



# IMPACT OF TAX LAWS ON REVENUE GENERATION IN NIGERIA: MODERATING ROLE OF TAX JUSTICE USING STRUCTURAL EQUATION MODEL ANALYSIS

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<b>Keywords:</b> Tax Laws, Tax Justice, Revenue Generation, Structural Equation Model	<b>Abstract:</b> This study empirically examined tax laws and revenue generation using tax justice as a moderator. The study anchored on the theory of social interaction and cross-sectional research design was adopted while data was collected from primary and secondary sources. The primary data consisted of structured questionnaires from a sample of 243 respondents (taxpayers) in Bayelsa State, Nigeria. Data collected from the respective respondents were analysed by applying structural equation model. The study shows that there is a positive and significant relationship between tax laws (Personal Income Tax Act, Company Income Tax Act, Capital Gains Tax Act, Value Added Tax Act and Education Tax Act) and revenue generation (tax income) in Bayelsa State. The finding also shows that tax justice positively and significantly moderates the association between tax laws (Personal Income Tax Act, Company Income Tax Act, Capital Gains Tax Act, Value Added Tax Act and Education Tax Act) and revenue generation (tax income) in Bayelsa State, Nigeria. From the findings of this study, we concluded that tax justice positively and significantly influences revenue generation in Nigeria. We recommended amongst others that the government should accurately interpret existing tax laws to guarantee persistent tax collection among taxpayers, and such revenue generation is the foundation of a good tax system. Hence, for tax laws to be effectively and efficiently implemented, proposing severe rules is recommended as compassion to reshape the attitude of the taxpayers to be more compliant to tax rules and regulations.
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## Introduction

The subject of taxation has received an extensive interest in tax, accounting and economics

literature. Ogbomah and Appah (2024) reported that tax revenues constitute a major component of government revenue for advanced and

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emerging economies. Orumwene and Aiwoho (2021) noted that tax is one of the most important subjects in governance both in advanced and emerging nations, taxes are vital sources of revenue to the government. Appah and Zibaghafa (2018) explained that the volume of revenue generated from taxes for the provision of public goods and services depends among other things the eagerness of taxpayers to comply with tax laws. Similarly, Appah (2019) argued that the principal purpose of taxation is to generate sufficient and sustainable revenue for the running of the government expenditure. Hayat et al (2020) argued that the main reason of a tax regime is to generate revenue for the provision of public goods and services by government. Consequently, tax revenue assists to generate financial resources to develop economic conditions and redistribution of resources from the rich to the poor (Ghani et al., 2020). According to Gunel and Didinmez (2023), public sector revenues from taxes make up the largest share of government revenue for developing countries. Adekoya et al (2019) explained that this can be achieved as a means of providing sufficient revenue generated from tax for the provision of social goods and services for the welfare of citizens. The authors further emphasised that a well-structured tax regime performs the role of revenue generation, which is derived through tax utilized for developmental, economic and social activities; utilized for the reduction of inequality by means of providing income for the government for the purpose of

eliminating poverty through provision of public goods and promotion of good governance of economic stabilization and control of consumption behaviour through the construction of institutions and accountability structures. In addition, Oladipo et al (2022) noted that revenue generated from taxes are fundamental for economic growth and expansion in emerging countries like Nigeria, as taxes supports the economy to provide social goods and services for the well – being of citizens. Orumwense and Aiwoho (2021) explained that tax is used as a powerful instrument that has been applied by government for the advancement of nations. The authors further stressed that it a form of payment by individuals to assists and augment the cost of governance. However, the generation of revenue through taxation suffers from the issue of tax compliance by citizens to relevant tax laws and regulations. Tax laws and regulations are critical factors that affect revenue generation in contemporary societies. Adekoya et al (2019) explained that tax law is the legal document prepared from a nation's fiscal policy regime for the purpose of effective and efficient implementation of tax policies in order to generate sufficient revenues for the attainment of government macro and micro economic objectives. Nuryanah and Gunawan (2022) explained that tax laws and regulations are essential factors that have an effect on revenue generation and more transparent, fair and equal regulations in tax assessment and collection. Adekoya et al (2019)

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noted that relevant tax laws and regulations are major disincentive to tax noncompliance in developing societies. Baker et al (2021), Baker et al (2023) explained that the nonexistence of valuable and proficient tax laws may establish citizens' willingness to pay tax. The authors further alluded to the fact that a society with robust tax laws and regulations are widely perceived and accepted by citizens as social norms, thereby revealing better compliance than a society without efficient tax regulations. Oyedokun et al (2021) noted that tax laws have witnessed major changes over the period in Nigeria. These changes are geared towards increasing the amount of revenue to be generated by the government for the provision of social goods and services. According to Adekoya et al (2019), taxpayers obey tax laws for various reasons. To some, compliance to tax law is helpful in nature which is motivated by fear of punishment for violation of the relevant tax laws. To other taxpayers obeying tax laws rest on the inherent motivation to follow the law due to the belief that it is the right thing to do. The authors noted that tax laws remain the principal legal instrument utilized by tax administrator in the implementation of fiscal policy framework.

Nevertheless, tax justice remains a major determinant of government revenue generation in developed and developing nations. Gunadi and Rahayu (2021) described tax justice as the making of laws and policies that are clear and accessible, using tax policies to reduce inequality and promote social justice, ensuring that

individuals and corporations pay their fair share of taxes and taxing the wealthy at a higher rate than the poor. Appah (2019) argued that tax justice is crucial for revenue generation in Nigeria, as it ensures that taxes are collected fairly, efficiently and effectively. Oyedokun et al (2021) explained that effective and efficient revenue generation in a given country depends on the degree to which the tax laws are appropriately interpreted and implemented and knowing the actual effect on revenue generation. The results of this investigation provide significant and fresh contributions for fiscal policy institutions, accounting and scholars and financial economists in the domain of tax research. The outcome of this investigation may be useful to the tax authorities in Nigeria as baseline information for the enhancement of approaches to attain and exceed revenue collection targets. Prospective researchers may use the findings to conduct further studies on revenue generation and taxation. Meanwhile, the researchers employed the outcome of this study as the basis of a proposed enhanced revenue generation activities in Bayelsa State and Nigeria at large.

Despite several prior studies on revenue generation (Lawal et al, 2024; Mumo & Muthinja, 2023; Abdinur et al, 2022; Ihenyen & Ogbise, 2022; Omesie & Appah, 2022; Pescador & Caelian, 2022; Oyedokun et al, 2021; Oladele et al, 2021; Appah et al, 2020; Nwala & Gimba, 2019; Adegbite & Fasina, 2019), none investigated the moderating role of tax justice on

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the association between tax laws and revenue generation Nigeria. It is against this background that this study seeks to investigate the influence of tax justice on the relationship between tax laws and revenue generation in Bayelsa State, Nigeria. Consequently, there exists a gap in the literature and the current study seeks to fill the existing gap by investigating the moderating influence of tax laws on revenue generation in micro, small and medium enterprises in Bayelsa State, Nigeria. The specific objectives are as follows:

1. To investigate the relationship between Personal Income Tax Act and revenue generation in Bayelsa State, Nigeria.
2. To evaluate the relationship between Company Income Tax Act and revenue generation in Bayelsa State, Nigeria.
3. To examine the relationship between Capital Gains Tax Act and revenue generation in Bayelsa State, Nigeria.
4. To determine the relationship between Value Added Tax Act and revenue generation in Bayelsa State, Nigeria.
5. To investigate the relationship between Education Tax Act and revenue generation in Bayelsa State, Nigeria.
6. To investigate the moderating influence of tax justice on the relationship between tax laws and revenue generation in Bayelsa State, Nigeria.

The study tested the following hypotheses:

**Ho<sub>1</sub>:** Personal Income Tax Act positively and significantly impact on the revenue generation in Bayelsa State, Nigeria.

**Ho<sub>2</sub>:** Company Income Tax Act positively and significantly impact on the revenue generation in Bayelsa State, Nigeria.

**Ho<sub>3</sub>:** Capital Gains Tax Act positively and significantly impact on revenue generation in Bayelsa State, Nigeria.

**Ho<sub>4</sub>:** Value Added Tax act positively and significantly impact on the revenue generation in Bayelsa State, Nigeria.

**Ho<sub>5</sub>:** Education Tax Act positively and significantly impact on the revenue generation in Bayelsa State, Nigeria.

**Ho<sub>6</sub>:** Tax justice positively and significantly moderates on the relationship between tax laws and revenue generation in Bayelsa State, Nigeria.

### **Literature Review**

**Concept of Tax Laws:** Tax laws also called tax legislation or fiscal laws. These are body of laws regulations that govern the assessment, collection and enforcement of taxes. Oyedokun and Christopher (2022) described tax laws as the embodiment of rules and regulations concerning tax revenue and the different variety of tax in Nigeria. These laws define the tax base, tax rates, and tax procedures, and provide the framework for taxing individuals and corporate entities with a given tax jurisdiction. Somorin (2015) described tax law as a legal framework of set of laws and guiding principle which are enforced through social institutions to govern the behaviour of individuals and corporate entities on achieving tax compliance. Adekoya et al (2019) explained that tax law is a official document drafted from an implemented fiscal

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policy regime for the rationale of effective and efficient realization of tax policies. The authors further noted that the tax laws continue to be the legal instrument which tax administrators utilize as the basis of implementing the tax policies in any given tax jurisdiction. Appah (2019) argued that tax laws also provide the regulations and procedures for tax filing and reporting, tax payment and collection, tax audits and enforcements, tax exemptions and deductions, tax credits and appeals. The author further reported that tax laws are designed to ensure that individuals and corporate entities contribute their fair share of taxes to support the provision of public goods and services, while also providing a framework for efficient, effective and equitable taxation Appah & Zibaghafa,, (2018). According to Appah (2019), tax laws typically include provisions related to tax rates and brackets, tax deductions and credits, tax exemptions and relief, tax filing and payment requirements, tax audit and investigations, tax disputes and appeals and tax treaties and international cooperation. Ola (2001), Adekoya et al (2019) stated that some of the tax laws in Nigeria comprised of Personal Income Tax Act (PITA), Companies Income Tax Act (CITA), Petroleum Profit Tax Act (PPTA), Capital Gain Tax Act (CGTA), Value Added Tax Act (VAT), Tertiary Education Tax Act (TETA), Stamp Duties Act.

**Concept of Revenue Generation:** This is the process of creating and implementing strategies to increase income and profits for an entity, business or government. It involves identifying

and capitalising on opportunities to generate revenue. According to Appah (2019), revenue generation is described as the strategies and processes utilised by governments to generate revenue through taxation such as income tax, sales tax, value added tax, corporate tax, petroleum tax, custom duties, and excise duties. Nnubia et al (2020) stated that revenue generation is the process by which businesses and government agencies strategize in order to generate sufficient revenue for the provision of public goods and services. Similarly, Omes and Appah (2022) noted that revenue generation in the public sector is the process of raising funds for the government. The authors further noted that taxation is the major source of government revenue and revenue generation is the traditional function of a good tax system.

**Concept of Tax Justice:** This is a concept of taxation that ensures that the tax systems are fair, equitable and transparent and that they promote social justice and human rights. Gunadi and Rahayu (2021) described tax justice as the making of laws and policies that are clear and accessible, using tax policies to reduce inequality and promote social justice, ensuring that individuals and corporations pay their fair share of taxes and taxing the wealthy at a higher rate than the poor (Appah, 2019). According to Appah and Zibaghafa, (2018), tax justice is the fair distribution of the tax burden, where individuals and business organizations pay their fair share according to their respective abilities. Farrar et al (2020) noted that justice is a word

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particularly selected for a procedural, not a substantive stipulation. Similarly, Gunadi and Rahayu (2021) argued that tax justice is understood as one of the issues affecting tax evasion behaviour, besides social, psychological, and religious factors (Jun & Yoon, 2018). Jun and Yoon, (2018) explained that tax justice is classified into three types, namely, distributive, procedural, and. retributive. Distributive tax justice is concerned with the equitable allocation of benefits and expenditures as well as the equitable distribution of tax responsibilities among taxpayers. Procedural justice is described as the fairness of tax-related decision-making procedures such as, having a voice in policymaking, transparency (Kirchler & Hoelzl, 2017). While retributive justice is defined as the fairness of the form and severity of the punishment imposed on tax offenders (Kirchler & Hoelzl, 2017).

**Theoretical Framework:** This study draws its theoretical framework from the theory of social interaction. This theory is also known as social learning theory or symbolic interactionism. The theory was advocated by Mead (1863 – 1931), Blumer (1900 – 1987), Goffman (1922 – 1982) etc. This theory posits that individuals learn and develop through their interactions with others and emphasizes the role of social interaction in shaping the behaviour of individuals' attitude and understanding of the world. The theory of social interaction is essential in the understanding behaviour, improving communication, enhancing relationships,

understanding social structures and promoting social change. Adekoya et al (2019) stated this theory is all about association between social interaction and the payment of taxes in a nation. The authors further noted that taxpayer's behaviour may well be an indication of his peers or institutions such as parent, friends, relatives, neighbour, tax authorities, government and its agencies. However, several scholars have criticized the theory of social interaction. The authors argued that social interaction theory has several criticism and challenges such as overemphasizes on individual interactions, lack of clear boundaries, lack of empirical support, difficulty in the measurement of interactions, the oversimplification of complex social phenomena etc. Social interaction theory plays a crucial role in tax laws and revenue generation such as understanding how taxpayers interact with tax authorities and the tax system, information of strategies to optimise revenue collection, analyse how tax authorities interact with taxpayers' impacts enforcement effectiveness etc. Hence, the application of social interaction theory leads to a more efficient, effective and equitable tax system, ultimately contributing to increased revenue generation and better social outcomes. The theory is used to describe the fairness of tax laws and legislations applicable in a nation and this entails fairness in the application and treatment of tax laws between citizens. This equality in the application of tax laws among the individuals leads to increase in tax payment and tax compliance. Therefore, individual taxpayer's

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perception of corruption and misuse of tax revenue in the government system might lead to discouragement and refusal in the payment of appropriate taxes.

## Empirical Review

Lawal et al (2024) studied tax compliance and revenue generation in Nigeria. This study used ex post facto research design and the population consisted of tax revenue and compliance in Nigeria and a sample size was from 2001 to 2021 obtained from the Central Bank of Nigeria Statistical Bulletin and Federal Inland Revenue Service. The study utilised secondary data collected from the relevant revenue agencies in Nigeria. The study also used tax revenue as the dependent variable and tax rate, tax audit and penalty rate as independent variables. The secondary data collected from the government agencies were analysed using descriptive analysis, diagnostic tests, unit root test, and Johansen co-integration test. The results revealed a positive and significant long- and short-term association between tax rate and penalty rate on tax revenue in Nigeria. Also, the results of the study suggested a negative and insignificant association between tax audit and tax revenue in Nigeria.

Ihenyen and Ogbise (2022) examined revenue generation and economic growth in Nigeria. The study utilised ex post facto research and the population consisted of all revenue generation and economic growth data in Nigeria with a sample size from 2010 to 2020. The study used secondary data obtained from the CBN and the

FIRS for the period under review. The study used GDP as dependent variable to measure economic growth while PPT, CIT, CED and VAT dimensions for the independent variable. The data collected from the secondary sources were analysed using multiple regression analysis and the findings suggested a positive and significant association between PPT, CIT and VAT with GDP. Also, the results showed a negative and insignificant association between CED and GDP in Nigeria. Hence, the study concluded that revenue generation enhances economic growth in Nigeria.

Omesi and Appah (2022) conducted a study of tax enforcement and revenue generation in Nigeria. The study utilised cross sectional survey research design and the population comprised of 900 employees with a simple random sampling technique and a sample size of 277 derived using Yaro Yamene technique. Data was obtained using primary and secondary sources of data collection with the primary data collected from a structured questionnaire after validity and relativity tests. The study used tax audit, tax penalties, tax amnesty, tax litigation and tax holiday as dimensions for the independent variable tax enforcement while withholding tax as the proxy for the dependent variable revenue generation. The primary data obtained from the 183-questionnaire received from the respondents were analysed using univariate, bivariate and multivariate analysis. The findings suggested a positive and significant relationship between tax audit, tax penalties, tax amnesty, tax

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litigation and tax holiday with withholding tax in Nigeria. Hence, the study concluded that tax enforcement strategies influence the level of revenue generation in Nigeria.

Oyedonkun et al (2021) carried out a study of tax policy and revenue generation in Nigeria. The study utilised ex post facto and descriptive – survey research designs. The population of the study comprised of taxpayers in Nigeria consisting of 984 tax consultants and 3,265 staff of the FIRS. The Joint Tax Board noted that there are 10,006,304 registered personal income tax payers in the states including FCT and a sample size of 400 was determined using Yaro Yamene technique of sample size determination. The study collected primary data from a well-structured questionnaire after validity and reliability tests. The data collected were analysed using descriptive statistics, correlation matrix and multiple regression. The results from the regression analysis suggested a positive and significant relationship between policy on indirect tax and revenue generation in Nigeria. Also, the results indicated a positive and significant relationship between policy on tax incentives and revenue generation in Nigeria.

Oladele et al (2021) analysed tax enforcement and revenue generation in Nigeria. The study utilised cross sectional survey research design and the population consisted of 900 staff of the FIRS in South-South, Nigeria and sample size of 277 was derived using Yaro Yamene model with 228 questionnaires received from respondents while 49 questionnaires were not returned. The

study used primary and secondary data for the study and the primary data was derived from a structured questionnaire after validity and reliability tests. The study used tax amnesty and tax penalty as proxies for tax enforcement while value added tax was used as dimension for revenue generation. The responses obtained from the administered questionnaires were analysed using descriptive statistics, and correlation analysis. The findings of the study revealed a moderate association between tax amnesty and value added tax in Nigeria. Also, the results indicated a positive association between tax penalty and value added tax in Nigeria. Hence, the study concluded that tax enforcement significantly influences revenue generation in Nigeria.

Appah et al (2020) investigated tax evasion and revenue generation in Nigeria. The study used cross sectional survey research design with a population consisting of business and employees of the Internal Revenue Service of Bayelsa and Rivers States with a sample size of 350 respondents randomly selected. The study used primary and secondary data for the study and the primary data was derived from a structured questionnaire after validity and reliability tests. This study utilised tax rate, tax system, tax policy, level of income and level of corruption as dimensions for the independent variable while government revenue generation as dependent variable. The data collected were analysed using descriptive statistics, diagnostic tests and multiple regression. The findings indicated a

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positive and insignificant association between tax rate, tax system, tax penalties, level of income level of education with government revenue. Consequently, the study concluded that the determinants of tax evasion influence the level of revenue generation in Nigeria.

Abdinur et al (2022) studied tax administration and revenue generation in Somalia. The study utilised cross sectional survey research design with a total population of 600+ and a target population of 429. The study used simple random sampling technique with primary and secondary sources of data collection. The primary data was obtained from a structured questionnaire after content validity and Cronbach's alpha reliability test. The study used taxpayer registration, tax audit and revenue protection system as independent variables while revenue generation as dependent variable. The data obtained from the questionnaires distributed to respondents were analysed using descriptive statistics and regression analysis. The findings from the data analysis indicated that Somalia practices an inefficient tax administration and it affects the level of revenue generation. The study further revealed a positive and significant relationship between taxpayer registration and revenue generation; positive and significant relationship between tax audit and revenue generation; and positive and significant relationship between revenue protection system and revenue generation in Somalia. The study concluded the tax

administration enhances the revenue generation strategies in Somalia.

Pescador and Caelian (2022) investigated revenue generation programme in Philippines. The study employed descriptive research design and the population consisted for the fiscal years 2019-2020 consisting of 312 implementers and 411 stakeholders. The study used primary and secondary sources of data collection. The primary data was obtained from a well-structured questionnaire after validity and reliability tests. The data collected from the respondents were analysed using descriptive analysis and the findings suggested that the implementation of revenue generation programmes in Philippines was of great extent and the various strategies utilised in revenue collection were observed to be effective. Hence, the study concluded that the execution of revenue generation programmes in Philippines and the strategies adopted were effective.

Nwala and Gimba (2019) analysed tax reforms and revenue generation in Nigeria. The study utilised ex post facto research design and time series data. The study used a data for a period from 1986 to 2017. The study used CIT, PPT and VAT as proxies for the independent variable while federally collected revenue as the dependent variable. Data for the study were obtained from the Central Bank of Nigeria, National Bureau of Statistics. The secondary data collected were analysed using descriptive statistics, Augmented Dickey Fuller unit root test, Ordinary Least Square (OLS) multiple

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regressions, heteroskedasticity test and Variance Inflation Factor (VIF). The findings from the analysis indicated that CIT has a negative and statistically significant effect on revenue generation; petroleum profits tax revealed a positive and statistically significant impact on revenue generation in Nigeria and value added tax positively and statistically significant impact on revenue generation in Nigeria. Hence, the paper concluded that tax reforms positively and significantly affect revenue generation in Nigeria.

Adegbite and Fasina (2019) studied taxation and revenue generation in Nigeria. The study employed ex post facto research design and time series data. The study used a period of 1970 to 2017. The study utilized revenue generation as the explained variable while PPT, VAT, CIT and CED were the explanatory variables. Data for the study were obtained from the Central Bank of Nigeria and Federal Inland Revenue Service (FIRS). The secondary data collected from CBN and FIRS were analysed using Units root test, Johansen co-integration, Vector Error-Correction Model, and Granger causality tests were employed to establish the long run relationship and causality association between the dependent and independent variables. The results from the analysis suggested a positive and significant association between PPT and revenue generation; a positive and significant association between VAT and revenue generation; a positive and significant association between CIT and revenue generation; and a positive and

significant association between CED and revenue generation in Nigeria. The study also revealed a bi-directional causality with revenue generated by government in Nigeria due to the fact that PPT, VAT, CIT and CED, jointly, Granger-cause revenue. Hence the study concluded that taxation positively and significantly influences revenue generation of government in the short run and in the long run in Nigeria.

Odunsi (2022) examined value added tax, revenue generation and economic growth in Nigeria. The study employed ex post facto research design and time series data. The study used a period of 1994 to 2018. The study employed total revenue and gross economic growth while value added tax as independent variable. The secondary data for this study was collected from CBN, FIRS and National Bureau of Statistics (NBS). The secondary data collected from CBN, NBS and FIRS were analysed using descriptive statistics, and simple regression analysis. The findings from the study revealed that value added tax positively and significantly affects total revenue and value added tax positively affects gross domestic product in Nigeria. The study concluded that value added tax impact on the total revenue of government and economic growth in Nigeria.

Mumo and Muthinja (2023) analysed tax evasion and revenue collection in Kenya. The study utilized cross sectional survey research design and a target population of 288 with a sample size of 144. The study used revenue

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collection as the dependent variable and tax evasion as the independent variable. The study data were obtained from primary and secondary sources. The primary data was collected from a structured questionnaire after validity and reliability tests of items. The responses obtained from the administered questionnaires were analysed using descriptive statistics, correlation matrix and regression analysis. The results from the data analysis suggested that tax evasion positively and significantly affects revenue collection in Kenya.

Oyedokun et al (2018) investigated tax justice and federally collected revenue in Nigeria. The study adopted ex post facto research design and a population comprised of all the figures of tax revenue, GDP and government expenditure from 2000 – 2016. The study adopted secondary data collected from FIRS, CBN, NBS and Federal Ministry of Finance. Tax justice was used as the independent variable while federally collected revenue as dependent variable consisting of VAT, PPT, CIT, CGT, and TET. The data collected from the secondary sources were analysed using univariate analysis, bivariate analysis and multivariate analysis. The results suggested in the short run a negative consequence of expenditure on community and social services on tax revenue but a positive result in the long run, wherein the short run, expenditure on economic services had a positive impact on tax revenue and in the long run, there was a little or no positive impact using VAR impulse-response function. Also using the VAR variance decomposition, tax

revenue was responsible for the variation in self at an average of 85% both in the short and long run horizon, whereas expenditure on economic services and expenditure on community and social services were responsible for variation in tax revenue at a constant value of 1% and 3%, correspondingly while expenditure on administration had an increasing responsibility in determining the variation in tax revenue. Hence, the study concluded that tax justice enhancing tax revenue generation in Nigeria.

Olaoye and Ayeni (2018) carried out a study of value added tax and custom duties on revenue generation in Nigeria. The study used ex post facto research design and the population comprised out data set obtained from the CBN for the period 2000 to 2016 with a non-probability sampling technique for the purposive of sample size determination for the period under review. The study adopted secondary source of data collection from the FIRS and the independent variable comprised of VAT and custom duties while the dependent variable consisted of total revenue generated. The data obtained from the CBN and FIRS were analysed using unit root test, auto regressive distributive lag and pairwise granger causality test. The result suggested no long run association between value added tax and customs duties with revenue generation in Nigeria. The study further revealed no causality between value added tax and customs duties with revenue generation in Nigeria. Consequently, the study concluded no significant impact between value-added tax and

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customs duties on revenue generation and no long-run association between value-added tax, customs duties and revenue generation in Nigeria for the period 2000 to 2016.

Isimoya (2022) conducted a study of tax compliance and revenue generation in Lagos State, Nigeria. The study used cross sectional research design and the population comprised of all private sector employees in Lagos State and a sample size of 385 was derived using Cochran standard model. A non-probability sampling technique (convenience sampling) was used as Ikeja/Ifako-Ijaye Local Government Area was selected because of proximity and easy accessibility of private sector employees in Lagos State. The study used primary data obtained from a well-structured questionnaire administered to the sampled private sector employees. The responses collected from the questionnaires administered were analysed using descriptive statistics, one sample t-test and one sample statistics. The results suggested that tax compliance, tax audit and investigation, and electronic tax filing positively and significantly relates with tax compliance and in turn, revenue generation in Lagos State, Nigeria.

## Methodology

This investigation utilized cross sectional survey research design. This design was chosen for the reason of its potential to provide critical responses to the study objectives, research questions and hypotheses. Cross sectional survey research was chosen on the basis of respondents' accessibility and spread of private sector employees in Bayelsa State. The target population of the study consists of Bayelsa State formal employees, who comprised the bulk of

formal sector employees in the State. A sample size of 385 of formal sector employees was determined using Cochran (1977) standard formula. According to Appah (2020), this formula was preferred for the reason that it is utilised for an infinite population size (Total No of private employees in Bayelsa State is unknown). The formula computation is presented as follows:

$$n = \frac{Z^2 \times P \times (1 - P)}{C^2}$$
$$= \frac{1.96 \times 1.96 \times 0.5 \times (1 - 0.5)}{0.05 \times 0.05}$$
$$= 384.16 \Rightarrow 385$$

Z = Z-value (e.g 1.96 for a 95% Confidence level)

P = Population proportion in percentage expressed as decimal 50% (0.5).

C = Confidence interval or margin of error allowable in the sample estimate of population which is valued to be 5% (0.05)

This study utilised primary data as the instrument for data collection from a well-structured questionnaire on a five-point Likert scale, ranging from strongly agree to strongly disagree, and it was pretested to establish the validity and reliability of the instruments. Data were collected through the self-report of the respondents in formal private employees in Bayelsa State and analysis was executed through Stata software and SmartPLS version 4 for structural equation modelling (SEM). The justification for using Stata is to enable the researchers to apply multivariate regression, while SmartPLS with the use of structural

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equation modelling is to establish the indirect test of intervention analysis and to obviously display the path of arrows for the hypotheses put forward in the investigation by means of a lane diagram.

The study variables were designed by the researchers through existing scientific literature (Lawal et al, 2024; Mumo & Muthinja, 2023; Abdinur et al, 2022; Ihenyen & Ogbise, 2022; Omesi & Appah, 2022; Pescador & Caelian, 2022; Oyedokun et al, 2021; Oladele et al, 2021; Appah et al, 2020; Nwala & Gimba, 2019; Adegbite & Fasina, 2019) on tax laws, revenue generation and tax justice. The questionnaire consists of two sections of A and B. Section A consists of demographic data while Section B consists of statements measuring respondents' perceptions on PITA, CITA, CGTA, ETA and VATA, TAXJ and TAXI (see appendix). Nevertheless, when questionnaires were distributed to respondents for data collection, only 264 persons responded to the questionnaire. A total of 243 questionnaires were

used for the data analysis. As a result, 121 respondents failed to return the questionnaires, and 21 questionnaires were not properly filled by the respondents. This implies a response rate for questionnaire was 69%.

Appah (2020) noted that validity of a measurement instrument is when an instrument measures what it is supposed to measure and this study adopted content validity where the instrument contains sufficient reporting of the different aspects of the constructs. This was derived through the structuring of the questionnaire by academics, tax professionals and chartered accountants in Bayelsa State. The authors adopted Cronbach's alpha to determine the reliability of the instrument using the Statistical Software for Social Sciences (SPSS). The reliability statistics are presented in Table 1 below.

The coefficients in table 1 revealed that the dimensions of the research instruments are above the threshold of 0.70, which means the measurement instrument possesses internal consistency. As suggested by Appah (2020), the reliability indicator is good when the coefficient is above 0.70.

**Table 1: Reliability Statistics of Measuring Instrument**

Construct	Number of items	Cronbach Alpha
Personal Income Tax Act (PITA)	5	0.74
Company Income Tax Act (CITA)	5	0.82
Capital Gains Tax Act (CGTA)	5	0.76
Education Tax Act (EDTA)	5	0.84
Value Added Tax Act (VATA)	5	0.72
Tax Justice (TAXJ)	5	0.77
Tax Income (TAXI)	5	0.80

**Source:** Authors' Creation (2024)

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## Results and Discussions

**Table 2: R-Square Adj.**

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
<b>Productivity Improvement</b>	0.546	0.568	0.092	5.935	<b>0.000</b>

### Source: Authors' Computation (2024)

The study investigated the relationship between tax laws and revenue generation in Bayelsa State, Nigeria, with tax justice acting as a moderating variable. The adjusted R<sup>2</sup> of 0.546 indicates that the model explains 54.6% of the variance in revenue generation.

**Table 3: Tax Laws & Revenue Generation and Tax Justice**

	Original Sample (O)	Sample Mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Remarks
<b>PERSONAL INCOME TAX ACT -&gt; TAX INCOME</b>	1.936	1.990	0.824	2.349	<b>0.024</b>	<b>H1 Supported</b>
<b>COMPANY INCOME TAX ACT -&gt; TAX INCOME</b>	3.685	4.109	1.839	2.004	<b>0.048</b>	<b>H2 Supported</b>
<b>CAPITAL GAIN TAX ACT -&gt; TAX INCOME</b>	4.900	5.177	1.691	2.897	<b>0.004</b>	<b>H3 Supported</b>
<b>VALUE ADDED TAX ACT -&gt; TAX INCOME</b>	0.238	0.099	0.111	2.153	<b>0.038</b>	<b>H4 Supported</b>
<b>EDUCATION TAX ACT -&gt; TAX INCOME</b>	1.232	1.413	0.448	2.751	<b>0.005</b>	<b>H5 Supported</b>
<b>TAX JUSTICE -&gt; TAX INCOME</b>	2.195	2.043	0.812	2.703	<b>0.007</b>	<b>H6 Supported</b>
<b>TAX JUSTICE x PERSONAL INCOME TAX ACT -&gt; TAX INCOME</b>	0.390	0.407	0.134	2.920	<b>0.003</b>	<b>H7 Supported</b>
<b>TAX JUSTICE x COMPANY INCOME TAX ACT -&gt; TAX INCOME</b>	1.323	1.491	0.620	2.135	<b>0.036</b>	<b>H8 Supported</b>
<b>TAX JUSTICE x CAPITAL GAIN TAX ACT -&gt; TAX INCOME</b>	1.095	1.196	0.402	2.379	<b>0.012</b>	<b>H9 Supported</b>
<b>TAX JUSTICE x VALUE ADDED TAX ACT -&gt; TAX INCOME</b>	1.014	1.041	0.500	2.028	<b>0.042</b>	<b>H10 Supported</b>
<b>TAX JUSTICE x EDUCATION TAX ACT -&gt; TAX INCOME</b>	0.396	0.466	0.143	2.778	<b>0.006</b>	<b>H11 Supported</b>

### Source: Authors' Computation (2024)

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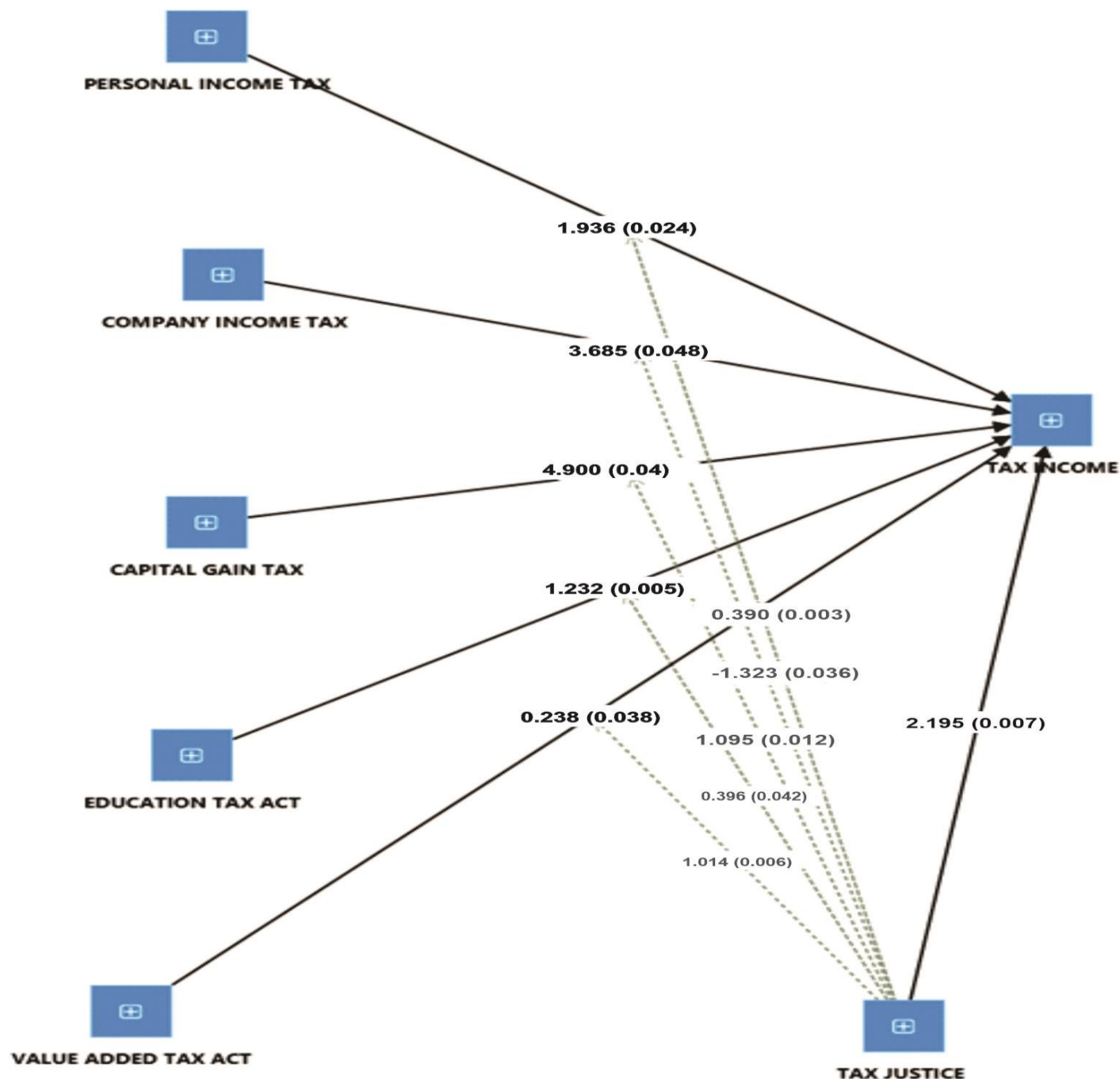


On table 3 the first hypothesis (**H<sub>1</sub>**), which proposed that Personal Income Tax Act positively and significantly affect revenue generation (tax income) in Bayelsa State, Nigeria, the result was significant ( $\beta = 1.936$ ,  $t = 2.349$ ,  $p = .024$ ), leading to the support of **H<sub>1</sub>**. For **H<sub>2</sub>**, concerning Company Income Tax Act positively and significantly affect revenue generation (tax income) in Bayelsa State, Nigeria, the result was significant ( $\beta = 3.685$ ,  $t = 2.004$ ,  $p = .048$ ), thus **H<sub>2</sub>** was supported either. For **H<sub>3</sub>**, which proposed that Capital Gains Tax Act positively and significantly affect revenue generation (tax income) in Bayelsa State, Nigeria, the result was significant ( $\beta = 4.900$ ,  $t = 2.897$ ,  $p = .004$ ), meaning **H<sub>3</sub>** was supported. For **H<sub>4</sub>**, relating to Value Added Tax Act positively and significantly affect revenue generation (tax income) in Bayelsa State, Nigeria, the finding was significant ( $\beta = 0.238$ ,  $t = 2.153$ ,  $p = .038$ ), leading to the support of **H<sub>4</sub>**. For **H<sub>5</sub>**, pertaining to Education Tax Act positively and significantly affect revenue generation (tax income) in Bayelsa State, Nigeria, the finding was significant ( $\beta = 1.232$ ,  $t = 2.751$ ,  $p = .005$ ), thus **H<sub>5</sub>** was supported.

The moderation analysis showed that **H<sub>6</sub>**, which posited that tax justice positively and significantly affect revenue generation (tax income) in Bayelsa State, Nigeria, the finding was also significant ( $\beta = 2.195$ ,  $t = 2.703$ ,  $p =$

$.007$ ), thus **H<sub>6</sub>** was supported. For **H<sub>7</sub>**, concerning tax justice moderates positively and significantly the relationship between Personal Income Tax Act and revenue generation (tax income) in Bayelsa State, Nigeria, the result was significant ( $\beta = 0.390$ ,  $t = 2.920$ ,  $p = .003$ ), leading to the support of **H<sub>7</sub>**. For **H<sub>8</sub>**, concerning tax justice moderates positively and significantly the relationship between Company Income Tax Act and revenue generation (tax income) in Bayelsa State, Nigeria, the finding was significant ( $\beta = 1.323$ ,  $t = 2.135$ ,  $p = .036$ ), meaning **H<sub>8</sub>** was supported. For **H<sub>9</sub>**, pertaining to tax justice moderates positively and significantly the relationship between Capital Gains Tax Act and revenue generation (tax income) in Bayelsa State, Nigeria, the result was also significant ( $\beta = 1.095$ ,  $t = 2.379$ ,  $p = .012$ ), leading to the support of **H<sub>9</sub>**. For **H<sub>10</sub>**, concerning tax justice moderates positively and significantly the relationship between Value Added Tax Act and revenue generation (tax income) in Bayelsa State, Nigeria, the outcome was significant ( $\beta = 1.014$ ,  $t = 2.028$ ,  $p = .042$ ), thus **H<sub>10</sub>** was supported. Finally, for **H<sub>11</sub>**, which proposed tax justice moderates positively and significantly the relationship between Education Tax Act and revenue generation (tax income) in Bayelsa State, Nigeria, the result was significant ( $\beta = 0.396$ ,  $t = 2.778$ ,  $p = .006$ ), meaning that **H<sub>11</sub>** was supported.

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**Figure 1: Process-Based Approach of Smart PLS**

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## **Discussion of Findings**

The paper explores the nexus between tax laws and revenue generation in Bayelsa State, Nigeria: the moderating influence of tax justice. The findings of the study indicated that tax laws (Personal Income Tax Act) have positive and significant effect on revenue generation (tax income) in Bayelsa State, Nigeria. This research outcome is corroborated by the empirical evidence of prior studies of Gunel and Didinmez (2022) who demonstrated that tax laws positively and significantly affect tax revenue in a study of 59 nations from 2022 to 2018. In the context of other empirical studies, Simbachawene (2018) investigated the determinants of tax revenues in Tanzania using data from 1999-2015 and suggested that tax laws positively and significantly affected tax revenue. Similarly, Syadullah (2015) conducted a study of administrative factors, such as the power of law on tax revenues in Southeast Asian Nations (ASEAN – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) and revealed a positive and significant association between tax laws and tax revenues. Also, a recent study carried out by Baker et al (2023) on governance quality and tax compliance in Malaysia, the results suggests that tax laws (rule of law) positively and significantly impact on revenue generation (tax income). Conversely, there are other studies that disagree with the findings of the current study. The study carried out by Nnyanzi et al (2016) that investigated tax laws and revenue in East Africa

from 1980-2014 and the investigated done by Ashraf and Sarwar (2016) using the data from 50 developing nations from 1996-2013 disclosed a negative relationship between tax laws and tax revenues. Nevertheless, despite the negative link between tax laws and tax revenues in some countries, the outcome of some previous studies supports the findings of the current study that Personal Income Tax Act positive and significant effect on revenue generation (tax income) in Bayelsa State, Nigeria.

Considering the empirical evidence of tax laws (Company Income Tax Act) have positive and significant effect on revenue generation (tax income) in Bayelsa State, Nigeria, the findings indicated that there was a positive and significant association between company income tax act and revenue generation in Bayelsa State, Nigeria. In view of previous studies, Syadullah (2015) conducted a study of administrative factors, such as the power of law on tax revenues in Southeast Asian Nations (ASEAN – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) and revealed a positive and significant association between tax laws and tax revenues. Similarly, Gunel and Didinmez (2022) who demonstrated that tax laws positively and significantly affect tax revenue in a study of 59 nations from 2022 to 2018. On the contrary, some studies (e.g. Nnyanzi et al, 2016; Ashraf & Sarwar) revealed a negative association between tax laws and revenue generation. However, our finding that there was a positive significant

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association between Company Income Tax Act and revenue generation in Bayelsa State, Nigeria is supported by the existing empirical scholarship.

Evaluating the empirical evidence of Capital Gains Tax Act and revenue generation in Bayelsa State, Nigeria, prior research findings supported the current study that tax laws (capital gains tax act) positively and significantly affect revenue generation (tax income) in Bayelsa State, Nigeria. The studies of Baker et al (2023), Gunel and Didinmez (2022), Syadullah (2015), revealed that tax laws impact on revenue generation positively and significantly. This implies that tax laws effectively and efficiently implemented accordance with the rule of law promotes the revenue generating capacity of government. Nonetheless, some studies (e.g. Nnyanzi et al, 2016; Ashraf & Sarwar, 2015) also indicated a negative link between tax laws and revenue generation. Consequently, the study of Baker et al (2023), Gunel and Didinmez (2022), Syadullah (2015) affirmed the findings of the current study that Capital Gains Tax Act and revenue generation in Bayelsa State, Nigeria.

Considering, value added tax act and revenue generation (tax income), our study demonstrated a positive and significant association between Value Added Tax Act and revenue generation in Bayelsa State, Nigeria. This finding concurs with the findings of Syadullah (2015) that conducted a study of administrative factors, such as the power of law on tax revenues in Southeast Asian Nations (ASEAN – Brunei, Cambodia,

Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) and revealed a positive and significant association between tax laws and tax revenues. Similarly, Gunel and Didinmez (2022) who demonstrated that tax laws positively and significantly affect tax revenue in a study of 59 nations from 2022 to 2018. However, some studies (e.g. Nnyanzi et al, 2016; Ashraf & Sarwar, 2015) disagree with our findings that tax revenue impact on revenue generation positively and significantly. Nonetheless, to support the findings of the current study, outcome of previous studies (Baker et al, 2023; Gunel & Didinmez, 2022; Simbachawene, 2018; Syadullah, 2015) demonstrated that tax laws influence the level of revenue generation positively and significantly.

For the nexus between Education Tax Act and revenue generation (tax income), the outcome of the current study demonstrated there was a positive and significant association between education tax act and revenue generation (tax income) in Bayelsa State, Nigeria. The empirical evidence of previous studies of (Baker et al, 2023; Gunel & Didinmez, 2022; Simbachawene, 2018; Syadullah, 2015) underpinned the findings of our current study. Hence, this finding concurs with the study carried out by Syadullah (2015) conducted a study of administrative factors, such as the power of law on tax revenues in Southeast Asian Nations (ASEAN – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam)

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and revealed a positive and significant association between tax laws and tax revenues. Nevertheless, our results differ from the study conducted by Nnyanzi et al, (2016) that tax laws negatively impact on tax revenue. However, our finding that there was a positive significant association between Education Tax Act and revenue generation in Bayelsa State, Nigeria is supported by the existing empirical scholarship. Evaluating the moderating role of tax justice on tax laws and revenue generation in Bayelsa State, Nigeria, prior studies supported the current study that tax justice positively and significantly moderates the link between tax laws and revenue generation. The finding is corroborated by the empirical evidence of previous studies of Oyedokun et al (2018) that investigated tax justice and revenue collected in Nigeria. The findings of their study demonstrated that tax justice enhancing tax revenue generation in Nigeria. This entails that tax justice moderates the relationship between tax laws and revenue generation in Nigeria. In a similar study carried out by Jun and Yoon (2018), Gunadi and Rahayu (2021), the study demonstrated that tax justice is a key factor that affects tax evasion behaviour. Farrar et al., (2020) noted that tax justice is a vital consideration in taxpayer compliance behaviour. Jun and Yoon (2018) noted that once taxpayers perceive that tax defaulters are not properly punished others will not be obliged to adhere to tax laws. To further support the finding of the current study, the outcome of the prior study implies that tax justice positively and

significantly moderates the association between tax laws and revenue generation in Bayelsa State, Nigeria. Also, in the promotion of tax justice, governments can generate revenue in a manner that is equitable, transparent and accountable, and that promotes economic and social justice which leads to increased government revenue.

## **Summary, Conclusion and Recommendations**

This study investigated the moderating influence of tax justice on the association between tax laws and revenue generation in Bayelsa State, Nigeria. The results from the structural equation model established a positive and significant relationship between tax laws (Personal Income Tax act, Company Income Tax Act, Capital Gains Tax Act, Value Added Tax Act and Education Tax Act) on revenue generation (tax income) in Bayelsa State, Nigeria. The study further indicated that tax justice positively and significantly moderates the link between (Personal Income Tax act, Company Income Tax Act, Capital Gains Tax Act, Value Added Tax Act and Education Tax Act) on revenue generation (tax income) in Bayelsa State, Nigeria. The study concluded that tax justice moderates positively and significantly on the relationship between ((Personal Income Tax act, Company Income Tax Act, Capital Gains Tax Act, Value Added Tax Act and Education Tax Act) on revenue generation (tax income) in Bayelsa State, Nigeria. Therefore, the following recommendations were reached:

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1. The government should accurately interpret existing tax laws to guarantee persistent tax collection among taxpayers, and such revenue generation is the foundation of a good tax system. Hence, for tax laws to be effectively and efficiently implemented, proposing severe rules is recommended as compassion to reshape the attitude of the taxpayers to be more compliant to tax rules and regulations.
2. The government should design and implement a tax system where the wealthy in the society are taxed higher than the poor individuals in the country for effective and efficient revenue generation.
3. The government should streamline tax laws and regulations to reduce the complexity and ambiguity of the Nigerian tax system so as improve on the effective and efficient revenue generation mechanism of the public sector in Nigeria.
4. The government should foster public participation in tax policy discussions to ensure tax justice, transparency and accountability. This can lead to increased government revenue and effective and efficient tax administration for sustainable economic development.
5. The government should regularly review and reform tax laws and policies to meet the demands of the 21st century to ensure fairness, effective and efficient for the generation of public sector revenue.

6. The government should make tax information publicly available through the relevant tax authorities. This can lead to an improvement to tax enforcement and reduction of tax evasion thereby increasing public sector revenue in Nigeria.

## Implication of the Study and Area of Further Study

The findings of this study are expected to have vital implications for tax policy makers, practitioners and taxpayers. Tax policy makers can use the outcome of this investigation to understand that tax justice leads to a more efficient and effective tax system, resulting in increased revenue generation; promotes voluntary compliance, reducing tax evasion; ensure fair and progressive tax system, reducing economic social inequality; increases accountability and transparency in tax laws and revenue generation, ensures that tax laws and polices respect human rights and that revenue is allocated effectively to promote public goods and services. The outcome of this study has contributed to tax laws and tax justice literature by empirically confirming theoretical argument that tax justice moderates the link between tax laws and revenue generation. This finding adds to our knowledge of the frontiers of tax laws and policies. Also, this study has implications for taxpayers to understand that tax justice aims to ensure that tax systems are transparent, accountable and promote economic and social justice. Also the protection of rights of taxpayers and ensuring they receive fair treatment.

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This study provided vital and insightful findings, but with limitations. The study applied self-reports only due to difficulty in obtaining record-based data. Therefore, longitudinal design can be employed with waves of data collection through an appropriate instrument. Further studies can also investigate the connection between tax laws and revenue generation in Nigeria by including other variables. Further studies should be carried out to investigate other variables such as tax morale, tax evasion and tax avoidance etc. Also, the research outcomes are constrained concerning their generalizability, and extrapolation to other nations should be done with vigilance. As a result, further exploration into our proposed model in other countries is encouraged and supported.

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## Declaration of Potential Conflict

We declare that there is no potential conflict to the publication of this paper and that the authors make equal contribution to this study.

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