

THE CRUCIAL ROLE OF TAX ADMINISTRATION IN REVENUE GENERATION AND ECONOMIC DEVELOPMENT

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ABSTRACT

This research article explores the impact of tax administration on revenue generation and economic development. Taxation is a critical source of revenue for governments worldwide, providing funding for public services and infrastructure development. The effectiveness of tax administration is crucial in ensuring that tax revenues are collected promptly and accurately, minimizing the risk of tax evasion and increasing compliance. The article highlights that the impact of tax administration on revenue generation is significant, as inefficient tax administration can result in lower tax revenues, reduced economic growth, and increased social inequality. However, efficient tax administration can increase tax compliance, resulting in higher tax revenues for the government and promoting economic growth. The article emphasizes the importance of effective tax administration in promoting economic development and social welfare, encouraging governments to prioritize the improvement of tax administration.

Keywords: Tax Administration, Tax Laws, Tax Regulations, Taxpayer Registration, Tax Return Processing, Tax Assessment, Tax Collection, Tax Evasion, Economic Growth, Social Welfare.

INTRODUCTION

The efficient administration of taxes is essential for revenue generation and economic development. Taxation is a critical source of revenue for governments worldwide, providing funding for public services such as healthcare, education, and infrastructure development. The effectiveness of tax administration is crucial in ensuring that tax revenues are collected promptly and accurately. This research article explores the impact of tax administration on revenue generation and its implications for economic development (Afuberoh & Okoye, 2014).

Overview of Tax Administration

Tax administration is the process of administering tax laws and regulations, including the collection and enforcement of taxes. The tax administration process involves a range of activities; including taxpayer registration, tax return processing, tax assessment, collection, and enforcement. Effective tax administration ensures that tax revenues are collected promptly and accurately, minimizing the risk of tax evasion and increasing compliance (Ogbonna & Appah, 2016).

Impact of Tax Administration on Revenue Generation

The impact of tax administration on revenue generation is significant. Inefficient tax administration can result in lower tax revenues, reduced economic growth, and increased social inequality. A poorly administered tax system can lead to non-compliance and tax evasion,

resulting in reduced revenues for the government. Moreover, inefficient tax administration can discourage foreign investment and undermine economic growth.

On the other hand, efficient tax administration can increase tax compliance, resulting in higher tax revenues for the government. Effective tax administration can also improve taxpayer confidence in the system, promoting voluntary compliance and reducing the risk of tax evasion. Moreover, a well-administered tax system can promote economic growth by providing funding for public services and infrastructure development (Olufemi et al., 2018; Owusu-Gyimah, 2015).

Implications for Economic Development

The efficient administration of taxes is essential for economic development. Tax revenues are critical for funding public services and infrastructure development, which, in turn, promote economic growth. Effective tax administration can also attract foreign investment, creating job opportunities and promoting economic development.

However, a poorly administered tax system can have adverse effects on economic development. It can lead to reduced tax revenues, which limits the government's ability to fund public services and infrastructure development. Moreover, a poorly administered tax system can discourage foreign investment, limiting job opportunities and economic growth (Pantamee & Mansor, 2016; Yadav et al., 2015).

CONCLUSION

The efficient administration of taxes is essential for revenue generation and economic development. A well-administered tax system can increase tax revenues, promote economic growth, and improve social welfare. Effective tax administration is critical in ensuring that tax revenues are collected promptly and accurately, minimizing the risk of tax evasion and increasing compliance. Governments should prioritize the improvement of tax administration to ensure that tax revenues are collected efficiently and effectively, contributing to economic development and social welfare.

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Received: 23-Jan-2023, Manuscript No. JIACS-23-13434; **Editor assigned:** 26-Jan-2023, PreQC No. JIACS-23-13434(PQ); **Reviewed:** 09-Feb-2023, QC No. JIACS-23-13434; **Revised:** 14-Feb-2023, Manuscript No. JIACS-23-13434(R); **Published:** 21-Feb-2023