessary information and Knowledge during the course of this project work may God reward you abundantly.

My gratitude goes to my beloved parents **Alhaji and Alhaja Akanni**, most especially my mother, thank you so much for you unwavering support, love and prayers, May God bless ,keep you and may you eat the fruit of your labors by God's grace, I also want to appreciate my siblings **Mr. Sherifdeen and Mr. Ismail** thank you for you support and love, May God bless you all   Lastly, my sincere gratitude goes to DMLS-Rock Cyberworld located @Westend Market (+234 817365 1164) for the typeset of this project work thank you and God bless you sir. God bless you all. Amen

ABSTRACT

The primary purpose of this study is to examine the effectiveness and efficiency of tax management in Nigeria. It focuses mainly on the Federal Board of Inland Revenue and other related parties namely auditors and corporate tax payers. The project made use of primary data and secondary data. Primary data was generated through the administration of 65 questionnaires and 50 out of the 65 questionnaires were returned. Secondary data was collected from journals and records. Responses from the questionnaires were classified accordingly. Frequency and contingency tables were constructed and the two hypotheses were tested using chi square statistics. The study reveals that there is relationship between effective, efficient tax management and tax fraud. The significance of the study is that the outcome of the research will serve as a useful guideline to tax administrators, government and also to tax payers, financial analysts, auditors and company executives who pay taxes.

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CHAPTER ONE

INTRODUCTION

1.1   BACKGROUND TO THE STUDY

Tax is a compulsory payment made on different bases and rates by citizens(Corporate bodies and individual s) to government, non negotiable but obligatorily. This payment is not on the basis of direct exchange for the payment for goods and services. It is non negotiable because none of the citizens has any direct contribution to the composition of the bases and rates of payment. Government only classifies the items on which the tax is t o be paid, and the category of citizens that should be subjected to the payment (Ariwodola, 2005). The decision is however, based on the cost of the projects or programmes government intends to execute, which is the principal determinant of the budget size. Government also judges the basis, rates, the category of citizens, and the time period to pay the t ax, on the direction of the economy desired and government's perception of t he standard of living of the citizens. This is why tax is defined as a tool for government revenue and fiscal policy tool for directing the economy. Taxes are not paid directly on the basis of exchange of contract like any other payment except subsidies paid ny the government. It is paid by any citizen whether or not the citizen benefit from the government projects or programmes financed by the taxes (Rosen 2004).

Consequently, the usefulness (effectiveness and/or efficiency) of taxes can be measured by several parameters, some which are its revenue generating capacity and its impact on the consumption and savings patterns in the economy. Even if the totality of tax systems cannot be comprehensively measured, the various types of tax can be subjected to this measurement in Nigeria, there are at least three types of taxes that are commonly applied to qualifying citizens and items. These are the personal income tax, the company income tax, and the value added tax. The assessment of these forms of tax independently or otherwise becomes more necessary given the multiplicity of taxes in Nigeria, together

with the problems of tax evasion and avoidance. It is against thisbackground that this study is initiated.

1.2   Statement Of The Problems

1.   Many people are not aware of the existence and importance of the FIRS in Nigeria. The research work intends to identify the various taxes being managed by the FIRS and to see how the body is able to accomplish its objectives through emphasis on human resources development, staff motivations, professionalism, dedication and loyalty, accountability and transparency, excellent human relations, information and effective communication.

2.   Question klike "what type of tax do we adopt and what purpose", "what benefit are we to expect from it" the identification of this problem will help to recognize causes, understand how the situation has come about and what the tax authority should do for deciding alternative course of action.

1.3   Research Questions

The following research questions will guide the study:

1.   What is the system in use for the collection of tax revenue by tax revenue authorities

2.   Is there any form of receipt issued to the tax payer after payment

3.   Are adequate records and books kept for the purpose of tax computation?

4.   Can tax fraud be committed by the officer or the board in collusion with tax payer?

5.   Is there need for enlightenment programme to be embarked upon by the revenue authorities to make tax payers aware of their duties to pay regularly and promptly?

1.4   Objectives of the Study

The primary objective of this study is to examine the effectiveness and efficiency of tax management in Nigeria. Other objectives however includes the following:

1.   To appraise the problems, achievement and the impact of tax revenue yield for an individual and the government.

2.   To identify problems experienced which has led to low revenue from tax

3.   To identify ways to these problems and

4.   To identify new polices and strategies adopted by the government which lead to increased revenue generation through taxes.

1.5   Research Hypotheses

The following hypotheses are tested in the course of the study:

1. H0: There is no significant relationship between filling of tax reforms, payment of tax and effectiveness, efficiency of tax management.

    H1: There is significant relationship between filling of tax returns, payment of tax and effectiveness, efficiency of tax management.

2. H0: There is no significant relationship between effective, efficient tax management and tax fraud

    H1: There is significant relationship between effective, efficient tax management and tax fraud

1.6   Significance Of The Study

1.   The significance of the study is that the outcome of the research will serve as a useful guideline to tax administrators and the government.

2.   The research work will also be of immense benefit to tax payers, financial analysts, auditors and company executives who pay taxes.

3.   The research also tends to identify problems experiences by tax payers which have led to low revenue from tax and provide possible solutions through polices and strategies that will be adopted by the government in order to increase revene generation through taxes.

1.7   Scope Of The Study

The scope of this reaseach work covers the effectiveness and efficiency of tax mananement in Nigeruia. It also cover the administration and tax management system in Nigeria. For the purpose of this study, federal board of inland revenue is used for the generalization of this study.

1.8   Limitation On The Study

The limitations on the study include the following:

1.   Revenue officers were reluctant to giveneeded information when spoken to; some even remain anonymous complaining that the research work and research topic is a sensitive issue.

2.   Income earners and tax payers were reluctant a giving information as some of them suspected us to be agent to the government. Hence attitude of these respondents to some extent affected the information collection procedure.

3.   Restriction on the subject matter tax management in Nigeria an area with title and in adequate literature in the form of textbooks and articles.

4.   Also data statistical compilation in the country is nothing to write home about.

1.9   Definition Of Terms

In the write up are some terms used which are known to only the economist students therefore, there is need to explain such terms which include the following:

1.9   DEFINITION OF TERMS

Taxation: This is the process or system of raising revenue through the levying of various forms of tax.

Tax: This could be defined as a compulsory levy by the government of any country, through an appropriate agency, on incomes, goods, services and properties of an individual, partnership, executor, trustee and corporate body.

Petroleum: Any mineral oil relative hydrocarbon and natural gas existing in its natural condition, but does not include liquefied natural gas, coal, bituminous shale or other stratified deposits from which oil can be extracted by destructive distillation.

Tax Evasion: Illegal practice where a person, organization, or corporation intentionally avoids paying his/her/its true tax liability.

Tax Administration: This involves practical interpretation and application of tax laws. It seeks to ensure that each and every tax payer covered by the tax law pays the correct amount of tax as stipulated in the provisions of the law.

Tax Avoidance: This is the legal usage of the tax regime to one's own advantage, to reduce the amount of tax that is payable by means that are within the law.

Inflation Rate: annualized percentage change in a general price index (normally the consumer price index) over time.

Gross Domestic Product: This is the market value of all officially recognized final goods and services produced within a country in a given period of time.

Hydrocarbon Tax: Tax levied on exploration and production companies (companies in the upstream sector).

Economic Development: It is the sustained, concerted actions of policymakers and communities that promote the standard of living and economic health of a specific area.

FIRS: Federal Inland Revenue Services

CHAPTER TWO

LITERATURE REVIEW

2.1   INTRODUCTION

There is no doubt that the petroleum industry in Nigeria plays a vital role in shaping the destiny of the Nigerian economy. The Adoption of International Financial Reporting Standard (IFRS) No. 12 on Petroleum described the petroleum industry has being very strategic in the economy of Nigeria. Irrespective of the fact that Nigeria has oil to be the mainstay of its economy; it is also evident that corruption and mismanagement are also mainstays of the economy too. The revenue generated from the petroleum industry have, over the years, been mismanaged by those at the top echelon of the economy thereby leaving the economy at its current state.

This chapter attempts to review past literatures, by various researchers, related to the given variables of this study. It focuses on salient and current issues of the different variables, that is, the administration, evasion and avoidance of PPT and the economy of Nigeria.

2.2   CONCEPTUAL FRAMEWORK

2.2.1   ORIGIN OF PETROLEUM

Petroleum is a naturally occurring liquid, consisting of a complex mixture of hydrocarbons of various molecular weights and other organic compounds formed from the fossilized remains of dead plants and animals by exposure to heat and pressure in the earth's crust over hundreds of millions of years.

There is evidence that crude petroleum has been in use in us in one form or the other for over 5000 years an unrefined state has been utilized by humans for over 5000 years. Evidence is that by the 8th century, Streets of Baghdad were paved with tar derived from petroleum. Also, in the 9th century, oil fields were exploited in the area around modern Baku in Azerbaijan to produce naphtha (Ajram, 1992). Petroleum was said to have been distilled by Al-Razi in the 9th century, to produce kerosene in the alembic which he used to invent kerosene lamps for use in the oil lamp Industry (Bilkadi, N.D). In 1825, the

Russian empire produced 3,500 tons of oil and doubled this by the middle of that century. At the turn of the 20th century, Imperial Russia's output of oil, almost entirely from the Apsheron Peninsula, accounted for half of the world's production and dominated international markets (Akiner & Aldis, 2021). Nearly 200 small refineries operated in the suburbs of Baku by 1884. The external modern oil refineries were built in Poland from 1854–56 (Frank, 2022). The refined products were used in artificial asphalt, machine oil and lubricants.

The large oil refinery opened at Ploiesti, Romania in 1856. Oil drilling in the United States began in 1859, in Titisville, Pennsylvania. The superior oil company (now part of Exxon Mobil) built the first offshore oil platform off the Gulf Coast of Louisiana in 1938. By the end of World War II, the Middle East had gained ascendancy in Oil production.

2.2.2 STRUCTURE OF OIL AND GAS INDUSTRY IN NIGERIA

The American Petroleum Institute (API) has divided the oil and gas industry into five sectors which includes; upstream, pipeline, marine, service and supply and, downstream. However, petroleum industry in Nigeria has been broadly classified into the upstream sector and downstream sector. The upstream sector comprises of activities carried in the exploration, development, production and lifting of crude oil. The Petroleum Industry Act (PIA), which is the Act responsible for regulating the tax payable by companies in this sector, defined the operations of the upstream sector as "the winning or obtaining and transportation of petroleum or chargeable oil in Nigeria by or on behalf of a company for its own account by any drilling, mining, extracting or other like operations or process, not including refining at a refinery, in the course of a business carried by the company engaged in such operations, and all operations incidental thereto and sale of or any disposal of chargeable oil by or on behalf of the company". Ewoma (2021) suggests that the distinct features of this sector can be seen in the intensity of capital used by companies in this sector to carry out their operations, the high business risk involved, the use of unconventional accounting method, and the complexity of tax reporting and filing regime.

On the other hand, the downstream sector involves all activities that support the operations and the conversion of crude oil produced into usable form. Hence, companies involved in refining, marketing, petrochemical sale, processing and marketing liquefied natural gas and oil field services are grouped under the downstream sector. The companies under this sector are liable to tax under the Companies Income Tax Act (CITA), 2021.

2.2.3   HYDROCARBON TAX

2.2.3.1 LEGAL HISTORY OF HYDROCARBON TAX

As opined by Yohanna (N.D.), in 1957 the upstream sector of the petroleum industry in Nigeria started and made its first export of oil in 1958. This singular reason brought the need to have a separate and an exclusive legislation for the sector. The Hydrocarbon Tax (HT) in Nigeria has a relatively recent legal history, introduced as part of a broader reform of the country's oil and gas sector. Here's a concise timeline and legal background:

1. Pre-Reform Era (Before 2021): Prior to 2021, the Nigerian oil and gas industry operated under multiple outdated laws, especially the Hydrocarbon Tax Act (PPTA) of 1959. The PPTA imposed high taxes (up to 85%) on oil companies, but lacked clarity, modern governance standards, and alignment with global best practices. Gas income was taxed inconsistently, sometimes falling under PPTA or Companies Income Tax (CIT) Act.

2. Reform and Introduction of the Petroleum Industry Act (PIA) – 2021: The Petroleum Industry Act (PIA) was signed into law on August 16, 2021, after nearly two decades of legislative delay. The PIA repealed the PPTA for new acreages and replaced it with a modern fiscal framework. It introduced Hydrocarbon Tax (HT) under Chapter 4, Part III of the PIA.

3. Purpose of Hydrocarbon Tax: HT was created to tax crude oil profits only, excluding natural gas. It applies to upstream operations involving crude oil under concession

contracts and the aim was to simplify petroleum taxation, separate oil and gas fiscal treatment, attract investment through a more competitive and transparent regime.

4. Legal Provisions: HT is governed by Sections 260–288 of the PIA 2021. It sets rates ranging from 15% to 30% based on production volumes. It works alongside Companies Income Tax (CIT), which now applies to all petroleum companies' profits including gas.

5. Current Status: The PPTA still applies to oil operations existing before the PIA (i.e., legacy operations). HT is fully applicable only to companies operating under new licenses (Petroleum Prospecting Licenses and Petroleum Mining Leases) granted under the PIA.

2.2.3.2 FACTORS INFLUENCING HYDROCARBON TAX

As cited by Arogundade (2022), there are three critical factors influencing the revenue from oil operations; they include, the volume of the oil produced for the market, the world market price and the value of dollar.

External Factors: The volume is externally determined by OPEC, the price determined by the world market for crude and the value of accounting currency (the dollar) is externally determined. The fact of the case is that none of these critical determining factors is within the control of Nigeria. This accounts for the wide fluctuations in the revenue from oil. Arogundade (2022) cited an instance stating that the price of a barrel of crude oil which was less than $40 in early 2022 climbed to an unprecedented height of $147 in July 2021 only to slump to almost $60 only about three months after, that is, in October. As at December 2021, the downward slide continued, reaching a low level of $35 in January 2021. The daily output of crude has similarly been reduced by the OPEC directive. This saw the daily output cut from 2.2m b/d in December 2021 to 1.88m b/d by January 2021. Accordingly, the 2021 budget had to bend in line with the developments.

Local Factors: The single most potent factor influencing revenue was the restiveness in Niger Delta Area. The kidnapping, explosions and vandalism of the pipelines and oil platforms increased operating costs and reduce the volume of crude oil available for exports.

Effect on Budget: Arogundade (2022) gave an illustration of the effect of fluctuating oil prices on the national budget using the 2021 budget. He posited that the budget was based on a benchmark of $45 per barrel oil price and crude oil production of 2.2m b/d. According to him, from the data carried by dailies, the price mid-way into 2021 dropped to $35 per day and the production was cut back to 1.88m b/d. He further opined that from forecasts, the fluctuation may feature for most of the year and that for a country like Nigeria which funds its budgetary requirements mainly from oil receipt; the situation could best be imagined.

2.2.3.3 ADMINISTRATION AND COLLECTION OF HYDROCARBON TAX IN NIGERIA

Adegbie (2022) defined tax administration as "the legal system approved by the government body to have the charge, to have the direction, to manage or to provide various policies; laws and regulations for our tax system to ensure all applicable taxes are collected and remitted to the appropriate authorities". Ogbonna (N.D.) opined that tax administration involves all the strategies and principles employed by a government to plan, impose, collect, account, control and co-ordinate personnel charged with the responsibility of taxation. From his opinion it can be inferred that tax administration has been placed with the responsibility of tax authorities and agencies of tax administration, in the case of the Hydrocarbon Tax the Federal Internal Revenue Service (FIRS) has been placed in charge of its administration. The roles of this body (FIRS) as cited in Ewoma (2021) include;

i.   To carry out such acts as may be deemed necessary or expedient for the assessment and collection of the tax

ii.   To sue and be sued in the official tax name

iii.   To acquire, hold and dispose any property taken as security for, or in satisfaction of any penalty, tax or judgment debt due from a company.

McPherson (2021), as cited in Abiola and Asiweh (2021), opined that efficiency and effectiveness should be the main factors to be considered when designing a tax

administration structure that will give a desired result. Tax administration can be said to be effective if high compliance by tax payers is ensured, on the other hand, it is said to be efficient if administrative costs are low relative to revenue collected. Also, Ogbonna (N.D.) opined that there should be effective and efficient tax administration if Nigerian government must achieve its objectives. As earlier stated, the focus of Hydrocarbon Tax (HCT) in Nigeria is the upstream sector of the oil and gas industry which engages in oil production, mining and prospecting.

2.2.4 NIGERIAN ECONOMY

2.2.4.1 STRUCTURE OF NIGERIAN ECONOMY

Economy Watch (2022) described the structure of Nigeria's economy to be largely oil based. The economy has experienced so many challenges over the years, however economic reforms of the past decade is putting Nigeria, gradually, on track towards achieving its full potentials (Wikipedia, 2022). Economy Watch (2022) explained both verbally and graphically the structure of the Nigerian economy based on the composition of GDP – *Agriculture, Industry and Service.* It stated that agriculture was previously Nigeria's center of attraction until the early 90s, being the major source of foreign currency. It documented that according to the 2021 estimates agricultural sector provides employment to more than 70 per cent of the total labour force but generates only about 33.4 per cent of the total national production, indicating that the agricultural sector has become a grey area for the economy of Nigeria. It also documented that the industrial sector primarily depends on oil extraction and refining, employing approximately 10 per cent of total labour force and contributes about 34 per cent of total GDP. Finally, the service sector, which is gradually emerging, employs about 20 per cent of total population and accounts for 32.5 per cent of the total GDP.

FIGURE 1.4 GDP COMPOSITIONS BY SECTOR

Nigeria: GDP Composition by Sectors
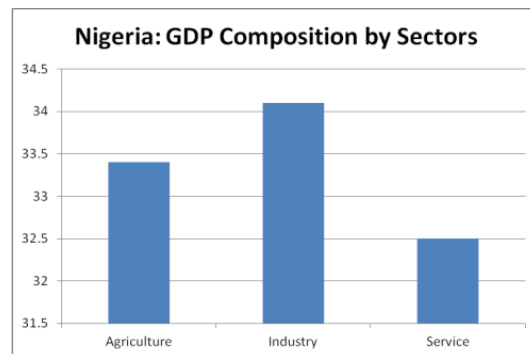
Source: Economy Watch (2023)

2.2.5   TAX EVASION AND TAX AVOIDANCE

DEFINITION OF TAX AVOIDANCE AND EVASION

By way of distinction Ojo (2021) defined tax avoidance to be a phenomenon that takes place when a tax payer utilizes the provisions of the tax laws, identify the loopholes in the tax laws and use such for his/her own advantage. On the other hand tax evasion is a phenomenon where the tax payer practically neglects to pay tax. Here, the tax payer does not declare the correct position for tax purposes or does not file any returns at all

He also opined that tax avoidance is traditionally considered as not being criminal in nature because the tax payer has not taken any action that is against the provision of the law, he however opined that tax evasion is sometimes considered criminal in nature and may result in tax payer being convicted.

TAX AVOIDANCE AND EVASION IN EXPLORATION AND PRODUCTION COMPANIES

Tax evasion and avoidance affect the economic development of an economy, in this case, the Nigerian economy. Hence, it is of utmost importance that this study delves into the intricacies of this subject matter and how it affects the economic development and development of a nation such as Nigeria.

The issue of tax evasion and avoidance has become a critical one in developing nations, this includes Nigeria. According to Enahoro and Olabisi (2021), the issue of tax evasion

and avoidance may not only arise from dearth of voluntary compliance by tax payers but it may also arise from the fact that not all taxes collected reach the public treasury.

It has been recently noted that multi-national oil companies in Nigeria are depriving the economy from development, as huge chunk of money leaves the country through tax havens. Action Aid (2022) stated that multinational companies that use tax havens could be costing Nigerians a great deal. In giving cases of multi-national companies which are involved in the use of tax havens Action Aid (2022) stated that Shell has eighteen (18) subsidiary companies situated in Nigeria compared to the 455 it has in tax havens around the globe. Also, BP has six subsidiary companies in Nigeria, but 537 located in tax havens. It went further to say that the current development challenges can be traced back to dearth in adequate resources, and these resources could easily be created if multinationals have a change in attitude towards paying their taxes.

REASONS FOR AVOIDING OR EVADING TAX

According to GIZ (2022) the reasons for tax evasion and avoidance especially in developing nations can be categorized into two. The first category consists of factors that negatively affect compliance of taxpayers with tax legislation while the second category consists of reasons for the low capability of tax administration and fiscal courts in enforcing tax liabilities.

FIGURE 1.6 REASONS FOR TAX AVOIDANCE AND EVASION
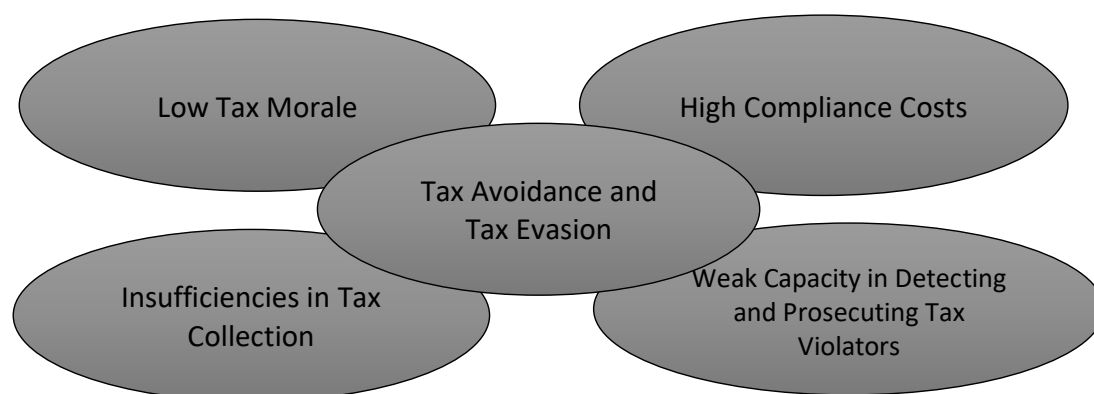
Source: GIZ (2025)

MEANS THROUGH WHICH HYDROCARBON TAX CAN BE EVADED OR AVOIDED AND THE COST TO GOVERNMENT

Looking at literatures, a perfect scenario that can be used to show how Hydrocarbon Tax can be evaded was seen in an investigation conducted by ABZ Integrated Limited, a tax consultant to the Economic and Financial Crimes Commission (EFCC). The firm investigated the books of Chevron from December 2019 to November 2021 which led to the discovery of how Chevron Group of companies deprived Nigeria over $2.7 billion in tax. A breakdown of this denial in tax indicated that Chevron overstated its cost of operations which led to the evasion of Hydrocarbon Tax to the tune of $994 million and due to this overstatement in cost of operation the federation lost $1.431 billion through payment of unmerited cash call to the companies.

The study also showed that in 1998 and 1999, the companies, through dividends, diverted $75 million government tax revenue. They also evaded tax through claims to unmerited tax credits which includes RAB (Reserve Additional Bonus) and (IDC) Intangible Drilling Cost by $222 million. ABZ Integrated Limited also alleged Chevron Oil Nigeria Limited, which was supposed to make 104 monthly Hydrocarbon Tax instalments for eight (8) years to year 2020, failed to pay forty-two (42) instalments; the failure to make these payments cost the nation of several millions of dollars.

In the process of investigating the books of Chevron it was observed that the use of illegal revisions of their Hydrocarbon Tax estimate was used to manipulate tax liabilities. Revenue due to the nations was also denied by the company through conspiracy between revenue officers and Chevron as ABZ Integrated Limited stated that there were cases where the Federal Internal Revenue Service (FIRS) credited Chevron with payments which were never made.

2.3   THEORETICAL FRAMEWORK

2.3.1   ABILITY TO PAY THEORY

According to Ojeka (2022), the theory states that "public expenditure should come from 'him that hath' instead of 'him that hath not'". He purported that the theory is the basis of

progressive tax while Chigbu, Akujuobi and Ebimobowei (2022) purported that the basic truth of the ability to pay theory is that the burden of taxation should be distributed by members of the society on the principles of justice and equity having these principles to ensure that tax burden is shared according to the taxpayers' relative ability to pay. Economic Concept stated that the most popular and commonly accepted principle of equity and justice in taxation is that taxpayers in a given nation should remit taxes to the government based on their ability to pay tax.

Ojeka (2022) documented that the most supported justification of the ability to pay is on the grounds of sacrifice. Though, it seems that if taxes are levied based on the ability-to-pay principle then justice can be attained however there are limitations to this theory as economists are not certain as to the exact measure of taxpayers ability to pay and there are no solid approach for the measurement of the equity of sacrifice. However, there are some points of view as to what should be the basis of measuring the ability to pay tax.

2.3.2 BENEFIT RECEIVED THEORY

Based on this theory tax levels or rates are automatically determined. Governments are to levy taxes on taxpayers on the basis of the benefit they receive from government i.e. taxpayers who benefits from, or who enjoy a larger portion of public goods and services are expected to pay the most taxes.

Two main models are being applied whenever an analysis of the benefit theory is carried out, these models are; the Lindahl's Model and the Bowen's Model

Lindahl's Model: The benefits theory in this context refers to two tax payers who are allowed to express their preferences for the public services against corresponding tax liabilities. It is involves a voluntary exchange between taxes paid and public services received (Akintoye and Tashie, 2022).

This theory tends to attend to issues relating to the following;

a.   Extent of state activities

b.   Allocation of the total expenditure among various goods and services

c.   Allocation of tax burden.

Bowen's Model: This model is said to have more operational significance because it shows that when public goods are produced under circumstances of increasing costs, the opportunity costs of private goods is foregone. The advantage of the benefits theory is that it approximates market behavior in the allocation procedures of the public sector. Although, the application of this theory is quite simple, there exist some criticisms to the theory one of which is that it overlooks the possible use of tax policy for causing economic development or a stable economy in the country (Chigbu et al, 2022). The theory has been made to combat with various criticisms on the following grounds; to begin with, it is not easy (or even impossible) to estimate the benefits enjoyed by a particular taxpayer in a given period since most of government expenditure incurred is for the general benefits of the citizens and not a particular taxpayer. Finally, the theory expects government to maintain a certain level of connection between benefits conferred and the benefits derived. If this is done it will be against the basic principle of tax, since tax is a general contribution made to the Federal Government to attend to basic needs of the citizens as a whole and not individually.

2.3.3   NEOCLASSICAL DEVELOPMENT THEORY

This theory dominated economic thought for three decades because it explicitly explains what is being observed in the world and because of it mathematical elegance. It attributes long-run development to technological progress. By late 80s dissatisfaction with this theory arose as a result of some further findings, one of which includes the fact that the theory didn't explain the economic determinants of the technological progress. The theory argues that governments should not intervene in the economy; it claims that an unobstructed free market is the best means of inducing rapid and successful development.

ROSTOW'S STAGES OF DEVELOPMENT

The model postulates that economic modernization occurs in five basic stages, of varying length. These stages are;

i.   Traditional Society: It involves understanding the use of technology

ii.   Preconditions for take-off: It entails education, capital mobilization, establishment of banks and currency, entrepreneurial and manufacturing develops.

iii.   Take- off: It occurs when sectors led development becomes common and society is driven more by economic processes than traditions.

iv.   Drive to maturity: It refers to the need for the economy itself to diversify.

HARROD DOMAR DEVELOPMENT MODEL

It postulates that GDP (gross domestic product) development is proportional to the share of investment spending in GDP. This implies that development rate of GDP depends upon the level of savings and the capital output ratio.

2.4   EMPIRICAL FRAMEWORK

Several empirical studies have been carried out relating to the impact of Hydrocarbon Tax on the economy of Nigeria.

A study, carried out by Ogbonna and Ebimobowei (2021) and Ebimobowei and Ebiringa (2021), investigating the impact of Hydrocarbon Tax on the economic development of Nigeria using relevant data accumulated from CBN and FIRS from year 2020 to 2021 and 2020 to 2022 respectively, showed that there exists a long run equilibrium relationship between economic development and Hydrocarbon Tax. Based on their analysis, they concluded that Hydrocarbon Tax appears to be one of the most important direct taxes in Nigeria that affects the economic development of the nation; they suggested that it should be properly managed to reduce the level of evasion by petroleum exploration companies in Nigeria. As a result of their investigations they recommended that; the FIRS should properly supervise petroleum exploration companies in order to reduce the level of tax evasion, government should be more accountable in the management of revenue derived from tax and that the rate of corruption among tax officials and the government of Nigeria at large should be reduced in order to ensure voluntary tax compliance by petroleum exploration companies.

Chigbu, Akujuobi and Ebimobowei (2022) observed that taxation, generally, has been a very important instrument of fiscal policy that contributed the economic development of Nigeria for the period 2020 to 2021, based on their scope.

Ogbonna and Ebimobowei (2022) investigated the impact of petroleum revenue (which includes PPT) on the economy of Nigeria from a period of 2020 to 2021 and it was observed that petroleum revenue affects the gross domestic product and per capita income of Nigeria positively. However, results showed that there exists a negative relationship between petroleum revenue and inflation rate. They believe that since petroleum revenue contributes to the gross domestic product and per capita income of Nigeria, they should be properly managed and utilized to ensure long term development and development of Nigeria's economy.

Jibrin, Blessing and Ifurueze (2021) also conducted a study on the impact of Hydrocarbon Tax on the economic development of Nigeria from year 2000 to 2022. Their investigations showed that Hydrocarbon Tax has a significant and positive impact on gross domestic product of Nigeria due to this fact they recommended that efforts should be made by government and its agencies responsible for supervising oil operations to improve on the effectiveness and efficiency of the administration and collection of Hydrocarbon Tax.

Adegbie and Fakile (2022) opined that Hydrocarbon Tax is a major source of revenue for the Nigerian government to meet its statutory obligation of ensuring the development of the Nigerian economy. It was also observed by them that there exists a strong relationship between Hydrocarbon Tax and economic development of Nigeria and that tax avoidance and evasion are major factors that draw back the income development of this sector and that poor tax administration is a problem to the effectiveness and efficiency of this source of income. They recommended that for the development of Nigeria's economy, government should ensure that income derived from Hydrocarbon Tax (HCT) should be appropriately and judiciously used and that there should be tax reform to address the issue of tax evasion and avoidance

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

Research methods are methods, procedures or modalities by which the researcher intends to accomplish the objectives of the research project that is, an analytical approach in data collection and evaluation in arriving at the research objectives (Yomere & Agbonifoh, 1999). It describes, to significant users, how hypotheses were tested and the basis for which conclusions were drawn.

This research work borders on the impact of Hydrocarbon Tax on the economy of Nigeria. This chapter focuses mainly on the method, procedures and instruments employed in carrying out the project and the various methods of data collection used. For the purpose of this research work this chapter has been broken down into the following subheads; research design, population of the study, sample size and sampling technique, data gathering method, actual field work or location of study, data analysis method.

3.2 RESEARCH DESIGN

Kothari (2021) states that a research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. The choice of a research design is often determined by a number of considerations such as the research purpose, categories of data needed, data sources and the cost factor. This study will adopt a descriptive research design. Kothari (2021) defines a descriptive research design as that which involves —a clear definition of what a researcher wants to measure and finds adequate methods of measuring it along a clear-cut definition of the population to study. This is preferred as it concerns description of characteristics of a particular group of individuals and how they interact with a specific phenomenon, in this case, the impact of Hydrocarbon Tax on the economic development in Nigeria. The descriptive research design also utilizes data collection and analysis techniques that yield reports concerning the measures of central tendency, variation and correlation of statistics along with its focus on specific types of

research questions. This research design is chosen for this study because of its ability to ensure minimization of bias and maximization or reliability of evidence collected.

3.3   POPULATION OF THE STUDY

Population of study is generally a large collection of individuals or objects that is the main focus of a scientific discovery. It is for the benefit of the population that research are done. However, due to the large sizes of populations, researchers often cannot test every individual in the population because it is too expensive and time consuming. This is the Reason why researchers rely on sampling techniques.

The population of this study comprises of the staffs in the Federal Inland Revenue Services which are 100.

3.4   SAMPLE SIZE AND SAMPLING TECHNIQUE

Lavrakas (2023) defines a sample size as the number of units from which data is gathered by a researcher. The sample size can also be defined as designated sample size and final sample size. Designated sample size is defined as the number of the sample units for contact or data collection while final sample size is the number of completed interviews for which data has actually been collected.

The population of the study is 100. Simple Random techniques will be used in this study. The following formula is used to determine the sample size for each quota.

Sample Size = n =   N   .

                1+N (e)2

n = Sample size, N = Population, E = Error of limit (1%)2 (5%), 1 = constant

        n   =   _____100_____

                    1+100(0.05)2

        n=   ___100____

                        3.8   = 26 sample sizes

SAMPLING TECHNIQUES

The researcher employed a mix of probability and non-probability sampling methods to arrive at the study sample. In probability sampling technique, samples were gathered in a process that gives all the individuals in the population equal chances of being selected while in non- probability sampling, the samples were gathered in a process that does not give all the individuals in the population equal chances of being selected.

3.5   SOURCES OF DATA COLLECTION

These questionnaires will be self-administered to the respondents by the researcher. The questionnaires that will be administer will consist of open-ended and close-ended questions. The questions probed for perceptions along the four research questions thus allowed broader discussions and accommodate emerging issues from respondents.

3.6   INSTRUMENT OF DATA COLLECTION

The instrument for gathering data was presented using pilot study which was conducted in an attempt to avoid time and money been wasted on getting the result, modifications in the instruments were made to fill the gaps and lapses that were observed in the initial instruments. Face validity was conducted and used to measure the validity of the instruments that was adopted to gather data. The validity test helped to identify potential needs for modification of some of the questions where necessary.

3.7   METHOD OF DATA ANALYSIS

The data collections will be analysed using frequency method. The responses of the questionnaire will be statistically analyse by the researcher using table format. This analysis is what the researcher will use to draw up a conclusion on the impact of Hydrocarbon Tax on the economic development in Nigeria.

The correlation test will be used to test the formulated hypothesis using statistical package (ANOVA), also, a paired sample test will be used to statistically show differences in the mean scores for easy reading understanding, and show number of respondent who answered the questionnaire in chapter four.

3.8   MODEL SPECIFICATION

This is an important step in the statistical analysis of a study on the impact of Hydrocarbon Tax on the economic development in Nigeria. The model specification for this study: Model specification: the regression model can be specified as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \mu$$

Where: Y = Dependent Variable, X = Hydrocarbon Tax (Independent Variable), β_0 = Constant term (Intercept), β_1, - β_2 = Coefficients of performance, μ = Error Term (Stochastic term)

Explicitly, the equation can be defined as:-

Level of Operational Efficiency = F (Hydrocarbon Tax) + μ

Representing these equation with the variables of the construct, hence the equation below are formulated specifically;

$$SFR = \mathcal{g} + \beta_1 EIA + \mu \rule{2cm}{0.4pt} \quad (i)$$

$$SFR = \mathcal{g} + \beta_1 LI + \mu \rule{2cm}{0.4pt} \quad (ii)$$

Where; $\mathcal{g}$ = Constant

β = Coefficients of explanatory variables

μ = Error term over cross-section and time

TA   = Tax avoidance (dependent Variable)

PPT   = Hydrocarbon Tax (Independent Variable)

LI   = Level of Independence.

CHAPTER FOUR

ANALYSIS AND INTERPRETATION OF DATA

4.1   INTRODUCTION

This chapter entails the analysis and interpretation of secondary data obtained from Federal Inland Revenue Service and primary data obtained via the distribution of questionnaires to Federal Inland Revenue Service. Also, in this chapter the hypotheses of this research work will be tested using partial correlation, multiple regression, one-way ANOVA and paired statistics t-test via the use of SPSS.

TABLE 4.0.1 RATE OF RESPONSE BY RESPONDENTS

Questionnaire	Respondents	Percentage (%)
Returned	23	88.5
Not Returned	3	11.5
Total Distributed	26	100

Source: Researcher's survey, 2025

A total number of 26 questionnaires were distributed and 23 of these questionnaires were returned (88.5%) while the remaining 3 (11.5%) were not returned. Therefore, analysis will be based on 23 questionnaires.

4.2   DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

TABLE 1: SEX

		Frequency	Percent
Valid	Female	10	43.5
	Male	13	56.5
	Total	23	100.0

Source: Field Survey (2025)

The table shows the 43.5% of respondents are females and 56.5% of respondents are males. Note that the researcher did not initially have an equally distributed representation of both sexes required to give answers to the questions.

TABLE 2: AGE

	Questionnaire	Frequency	Percentage (%)
Valid	20-29	4	17.4
	30-39	9	39.1
	40-49	7	30.4
	above 50	3	13.1
	Total	23	100.0

Source: Field Survey (2025)

This table shows the different age groups of total respondents. It shows that majority of the respondents (39.1%) fall within the age group of 30-39 then, 30.4% of total respondents fall within the age group of 40-49, this is followed by 17.4% of total respondents within the age group of 20-29 and, finally, 13.1% of respondents falling within the age group of above 50 years.

TABLE 3: MARITAL STATUS

	Questionnaire	Frequency	Percentage (%)
Valid	Single	8	34.8
	Married	15	65.2
	Total	23	100.0

Source: Field Survey (2025)

This table shows the marital status of all the respondents in the survey. It shows that majority of the respondents (65.2%) are married and 34.8% of total numbers of respondents are still single.

Table 4: Educational Qualification

	Questionnaire	Frequency	Percentage (%)
Valid	OND	3	13
	HND	4	17.4
	Bsc	7	30.4
	Msc	6	26.2
	Others	3	13
	Total	23	100.0

Source: Field Survey (2025)

This table shows the highest academic qualification of all the respondents. It shows that majority of the respondents (30.4%) have their highest level of education to be Bsc followed by 26.2% of total respondents to be Msc holders, 17.4% of total number of respondents have theirs to HND, 13% have theirs to OND and others holder.

Table 5: Overall Working Experience

	Questionnaire	Frequency	Percentage (%)
Valid	0-5yrs	13	56.5
	6-10yrs	7	30.4
	above 10yrs	3	13.1
	Total	23	100.0

Source: Field Survey (2025)

The table shows the overall working experience of all the respondents. It shows that 56.5% of total numbers of respondents have working experience within 0-5 years, 30.4% have within 6-10 years, and 13.1% have from 10yrs and above working experience.

4.3 ANALYSIS OF RESPONSES RELATING TO RESEARCH QUESTION/RESEARCH HYPOTHESIS

4.3.1 THE QUALITY OF PUBLIC GOODS OR SOCIAL AMENITIES, PROVIDED BY THE NIGERIAN FEDERAL GOVERNMENT, IS LOW.

	Questionnaire	Frequency	Percentage (%)
Valid	Strongly Disagree	-	-
	Disagree	4	17.4
	Undecided	3	13
	Agree	6	26.1
	Strongly Agree	10	43.5
	Total	23	100.0

Source: Field Survey (2025)

The above table shows that (43.5%+26.1%) of respondents are of the opinion that the low quality of public goods provided by the Nigerian Federal could be a major cause for the avoidance of Hydrocarbon Tax. While 17.4% are in disagreement to this premise and 13% of respondents remain undecided to this regard.

4.3.2 THE GOVERNMENT OF NIGERIA IS NOT TRANSPARENT IN THE USE OF REVENUE DERIVED FROM HYDROCARBON TAX

	Questionnaire	Frequency	Percentage (%)
Valid	Strongly Disagree	2	8.7
	Disagree	2	8.7
	Undecided	4	17.4
	Agree	7	30.4
	Strongly Agree	8	34.8
	Total	23	100.0

Source: Field Survey (2025)

The above table shows that 65.2%, (34.8%+30.4%), of respondents are of the opinion that the lack of transparency of government in the use of revenue derived from Hydrocarbon Tax could be a major cause for the avoidance of Hydrocarbon Tax. While 17.4%, (8.7%+8.7%), are in disagreement to this premise and 17.4% of respondents remain undecided.

4.3.3 THE ADMINISTRATION OF HYDROCARBON TAX IN NIGERIA IS INEFFECTIVE

	Questionnaire	Frequency	Percentage (%)
Valid	Strongly Disagree	2	8.7
	Disagree	5	21.7
	Undecided	-	-
	Agree	6	26.1
	Strongly Agree	10	43.5
	Total	23	100.0

Source: Field Survey (2025)

The above table shows that 69.6% (43.5%+26.1%) of respondents believe that the ineffectiveness in the administration of Hydrocarbon Tax in Nigeria is a major cause of tax evasion while none of the respondents remain undecided with regards to this premise. Also, 30.4%, (21.7%+8.7%), of respondents are of the opinion that the ineffectiveness in the administration of Hydrocarbon Tax is not a major cause for the evasion of Hydrocarbon Tax.

4.3.4 STRONG FISCAL COURTS, IN NIGERIA, NECESSARY FOR THE PROTECTION AND SAFEGUARDING OF EXPLORATION AND PRODUCTION COMPANIES FROM TAX AUTHORITIES ARE ABSENT

	Questionnaire	Frequency	Percentage (%)
Valid	Strongly Disagree	2	8.7
	Disagree	3	13.1
	Undecided	1	4.3
	Agree	2	8.7
	Strongly Agree	15	65.2
	Total	23	100.0

Source: Field Survey (2022)

The above table shows that 73.9%, (65.2%+8.7%), of respondents are of the opinion that the absence of strong fiscal courts necessary for the protection of exploration and production companies could be a major cause for the avoidance of Hydrocarbon Tax. While 21.8%, (13.1%+8.7%), are in disagreement to this premise and 13.1% of respondents remain undecided.

4.3.5 THE FEDERAL GOVERNMENT OF NIGERIA HAS A WEAK CAPACITY IN PROSECUTING INAPPROPRIATE TAX PRACTICES

	Questionnaire	Frequency	Percentage (%)
Valid	Strongly Disagree	1	4.3
	Disagree	1	4.3
	Undecided	-	-
	Agree	18	78.3
	Strongly Agree	3	13.1
	Total	23	100.0

Source: Field Survey (2025)

The above table shows that 91.4%, (78.3%+13.1%), of respondents are of the opinion that the weak capacity of Federal Government in prosecuting inappropriate tax practices could be a major cause for the avoidance of Hydrocarbon Tax. While the remaining 8.6%, (4.3%+4.3%), are in disagreement to this premise.

4.3.6: THE FEDERAL GOVERNMENT OF NIGERIA IS NOT ACCOUNTABLE TO THE CITIZENS IN THE USE OF REVENUE DERIVED FROM HYDROCARBON TAX

	Questionnaire	Frequency	Percentage (%)
Valid	Strongly Disagree	-	-
	Disagree	-	-
	Undecided	1	4.3
	Agree	16	69.7
	Strongly Agree	6	26
Total		23	100.0

Source: Field Survey (2025)

The above table shows that 95.7%, (69.7%+26%), of respondents are of the opinion that the non accountability of the Federal Government to citizens in the use of revenue derived from Hydrocarbon Tax could be a major cause for the avoidance of Hydrocarbon Tax and 4.3% of the respondents remain undecided while non of the respondents disagree with the opinion as to this regard.

4.3.7: DOES THE FEDERAL INLAND REVENUE SERVICE (FIRS) PLAY VITAL ROLE IN COLLECTING AND MANAGEMENT OF HYDROCARBON TAX (HCT) IN NIGERIA?

	Questionnaire	Frequency	Percentage (%)
Valid	Yes	18	78.3
	No	2	8.7

	Questionnaire	Frequency	Percentage (%)
	Undecided	3	13
	Total	23	100.0

Source: Field Survey (2025)

The above table shows that 78.3% of the respondent are of the opinion that Federal Inland Revenue Service play a vital role in collecting the Hydrocarbon Tax in Nigeria, while 8.7% are in disagreement to this premise, 3% of respondents didn't express opinion as to regard to this.

4.3.8: HOW EFFECTIVE DO YOU THINK FIRS IS IN ENSURING COMPLIANCE WITH HCT REGULATIONS AMONG PETROLEUM COMPANIES

	Questionnaire	Frequency	Percentage (%)
Valid	Effective	10	43.5
	Very effective	2	8.7
	Neutral	2	8.7
	Ineffective	4	17.4
	Very ineffective	5	21.7
	Total	23	100

Source: Field Survey (2025)

The above table shows that 52.2%, (43.5%+8.7%), of respondents are in agreement that the FIRS is ensuring the compliance of PPT regulations among the petroleum company to avoid tax evasion and tax avoidance effectively, 39.1% (17.4%+21.7%) of the respondent are in disagreement to this premise, while 8.7% of the respondent are neutral on this premise.

4.3.9: DOES TAX EVASION AND AVOIDANCE HAS ANY EFFECT ON REVENUE GENERATION

	Questionnaire	Frequency	Percentage (%)
Valid	Strongly Disagree	-	-
	Disagree	3	13.1
	Undecided	1	4.3
	Agree	19	82.6
	Strongly Agree	-	-
	Total	23	100

Source: Field Survey (2025)

The above table shows that 82.6% of the respondents are of the opinion that tax evasion and avoidance has an effect on the revenue generation while 13.1% are in disagreement to this premise and 4.3% of respondents remain undecided.

4.3.10: DO YOU BELIEVE THAT THE REVENUE GENERATED FROM HCT HAS SIGNIFICANTLY CONTRIBUTED TO THE ECONOMIC DEVELOPMENT OF NIGERIA?

	Questionnaire	Frequency	Percentage (%)
Valid	Yes	10	43.5
	No	8	34.8
	Uncertain	5	21.7
	Total	23	100

Source: Field Survey (2025)

The above table shows that 43.5% of the respondents believe that the revenue generated from HCT has a significantly contributed to the economic development while 34.8% of the respondent are in disagreement to this premise, 21.7% didn't express opinion as to this regards.

4.3.11: DO YOU THINK THERE IS CHALLENGES EXIST IN THE EFFECTIVE IMPLEMENTATION AND ADMINISTRATION OF HYDROCARBON TAX (HCT) IN NIGERIA?

	Questionnaire	Frequency	Percentage (%)
Valid	Yes	20	87
	No	-	-
	Uncertain	3	13
	Total	23	100

Source: Field Survey (2025)

The above table shows that 87% of the respondents thinks that there is challenges in the implementation and administration of HCT in Nigeria, while 13% are in disagreement to the premise.

4.3.12: DO YOU FORESEE THE FUTURE TRENDS OR CHANGES IN THE HYDROCARBON TAX SYSTEM?

	Questionnaire	Frequency	Percentage (%)
Valid	Yes	15	65.2
	No	6	26.1
	Uncertain	2	8.7
	Total	23	100

Source: Field Survey (2025)

The above table shows that 65.2% of the respondents thinks that there will be changes in the Hydrocarbon Tax system while 26.1% of the respondent are in disagreement to this, 8.7% of the respondent didn't express opinion as to this regard.

4.3.13: HOW WOULD YOU RATE YOUR UNDERSTANDING OF THE HYDROCARBON TAX (HCT) SYSTEM IN NIGERIA?

	Questionnaire	Frequency	Percentage (%)
Valid	Excellent	6	26.1
	Good	5	21.7
	Fair	10	43.5
	Poor	2	8.7
	Total	23	100

Source: Field Survey (2025)

The above table shows that 47.8% (26.1%+21.7%) of the respondents are in support of the Hydrocarbon Tax system in Nigeria, while 43.5% of the respondent are fair in support of the Hydrocarbon Tax system in Nigeria and the remaining 8.7% choose poor as to this premise.

4.4 TESTING OF HYPOTHESIS

TESTING HYPOTHESIS ONE

H_{01}: There is no significant relationship between Hydrocarbon Tax and the development of the Nigerian economy.

H_1: There is a significant relationship between Hydrocarbon Tax and the development of the Nigerian economy.

Correlations						
Control Variables			Gross Domestic Product	Hydrocarbon Tax	Inflation	Control of Corruption
-none-[a]	Gross Domestic Product	Correlation	1.000	.824	-.286	.629
		Significance (2-tailed)	.	.003	.424	.051
		Df	0	8	8	8
	Hydrocarbon Tax	Correlation	.824	1.000	-.181	.501

		Significance (2-tailed)	.003	.	.617	.140
		Df	8	0	8	8
	Inflation	Correlation	-.286	-.181	1.000	-.449
		Significance (2-tailed)	.424	.617	.	.193
		Df	8	8	0	8
	Control of Corruption	Correlation	.629	.501	-.449	1.000
		Significance (2-tailed)	.051	.140	.193	.
		Df	8	8	8	0
Inflation & Control of Corruption	Gross Domestic Product	Correlation	1.000	.758		
		Significance (2-tailed)	.	.029		
		Df	0	6		
	Hydrocarbon Tax	Correlation	.758	1.000		
		Significance (2-tailed)	.029	.		
		Df	6	0		
a. Cells contain zero-order (Pearson) correlations.						

Source: Field Survey (2025)

INTERPRETATION

Direction of relationship: A negative sign in front of the r value indicates a negative correlation while an absolute r value indicates a positive correlation between the variables.

Thus, the correlation coefficient between gross domestic product and Hydrocarbon Tax is positive (0.758), indicating a positive correlation between gross domestic product and Hydrocarbon Tax. The higher the Hydrocarbon Tax, the higher the gross domestic product, this corresponds to the a priori expectation. There have to be a relationship before a direction, thus, reject the null hypothesis and accept the alternate hypothesis in Hypothesis one.

Strength of the relationship: The sign in front of the r-value whether negative or positive refers to the direction not the strength. The results postulates that there is a large correlation between gross domestic product and Hydrocarbon Tax (at 0.758), suggesting a strong relationship between gross domestic product and Hydrocarbon Tax. Thus reject H_0 and accept H_1 as there is a relationship between economic development (measured by GDP) and Hydrocarbon Tax (measured by HCT).

Coefficient of Determination: The coefficient of determination between GDP and HCT is 0.574564, indicating a shared variance of 57.46% between the two variables.

Significant Level: The relationship between GDP and HCT is statistically significant at 5% and 10% as it has a significant level of less than 0.05 (that is, Sig= 0.029).

Hence, from the above there is a significant relationship between economic development (measured by GDP) and Hydrocarbon Tax (measured by HCT), thus, reject the null hypothesis (H_0) and accept the alternate hypothesis (H_1).

CONCLUSION

Based on the above criteria, the null hypothesis (H_0) should be rejected and the alternate hypothesis (H_1) should be accepted as there is a significant relationship between economic development and Hydrocarbon Tax.

IMPACT OF HYDROCARBON TAX ON ECONOMIC DEVELOPMENT

Table Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.862[a]	.743	.614	6395.87645	1.315
a. Predictors: (Constant), Inflation, Hydrocarbon Tax, Control of Corruption					
b. Dependent Variable: Gross Domestic Product					

Source: Field Survey (2025)

INTERPRETATION

Coefficient of Determination (R^2): This gives an idea of how much of the variance in the dependent variable (Gross Domestic Product) is explained by the model (which includes the variables of Hydrocarbon Tax, Control of Corruption and Inflation). This indicates that our model (which includes the variables of Hydrocarbon Tax, Control of Corruption and Inflation) explains 74.3% of the variance in Gross Domestic Product (GDP). About 25.7% is left unaccounted for which is attributed to error term, this indicates that either some of the explanatory variables used are not important or that other important explanatory variables have been left out. Hence, to test the significance of the parameter estimates, the 'standard error estimates' and F-statistic were used.

Standard Error Test: This was used to test the significance of the parameter estimates. If the Standard Error of the estimate is small compared to the Mean Value of the dependent variable, the model is preferred and vice versa. From the above analysis, Standard Error Estimate is ₦6,395,876,450,000 while the mean value of the dependent variable (GDP) is ₦20,122,360,800,000. From the decision criteria earlier mentioned, Standard Error Estimate is low compared to the dependent variable, hence, the model is preferred.

TESTING HYPOTHESIS TWO

H_0: Tax evasion and avoidance does not have influence on Hydrocarbon Tax in the development of the economy.

H_1: Tax evasion and avoidance have influence on Hydrocarbon Tax in the development of the economy.

ANOVA was used in testing this hypothesis. The decision criteria for ANOVAs are:

If the calculated value of Fc is greater than the table value Ft(F-calculated > F-tabulated) implies that the difference in the means is significant while if the value of Ft is greater than the calculated value Ft(F-tabulated > F-calculated) implies that the difference in the means is not significant.

Also, at 5% level of significance, if the Sig. value from the ANOVA is lower than 5%, it implies that the difference in the means of the different groups is significant while if it is higher than 5%, the difference in the means of the different groups is not significant.

It should however be noted that the decision made above does not indicate which group is different from the other groups. Hence, post-hoc tests are carried out.

Table ANOVA					
Tax evasion and avoidance influence on PPT					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.146	2	.573	1.099	.336
Within Groups	71.961	138	.521		
Total	73.106	140			

Source: Field Survey (2025)

Level of significance: 0.05

$F_{calculated}$= 1.099

$F_{tabulated}$=3.05

Decision: Since the tabulated value is more than the calculated value, the alternate hypothesis (H_1) should be rejected and the null hypothesis (H_0) should be accepted. Also, the Sig. value of 0.336 shows that there is no significant difference in the perception of tax authorities, oil companies and accounting firms as they of the opinion that tax avoidance is a major cause (their means tend towards 5, indicating strongly agree).

However the ANOVA result is not reliable because it violated the test of homogeneity of variances (0.044 < 0.05).

TESTING HYPOTHESIS THREE

H_0:   The tax authorities are not effective in the collection of Hydrocarbon Tax

H_1:   The tax authorities are effective in the collection of Hydrocarbon Tax.

PAIRED-SAMPLES T-TEST

A paired-samples t-test (also referred to as repeated measures) is used when you have only one group of people (or companies) and you collect data from them on two different occasions or under two different conditions. In this case data were collected from the Federal Internal Revenue on two different occasions, that is, at the beginning of the year (budgeted HCT) and at the end of the year (actual HCT). A paired-samples t-test will tell you whether there is a statistically significant difference in the mean scores for Time 1 (beginning of the year) and Time 2 (end of the year).

Paired Samples Test									
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper	T	df	Sig. (2-tailed)
Pair 1	Actual Revenue - Targeted Revenue	50.18000	572.11790	180.91957	-359.08849	459.44849	.277	9	.788

Source: Field Survey (2025)

Decision: If the level of significance is less than 0.05 it should be concluded that there is a significant difference between the two means. However if the level of significance is higher than 0.05, it should be concluded that difference between means is not significant. Based on the table above it is concluded that there is no significant difference between the two means, that is, for budgeted HCT and actual HCT.

The mean difference in the two revenues was ₦50,180,000,000 with a 95 per cent confidence interval stretching from a lower bound of -359.08849 to an upper bound of 459.44849.

COMPARING THE MEAN VALUES

Table Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Actual Revenue	1292.8100	10	815.53843	257.89589
	Targeted Revenue	1242.6300	10	883.77808	279.47517

Source: Field Survey (2025)

Looking at the table above it can be observed that the mean for HCT at the beginning of the year (targeted revenue) was ₦1,242,630,000,000 while the mean for HCT at the end of the year (actual revenue) was ₦1,292,810,000,000. Hence we can conclude that there is an increase in value of Hydrocarbon Tax (HCT) from the beginning of the year to the end of the year. However, this increase is not significant.

SUMMARY

A paired-samples t-test was conducted to evaluate the effectiveness of tax authorities in the collection of Hydrocarbon Tax. There was an increase in Hydrocarbon Tax revenue from the beginning of the year (M = ₦1242.63, SD = 883.77808) to the end of the year (M = ₦1292.81, SD = 815.53843), t (9) = .277, with p >. 0005 (two-tailed), indicating that the increase is not statistically significant. The mean increase in Hydrocarbon Tax revenue is ₦50.18 with a 95% confidence interval ranging from -359.08849 to 459.44849.

CONCLUSION

Based on the above tests it is deduced that tax authorities have, to an extent, been effective in the collection of Hydrocarbon Tax. Thus, the null hypothesis (H$_0$) is rejected and the alternate hypothesis (H$_1$) is accepted.

CHAPTER FIVE

SUMMARY, FINDINGS, CONCLUSION AND RECOMMENDATION

5.0   INTRODUCTION

This chapter aims to give a summary of the previous chapters and also taking note of findings – theoretical and empirical – that are relevant to the research topic then; based on these findings a conclusion is drawn and recommendations are provided. This chapter also gives suggestions for further research on this topic or other related topics which will enable other researchers generate solutions to research problems.

5.1   SUMMARY OF THE FINDINGS

This research work was geared to analyzing the possibility of having Hydrocarbon Tax being related to the development of Nigeria's economy and if Hydrocarbon Tax also had a significant impact on the development of the economy of a ten year period (2022 to 2025). Also, the different perceptions of tax authorities, accounting firms and exploration and production companies, as to the major causes of tax avoidance by oil companies, were analyzed. Finally, the overall effectiveness of tax authorities in the collection of Hydrocarbon Tax for the stated period, that is, 2022 to 2025 was also analyzed.

Chapter one introduced the background of the study, statement of research problems, objective of the study, research questions and formulation of research hypothesis. It also discussed significance of the study, scope and limitation of the study as well as sources of data and clarification of terms.

Chapter two discussed the different opinions of scholars and previous researchers on the subject matter of Hydrocarbon Tax and the economy of Nigeria. It focused and discussed extensively on the origin of petroleum, the overview of oil and gas industry in Nigeria, tax as a form of revenue in aiding the development and development of Nigeria's economy, tax revenue and government expenditure, legal history of Hydrocarbon Tax, factors influencing Hydrocarbon Tax, the administration and collection of Hydrocarbon Tax in Nigeria, the failures of tax administration in Nigeria,

the structure of Nigeria's economy, challenges hindering the development and development of Nigeria's economy, introduction to the 20:20 vision, the issue of tax evasion and avoidance in exploration and production companies. Also theoretical aspect of the chapter focused on taxation and economic development theories, while the empirical aspect focused on past findings of other researchers as they related to the subject topic.

The third chapter dealt significantly with the Research methodology adopted. It examined the nature of the research work, research design employed, the population with which the research was concerned, the size of the sample drawn from the population, the technique employed in carrying out the sampling as well as how the questionnaires were constructed and distributed. The reliability and validity tests were established. Instruments for data collection, sources of data, and description of the actual field work were stated. Method for data analysis and presentation were also specified.

Chapter four centered on testing the four hypotheses of the research work mentioned in chapter one of the research study. Partial correlation and Regression analysis were employed in testing hypotheses one and two. The third hypothesis was analyzed using Analysis of Variance (ANOVA). The fourth hypothesis was analyzed using the paired samples t-test. Data for correlation, regression, and paired sample t-test for testing hypotheses one, two and four were obtained from Federal Inland Revenue Services and CBN statistical bulletins for a period of ten years (2022 to 2025) while data for ANOVA were gathered via the distribution of questionnaires to FIRS, six exploration and production companies and three accounting firms. The correlation, regression, ANOVA and paired samples t-test data were analyzed using the Statistical Package for Social Sciences (SPSS). The four hypotheses for the research work were then tested, so as to either reject or accept the null hypothesis.

5.2   CONCLUSION

In view of the forgone research work, presentation, analysis and interpretation, it is no doubt that Hydrocarbon Tax is an important source of revenue generation which aids economic development of Nigeria.

The research work showed that economic development will be enhanced if Hydrocarbon Tax is effectively and efficiently administered and collected. The main objective of this research work was to determine if there is a significant relationship between Hydrocarbon Tax and economic development in Nigeria, this was duly achieved. Also, the objectives of determining if Hydrocarbon Tax has had an impact on the economic development of Nigeria and if there is a significant difference in the perceptions of group respondents (tax authorities, exploration and production companies and accounting firms) on the major causes of tax avoidance were achieved. Finally, the objective of determining if the tax authorities have been effective in the collection of Hydrocarbon Tax was achieved.

5.3   RECOMMENDATION

Based on the analysis carried out and the findings deduced in addition to the review of relevant literature, the following recommendations are deemed necessary to ensure that Hydrocarbon Tax boosts the economy of Nigeria, especially in reaching its 2022 vision;

i.   The federal government should attend to the issues of tax avoidance and evasion by exploration and production companies. This study has laid down some of the major causes of tax avoidance and of all it was observed that respondent groups believe that the low quality of public goods provided by federal government reduces the tax morale of exploration and production companies when it comes to the issue of tax. Some other causes as identified by respondent groups include; the non-transparency of government in the use of revenue derived from Hydrocarbon Tax. Therefore, the federal government should begin to provide high quality public goods to boost the tax morale of tax payers and they should be transparent in the use of tax revenue derived from Hydrocarbon Tax.

ii. The administration of Hydrocarbon Tax should be made better by training tax personnel in the area of tax and how other developed oil producing countries, such as Canada, deal with the issue of taxing oil and gas companies.

iii. In addressing the issue of corruption among tax officials, code of conducts should be made available and mechanisms must be provided by government to follow strictly to this code of conducts.

iv. To achieve economic development, government should not only rely on the sale of crude oil as its major source of income from the oil industry. They should also focus on the issue of taxation in this industry.

v. In order to increase Hydrocarbon Tax, the amount budgeted as revenue derived from Hydrocarbon Tax at the beginning of the year should be increased taking cognizance of the factors which affect Hydrocarbon Tax.

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