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AN ASSESSMENT OF THE EXTENT OF CONTRIBUTION OF CAPITAL GAIN TAX TO INTERNALLY GENERATED REVENUE PROFILE OF NASARAWA STATE OF NIGERIA: 2015 – 2019

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ABSTRACT

Prompted by state governments' efforts at attaining fiscal independence following calls and advocacies for reduced state governments' dependence on revenue from the federation account, this study assessed the revenue effectiveness of capital gain tax regarding Internally Generated Revenue (IGR) of states in Nigeria with a view to determining the extent of its contribution to states' IGR profile, with specific reference to Nasarawa State for the period 2015 - 2019. The study adopted the mixed design (i.e. descriptive survey and ex-post factor) to carry out the assessment. Both Primary and secondary data were sourced and obtained through questionnaire and State level IGR annual report of the National Bureau of Statistics (NBS), respectively. The data were analyzed using both parametric and non-parametric statistics, i.e. simple linear regression and Mean respectively. Result of the analysis revealed that the Capital Gain Tax collection modality of the Nasarawa Sate internal Revenue Service has not been effective in improving Capital Gain Tax Revenue collection in the state, and that Capital Gain Tax Revenue is statistically insignificant in contributing to the total Internally Generate Revenue of the state within the period under review. The study concluded that the extent of Capital Gain Tax's contribution to the overall Internally Generate Revenue of the state is negligible owing to the ineffectiveness of the collection modality in place at the Nasarawa Sate Internal Revenue Service. Based on the conclusion, the study recommended that the NIRS should review its CGT collection modality with a view to incorporate into it the need to educate the public through massive awareness campaigns on who should pay, how to compute, where to pay and when to pay CGT.

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1. INTRODUCTION

Globally, responsibilities of government whether at the federal, state or local government level includes the provisions of basic social infrastructure, security to lives and properties of citizens as well as improvement of the citizens' welfare. These responsibilities require huge financial commitment hence, the need for government to source for revenue. Babalola (2009) cited in Abiola and Ehigiamusoe (2014), pointed that the provision of public schools, public health and public infrastructure require huge government spending, especially in these modern times. In Nigeria, despite the availability of many sources of revenue to the government, oil revenue has always remained the major source with which it activities are financed. Of recent, however, oil revenue appears unreliable owing to the incessant fluctuations in its price at the global market.The National Bureau of Statistic, NBS in 2017, reported that there was a major fall in international price of crude oil in the 1980s, 1990s and of recent in 2015 and 2016 (Izevbigie and Ebohon, 2019). In view of the underlying financial difficulty posed by the volatility of oil price at the international market, calls were made for government both at the federal and state level to consider other sources of revenue rather than sticking to oil revenue alone. Biereenu-Nnabugwu and Abah (2015) cited in El-Maude, Bawa, Mohammed, and Pate (2018) advocated the need for government to source revenue from the non-oil sector of the economy in order to meet its financial obligations. Also, Kiabel and Nwokah (2009) submitted that the need for state governments to generate adequate revenue from internal sources has therefore become a matter of extreme urgency and importance. These calls and advocacies put pressure on state governments who are compelled to consider other available sources of revenue generation within their territories, prominent among which is tax, to enable them attain the self-sufficiency that is required of them to fund their financial obligations to their citizens.

Despite the number of taxes in the administrative jurisdiction of state governments in Nigeria, as per the provisions of the different tax laws, reliance is however, heavily placed on pay as you earn (PAYE) which is deductible from salaries that are paid majorly with oil revenue allocated from the federation account. This has been a subject of serious concern over the years as other taxes, most pronouncedly Capital Gain Tax (CGT), that have the potential of adding to their revenue base were not taken with seriousness.In the light of the preceding, many research studies were conducted by different scholars, at different times and perspectives in the respect of how other forms of taxes can be explored to derive maximum contribution to the internally generated revenue (IGR) profile of states, but research study as to the extent of Capital Gain Tax (CGT) relevance in enhancing internally generated revenue profile, especially at the states level, suffers neglect despite its potential to improve IGR, and contribute in addressing the lingering revenue issue surrounding state governments in Nigeria hence, the focus of this research to assess the extent of CGT contribution to states' IGR with particular reference to Nasarawa state.The rest of the paper is structure as follows. Section 2 captures conceptual discussion, a discussion on the theoretical framework and review of empirical literature. Section 3 presents our research methodology which incorporates our design, population and sample, as well as model specification. Section 4 presents and reports the results of our parametric and non-parametric analysis. Section 5 discusses the findings from our statistical analysis. Lastly, section 6 highlights our concluding remarks and recommendations.

1.1 Statement of Problem

The instability of oil price at the global market has affected government's effort at meeting its financial obligations, especially at the state level. This has had direct negative effects on recurrent and capital projects in most states in the country (Izevbigie and Ebohon, 2019) leading to many states being unable to pay salaries and to embark on developmental projects, a situation that brought about serious debate as to the justification for the creation of some states in the country since they proved to be financially incapacitated without allocations from the federation account.In the light of this, state governments are at present looking to diversify their revenue base hence, the search on ways to improve on all of their tax revenue sources so as to be able to meet their ever expanding expenditure. It is against this backdrop that an assessment of the extent of CGT's contribution to state government revenue profile becomes imperative and hence the aims of this research study which is geared towards addressing the following research questions formulated to direct the achievement of the study's objectives as follows:

- To what extent has CGT collection modality of the NIRS been effective in improving CGT revenue collection in the state?
- To what extent has CGT revenue collection contributes to the overall internally generated revenue profile of Nasarawa state?

1.2 Objectives of the Study

The objectives of this study are:

- To evaluate the effectiveness of CGT collection modality of the NIRS in improving CGT revenue collection in the State.
- To ascertain the extent of contribution of CGT to the overall internally generated revenue profile of the State.

1.3 Statement of Hypothesis

This study's hypotheses which are stated in null form to determine whether the statements hold true or not in order to justify the research conclusion are as follows:

HO_1 = CGT collection modality of the NIRS has not been effective in improving CGT revenue collection in the State.

HO_2 = The extent of CGT's contribution to the overall IGR profile of Nasarawa state has not been significant enough.

1.4 Limitation of the Study

Lack of accurately separated data for CGT collection was a challenge in this study as it could limit the outcome of the study. To militate against this limitation however, we made use of the figures for other taxes which are inclusive of CGT as reported by the NIRS in their report through the National Bureau of statistics (NBS).

1.5 Significance of the Study

Owing to the importance of revenue in running the affairs of government at all levels, the outcome of this research study would be significant in the sense that it would aid state governments' CGT policy formulation; serves as basis for further research in the quest for state governments' revenue independence by way of triggering new methodological argument; provide a referral document for improvement of CGT laws.

2. LITERATURE REVIEW

The review of literature in this study is focused on conceptual discussion and also on review of prior empirical studies related to the topic under study. Concepts were discussed first, and then theoretical framework and finally related empirical studies were reviewed as below:

2.1 Conceptual Discussion

2.1.1 Concept of Capital Gain Tax (CGT)

Capital gain tax (CGT) relates to the source of government revenue that is based on gains made from the sale of capital assets by both individuals and corporate organizations. Obi-chukwu (2013) defines it as tax charged on the profit obtained from a disposal or exchange of certain kinds of assets. In the same vain, Oba (2004) sees CGT as a tax payable by the owner of any disposable assets on the profit made from selling the asset, over and above the original cost of purchasing the asset. In connection with these views, capital gains can be considered from the perspective of assets realization in the sense that gains can only be obtained from an asset when it is realized. Embuka (2014) states that CGT is triggered when assets are realized and not while they are held by an investor. Additionally, Embuka (2014) considers Capital Gain as the profits realized from the sale of assets at a price. Nneka (2014) views capital gain as profit arising from increases in the market value of capital assets to a person or corporate body who does not habitually offer them for sale and in whose hands they do not constitute stock-in-trade. This suggests that for Capital Gain to be derived, a capital asset has to be sold at a price that is higher than the purchase price of the said asset, and the sale of such asset must not be the usual business of the individual or corporate organization involved, in which case the asset forms part of their primary trading product, and this could include all kinds of assets own by individuals and corporate organization except those excluded by the CGT Act. These could be landed properties, real estates, precious metals, art works, company stocks, etc.The reasons and objectives for imposing CGT could be linked with some of the reasons for imposing tax in general as was identified by Hanson (1961) which includes revenue generation to meet government expenditure, redistribution of inequitable income which is usually achieved by means of progressive tax. Also identifies as reasons for imposing CGT were equity, revenue generation and economic growth (Ola, 1974).

2.1.2 Capital Gain Tax in Nigeria

In Nigeria, CGT is a dual tier tax owing to its administration and collection by two tiers of government, that is the Federal government and State governments as provided in the CGT Act. The tax was first introduced in 1967 when the then government saw the need to generate more revenue so as to be able to deal with increasing spending need arising from looming civil war (Abubakar, 2017). The CGT was introduced through the provisions of the CGT Act No. 44 of 1967 and it applied throughout the Federation, and relate to individuals, partnerships and companies (Edotsel, 2008). The CGT was introduced at the rate of 20% in 1967. It was however reduced to 10% with effect from 1st January, 1996 and is currently backed by the CGT Act CAP C1 LFN 2004.The responsibility of administering and collection of CGT in Nigeria rest with both the Federal Inland Revenue Services and states' internal revenue boards to ensure that every disposal of taxable capital assets either by individuals or corporate organizations are effectively taxed. Nneka (2014) explains that State Board of Internal Revenue (SBIR) collects capital gain tax from individuals while the Federal Inland Revenue Service (FIRS) collects from corporate bodies and other individuals resident in the Federal Capital Territory, including members of the Armed Forces, the Police and foreign serving officers. The CGT legislation simply places state government in the position of administering the CGT Act on individuals on the basis of the residency rule, i.e. individual residents of a state as provided in the Personal Income Tax Act (PITA, 2004 as amended), while CGT from other sources are collected by the federal government through the Federal Inland Revenue Service. Over the years, CGT collection in Nigeria has not been impressive owing to the difficulty associated with its administration and collection. However, CGT has unarguably been a contributor to government's overall tax revenue, though small. Hungerford (2010) observed that, overall, CGT revenues have been a fairly small, but not trivial, source of government revenue. According to the planning, research and development report of the Federal Inland Revenue Service (FIRS), CGT's contribution to the overall tax revenue in the last five years ranges from a low of N3.18 billion in 2017 to a high of N99.40 billion in 2016, while collections for 2015, 2018 and 2019 stood at N11.09 billion, N12.59 billion and N5.97 billion respectively.

2.1.3 CGT and Internally Generated Revenue in Nasarawa State

Located in the North central geo-political zone of Nigeria, Nasarawa State was created out of the former Plateau state in 1996 by the then Military Government of General Sani Abacha. The state covers an area of approximately 28,735 square kilometers, and has a population of 1,863,275 according to 2006 census, about 1.3% of Nigeria's total population. The state is bounded by the FCT, Kaduna state, Plateau state, Taraba state, Kogi state and Benue state, and has as its major sources of revenue, allocation from the federation account, and revenue from taxes of various forms with the inclusion of Capital Gains Tax (CGT) from individuals.As one of the taxes that falls within the jurisdiction of the state government by which it is administered and collected by states' Internal Revenue Services, the administration and collection of CGT (for individuals) in Nasarawa State has not been impressive since the creation of the state's Internal Revenue Service (NIRS) in

1997. Since the establishment of the service, taxation in the state has been centered on personal income tax, specifically the pay-as-you-earn (PAYE) owing to the ease of collection of such tax which is deductible from employees' salary from source. The other state taxes such as CGT are difficult to assess due to the difficulty in identifying the correct income flow of all taxable persons and their businesses within the state as virtually all of such assets disposal are carried out off official record.

The tax revenue trend of Nasarawa state as reported by the National Bureau of Statistics (NBS) in the past five years (2015 - 2019) indicates that the state only generated N4.28 billion in 2015 which is just 4.08% increase from the previous year's IGR. Of this amount, tax from PAYE contributed the highest with 88% contribution, while taxes such as CGT, despite being lumped together with other collections and reported as other taxes, only contributed 6.30%. During the period between 2015 and 2019, the state internally generated revenue collection got to a high of N10,85 billion in 2019, with the highest contribution of N7,05 billion coming from PAYE, which is about 65% of the total collection. Collection from other taxes, CGT inclusive, only contributed N304.14 million, while the lowest contribution of N46.53 million was derived from direct assessment. In 2016 however, the state recorded its lowest IGR collection within those years, with the revenue falling to a low of N3.40billion. Of this amount as always, PAYE recorded the highest contribution of N3.06 billion, about 90% of total revenue for that year, while the lowest contribution of N5.99 million was recorded from direct assessment, while collection from other taxes which includes CGT was reported at N96.03 million, about 2.82%.

2.1.4 Concept of Revenue

The concept of revenue can be viewed from different perspective. In generally, it could be said to be any income accruable with which certain obligations are carried out. In more specific terms however, Fayemi (2001) defined revenue as all tolls, taxes, impress, rates, fees, duties, fine, penalties, fortunes and all other receipt of government from whatever source arising over a period of either one year or six months.In the words of Elamah (2015) cited in Ifeanyi, et al. (2017) revenue is the fund required by the government to finance its activities, generated from different sources such as taxes, fines, fees, borrowings, etc. Being the bases for government capability to undertake its responsibility of governance, Ayegba (2013) described revenue from tax and non-tax sources as the live wire of the state government. This underscores the importance of revenue as a pertinent tool of governance with which all activities of government, basically welfare and security, are financed. Revenue accruable to state government is from different sources, and can be broadly grouped under two headings. Tapang (2012) cited in Ifeanyi, et al. (2017) states that there are basically two types of revenue that accrues to states governments. These are internally generated revenue and revenue from the federation account. While internally generated revenue (IGR) is the revenue that state governments generate within the areas of their jurisdiction (Abiola & Ehigiamusoe, 2014), revenue from the federation account are revenues that flow into the federation account from sources that include crude oil sales which are shared among the three tiers of government (CBN, 2016) cited in (Omodero, 2019).Being revenue generated from within state government's jurisdiction, Abiola and Ehigiamusoe, (2014) noted that the various sources of internally generated revenue available to state governments includes taxes, fines and fees, licenses, earnings and sales, rent on government property, interests and dividends, among others. Olajide (2015) contends that revenue generation in Nigeria state governments is principally derived from tax. Adeleke (2011) listed the main types of tax revenue for both the federal and sub-national (state) government to include the CGT revenue, which he describes as a federal legislated tax with state government collection and retention powers for individual residence.

2.2 Theoretical Framework

Considering the purpose of this research to ascertain the extent of CGT's contribution in improving revenue base of state, the study considers theories (socio-political theory of taxation, political economy theory of fiscal policy, theory of taxation, and ability-to-pay theory of taxation) that lend supports to the generation of revenue by government through tax to finance public investment spending. While the socio political theory of taxation states clearly the responsibility of government to tax payers, suggesting that taxes collected by government should be used to better the lives of all and sundry and not just certain individuals in the society, with Adolph Wegner cited in Lanem, Jocelyn and Yua (2020), lending his voice by advocating that social and political objective should be the major factors in selecting taxes, political economy theory of fiscal policy suggests that governments raise revenues and use the collected resources to finance public investment spending for the provision of public goods and services as well as targeted development projects (Adam, 2015).

Since CGT is one of the legally accepted sources of generating revenue, leveraging on the provisions of the CGT act would go a long way in ensuring an improvement in tax revenue of state. In this regard, this study is anchored on Adam Smith's theory of taxation which holds that government at all levels (national, state and local) need to raise revenue from a variety of sources to finance public sector expenditures. This theory suggests that for government to be able to finance public social contract, it has to device a means of generating sufficient revenue. Since state governments in Nigeria are battling with the problem of dwindling revenue, exploring legal means to improve and stabilize revenue sources becomes pertinent hence, the consideration of CGT in this study.Additionally, the ability-to-pay theory of taxation is also considered to lend support to the theory underpinning this study. The ability-to-pay theory holds that equity and justice should be the core of taxation in the sense that individuals should be made to pay tax according to their ability to pay. According to the report of the Royal Commission on Taxation (1966) cited in Gangan (1988) Capital gains enhance a person's ability to pay taxes. The report further highlighted that the inclusion of capital gains in income taxation increases a person's taxable capacity by increasing his power to spend or save; and since distribution of capital gains among different members of the tax-paying community are not in fair proportion to their taxable income but concentrated in the hands of property owners, their exclusion from taxation constitutes a serious discrimination in tax treatment in favour of a particular class of tax-payers.

2.3 Empirical review

Though not much have been done in the area of evaluating the extent of CGT contribution to states' IGR profile, there are however few studies that relate national and states' CGT collection to revenue, and economic development generally.El-Maude, et al (2018) studied the Impact of Capital Gains Tax Awareness on Revenue Generation in North-Eastern Nigeria for the period 2010 – 2015, sampling 100 staff of the Federal Inland Revenue Service in Adamawa, Bauchi, Gombe and Taraba states. They used both descriptive statistics and simply regression to analyze their data, and found that capital gains tax has an insignificant contribution to revenue generation in North-eastern Nigeria, and that tax awareness and tax compliance has an influence on the capital gains tax revenue generation in North Eastern Nigeria.In another effort at determining the influence of CGT on other economic variables, Osho, Adeseyoju, and Idowu (2019), were specific about their variables, and documented positive significant influence of CGT on investment and the provision of infrastructural facilities in Nigeria while examining the impact of CGT on Investment, Provision of Infrastructural Facilities, and Gross Domestic Products (GDP) in Nigeria, using OLS regression models to analyze data obtained from Central Bank of Nigeria (CBN) Statistical Bulletin and Federal Inland Revenue Service (FIRS) tax reports for 2017.

Their result suggests that CGT is positive in adding to government revenue since investment and provision of infrastructural facilities are both financed with government revenue. These findings corroborated the outcome of El-Maude, et. al (2018), who found positive but insignificant CGT contribution to revenue generation in North Eastern Nigeria.In another effort, Osho, Ajibola, and Omolola (2019) examined the impact of capital gains tax on investment, social and economic development in Nigeria using secondary data from the Federal Inland Revenue Service (FIRS) Bulletin and the Central Bank of Nigeria (CBN) Statistical Bulletin for the period 2007 to 2017, and found that capital gains tax has positive significant impact on investment, social and economic development in Nigeria but that the level of significance is quite low. The findings also conform to the outcome of this study which revealed positive but insignificant contribution of CGT to revenue profile of Nasarawa state. Earlier, Fasina and Adegbite (2016) modeled Economic growth (GDP) as dependent variable and CGT as independent variable among other variables to assess the relationship between Capital Gain Tax and Economic growth in Nigeria using data from Central bank of Nigeria (CBN) Statistical Bulletin and Federal Inland Revenue service Bulletin from 2006 to 2015. Findings revealed positive significant impact of Capital Gains Tax on Economic growth in Nigeria for other independent variables while that of CGT, positive but insignificant impact on economic growth was documented, corroborating the findings of later studies reviewed above. Away from Nigeria, Hungerford (2010) studied the economic effects of capital gains taxation in the United States, and documented among other findings that, overall, capital gains tax revenues have been a fairly small, but not trivial, source of government revenue with a contribution of about $123 billion to the overall tax collection in the USA in 2007 thereby conforming to the outcome of our research.

Still from the US, an earlier study by Jim (1997) weighs the statistical evidence on capital gains tax reduction by a review of empirical works and finds that such a change would have a positive impact on economic and employment growth. In addition, a capital gains tax reduction would partly abate the problem of taxing inflationary gains. His findings suggest that achieving a balance in the quest for improving revenue through CGT requires a thorough assaying of the rate involved to determine what can be agreed as an optimal rate. The finding however, lends support to the fact that CGT can improve economic activities and in turn enhance revenue generation.A more recent study by Fabian-ten and Petros (2019) documented that greater reliance on capital taxation, measured in different ways, is not negatively associated with growth rates. They went further to explore potential heterogeneity in the relationship across countries and find that capital taxation and growth rates tend to be positively related for developed countries, but for developing countries the relationship is in most cases statistically insignificant. This indicates that for developing countries like Nigeria, CGT's contribution to development generally is negligible owing to meagre contribution to revenue used for the execution of all development projects.In spite of research efforts at studying varying effect of CGT on revenue both at federal, regional and state levels, none of the studies however, considered a look at the extent to which CGT has actually contributed to overall revenue profile of a particular state as most of the studies considered CGT at the federal and regional level, and based on the fact that federal CGT is charged on capital gains made by corporations and other specific individuals, the outcome of such studies might not be relevant to state governments whose CGT is mainly derive from capital gains made by individuals hence, the gap that this study opted to fill.

3. RESEARCH METHODOLOGY

This study adopted the mixed research design, specifically the combination of descriptive survey and ex post factor designs which are deemed relevant based on the data involved. Both primary and secondary data were used. For the primary data, questionnaires, designed using a 5-point Likert scale ranging from 5 to 1, were administered on 120 employees of the Nasarawa State Internal Revenue Service (NIRS), while the secondary data were obtained from the National Bureau of Statistics' (NBS) State level IGR reports for 2015 – 2019. The primary data were first analyzed using descriptive statistic (i.e. mean) and were further analyzed, alongside the secondary data, using simple univariate regression in order to test hypotheses. The analysis was carried out using Stata 13.The choice of the period for this study (i.e. 2015 – 2019) was informed by the researchers' intention to assess state governments' effort at improving their IGR in the wake of the financial difficulty faced by them leading to their inability to pay salaries, and the effort of the present government at encouraging aggressive IGR by states through taxation in its bid to diversify the economy from being wholly dependent on oil revenue.

3.1 Model Specification

In order to test the two null hypotheses formulated for this research, two simple linear regression models were adopted in line with Osho, Adeseyoju, and Idowu (2019), as specified below:

$$CGTR = \beta_0 + \beta_1 CGTM + \mu \qquad (1)$$
$$IGR = \beta_0 + \beta_1 CGTR + \mu \qquad (2)$$

Where CGTR = Capital Gains Tax Revenue, and represents dependent variable in the first model, while CGTM = Capital Gains Tax Collection Modality serves as independent variable. While in the second model, IGR = Internally Generated Revenue, and serves as dependent variable with CGTR (i.e. Capital Gains Tax Revenue) being the independent variable. And " " represents error term in each of the two models. The models were transformed, to militate against failure of the data to meet certain regression assumption, as follows:

$$lCGTR = \beta_0 + \beta_1 CGTM + \mu \qquad (3)$$
$$lIGR = \beta_0 + \beta_1 lCGTR + \mu \qquad (4)$$

With lCGTR being the natural log of CGTR, while lIGR represents natural log of IGR.

4. DATA PRESENTATION AND ANALYSIS

In this study, data were presented in tables which are all at the appendix. The primary data in respect of the effect of CGT collection modality of the NIRS in improving CGT revenue were presented in Table 4.1, and analyzed using descriptive statistic (mean); the data were further subjected to simple linear regression in order to test the related hypothesis, while Table 4.2 is made up of the secondary data for total CGT revenue and total IGR generated by the state in 2015 - 2019, which were transformed to natural logarithm, also presented in table 4.2. The data were also analyzed using simple linear regression for testing of the related hypothesis as well.In order to analyze the result of the descriptive statistic, the following response criterion is derived with which the response means of the individual survey statement are compared to determine agreement or otherwise with the statement.

Using maximum response score and minimum response score, the criterion states as follows:

Mean score range:		Response Remark:
1.	1.00 – 1.80	strongly disagree (Very low)
2.	1.81 – 2.60	disagree (low)
3.	2.61 – 3.40	Undecided (Moderate)
4.	3.41 – 4.20	Agree (High)
5.	4.21 – 5.00	strongly agree (Very High)

Table 1. Response mean (x) for determining the effectiveness of CGT collection modality of the NIRS in improving CGT revenue collection in the State

S/N	Survey Statements	Mean (X)	Remark
1	CGT collection modality of the NIRS has been effective in obtaining information concerning the realization of capital gain taxable assets.	2.39	Undecided
2	CGT collection modality adopted by the NIRS has made it possible for the board to create a database that makes the administration and collection of CGT in the state very easy.	2.34	Undecided
3	CGT collection modality of the NIRS has been very effective in improving CGT revenue generation in the state.	1.89	Disagree
4	CGT collection modality of the NIRS has brought about enormous collection of CGT across the state	1.92	Disagree
5	CGT collection modality of the NIRS includes awareness campaigns and tax education to both NIRS staff and the public hence, improves CGT revenue collection.	2.08	Disagree
Overall Mean		2.12	Disagree

Source: Researchers' computation, 2020

Based on the outcome of the descriptive statistic as per table 1 above, the means of category of responses for survey statement 3, 4, and 5 indicate outright disagreement with the related survey statement, while those of survey statement 1 and 2 were indecisive. Also, the overall mean of the responses which stood at 2.12, below 3.41 which is the benchmark for agreeing to a statement as per response criterion above, also indicates respondents' disagreement. The result suggests that, generally, CGT collection modality of the NIRS is not effective in improving CGT revenue collection in Nasarawa State.

4.1 Regression Results and Test of Hypotheses

In order to test the null hypotheses stated above, the study's data were subjected to simple linear regression analyses, at 5% level of significance, with the results being presented in Tables 2 and 3 below:

Table 2. Regression outcomes for Capital Gains Tax Revenue (CGTR) andCGT Collection Modality (CGTM)

Dependent Variable	CGTR (lCGTR)		
Independent Variable	Coefficient	t-statistic	P-value
C	16.60104	4.58	0.020
CGTM	1.048952	0.62	0.581
Model Diagnostic			
R-squared	0.1128		
Adjusted R-squared	-0.1830		
Root MSE	.78902		
F-statistic	0.38		
Prob. (F-statistic)	0.5806		

***Source:** Author's computation (2020)*

Table 3. Regression outcomes for Internally Generated Revenue (IGR) andCapital Gains Tax Revenue (CGTR)

Dependent Variable	IGR (lIGR)		
Independent Variable	Coefficient	t-statistic	P-value
C	18.10976	2.83	0.066
CGTR (lCGTR)	.2334224	0.69	0.541
Model Diagnostic			
R-squared	0.1363		
Adjusted R-squared	-0.1516		
Root MSE	.49225		
F-statistic	0.47		
Prob. (F-statistic)	0.5409		

***Source:** Author's computation (2020)*

With respect to the regression models used in this study, the regression results as per tables 2 and 3 above are explained as such:

The regression result as displayed in table 4.4(a) above is to investigate whether CGT collection modality (CGTM) significantly improves CGT revenue collection in the State, in terms of effectiveness. The regression result revealed that the coefficient of CGTM proves statistically insignificant with P-value of 0.581 at 5% level of significance, and R squared of 0.1128 meaning only 11.28 per cent of the variance in CGT was explained by the model. Overall, the model was statistically insignificant in predicting CGT collection, F (1, 5) = 0.38, P-value = 0.5806 at 5% level of significance. Based on this, we fail to reject the null hypothesis that CGT collection modality of the NIRS has not been effective in improving CGT revenue collection in Nasarawa State. Regarding table 4.4(b) above, the regression investigates whether or not Capital Gain Tax Revenue (CGTR) significantly contributes to Internally Generated Revenue (IGR). The outcome indicated that the constant is statistically insignificant at 5% significance level with the P-value standing at 0.066. The coefficient of Capital Gains Tax (CGT) was found to be statistically insignificant at 5 percent significance level as indicated by its P-value of 0.541.Furthermore, with R- squared being 0.1363, it goes to indicates that the variance in IGR was explained by the model only to the extent of 13.63%; the model was statistically insignificant in predicting IGR, F (1, 5) = 0.47, P = 0.5409 at 5% level of significance hence, the failure to reject the null hypothesis that the extent of CGT's contribution to the overall IGR profile of Nasarawa state has not been statistically significantly.

5. DISCUSSION OF FINDINGS

The findings from our statistical analysis show that Capital Gain Tax collection Modality (CGTM) adopted by the Nasarawa state board of internal revenue (NIRS) is ineffective in improving collection of Capital Gain Tax (CGT) in the state, with CGTM being a statistically insignificant predictor of CGT. Considering the statistic for the responses in respect of effectiveness of Capital Gain Tax collection Modality, the overall mean of the responses which stood at 2.12, being below 3.41 which is the benchmark for agreeing to a statement as per the response criterion, also indicates respondents' disagreement with the statement that Capital Gain Tax collection Modality is effective in improving CGT collection in the state. These results suggest, overall, that the collection modality in place at the NIRS does not consider the reality concerning capital gain taxable transactions and as such lacks some important ingredients that would ordinarily make CGT assessment and collection in the state easy and hence, inconsistent with the current situation about transactions of capital gains in the state. Additionally, with the CGT collection modality being adjudge ineffective, it goes to affect CGT revenue collection in the state hence, CGT being insignificant in contributing to the overall IGR collection of the state. This is proven by the outcome of the statistical test conducted in that respect, and can be seeing from the revenue table 4.2 at appendix where the figures for CGT revenue collected over the five years under review summed up to N903,810,540.28 which is only about 2.8% of the overall IGR collection of the state for the same period. This result corroborated the findings of El-Maude, et. al. (2018) who also found insignificant contribution of CGT to IGR in North eastern Nigeria.

6. CONCLUSION AND RECOMMENDATIONS

Following the findings from the research analysis, it is concluded that CGT collection in Nasarawa state has only contributed negligibly to the state's overall IGR despite the gains derive from property transactions in the Karu, Mararraba and Lafia areas of the state. This might stem from the CGT collection modality adopted by the NIRS which can be said to be obsolesced based on its failure to identify the lots of transactions that lead to the generation of capital gains taxable under the CGT Act, and to educate the public on how to pay CGT. This renders the CGT collection modality ineffective in enhancing CGT revenue collection in the state as determined by the outcome of this research. By way of recommendation, based on the study's conclusion, the NIRS should review its CGT collection modality with a view to incorporate into it the need to educate the public through massive awareness campaigns on who should pay, how to compute, where to pay and when to pay CGT; it should also embark on training and retraining of its personnel so that they would be equipped with the knowledge of the CGT Act which will help them in understanding how to assess and collect the tax; the NIRS should also engage in the development of database for all individuals who act as agent for the sale of land, houses, cars, used electronics, furniture, etc. within the state by way of ensuring that they are all registered with the NIRS in order for them to have government recognition through which the tax authority would get to know when such transactions take place and the gains, if any, made for taxing.

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