

**TITLE PAGE**

**TAX ADMINISTRATION IN NIGERIA;  
AN EVALUATION OF TAX EVASION AND AVOIDANCE:  
A CASE STUDY OF LAGOS STATE NIGERIA.**

**BY**

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**BEING A PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING,  
FACULTY OF MANAGEMENT SCIENCES, USMANU DANFODIYO  
UNIVERSITY, SOKOTO FOR THE PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE (B.sc)**

**OCTOBER 2015.**

## CERTIFICATION

This is to certify that, this project work written by Kigo Abdurrahim Ahmad has been submitted to the department of accounting, Faculty of Management Sciences, Usmanu Danfodiyo University, Sokoto and accepted by same as meeting the requirements for the award of Bachelor of Science (B.Sc) in Accounting.

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## **DECLARATION**

I Kigo Abdurrahim Ahmad hereby declare that this research work is a product of my own independent research work effort, undertaking under the supervision of Malam Nasiru Kao'je.

In partial fulfillment of the requirement for the award of B.Sc degree in accounting of Usman Danfodiyo University Sokoto. All sources and materials used have duly been acknowledged in the Bibilography. Any error of omission or commission is not with intent and is highly regretted.

## **DEDICATION**

This project is dedicated to my parents for their financial and moral support. May Almighty Allah continue to bless them. Ameen

## ACKNOWLEDGMENT

In the name of Allah the beneficent, the merciful. Glory be to Allah whose praise should precede everything written and speeches, the Creator of the whole universe and what it contains. May the peace and blessings of Allah be upon his noble soul, prophet Muhammad (SAW) and His entire family for giving me the strength to accomplish this work and seeing me through the successful accomplishment of my study, May He continue to guide us in all undertakings (Amin).

My profound gratitude goes to my mother Haj. Ni'ima na-kigo for all the necessary love and care and not to mention a wonderful assistance throughout my educational tourist.

My most loving and deserved thanks goes to my beloved father Alhaji Ahmad Kigo of which without him all these wouldn't have been possible.

I am sincerely grateful to my supervisor Mal. Kaoje honestly it is with his advice, tolerance and understanding that led to this work into successful completion, I appreciate all his effort and the necessary guidance he accorded me.

I will forever be grateful to all my lecturers for a job well done throughout my stay in school.

My sincere appreciation also goes to Alh. Sanusi Kigo who has been my guardian from the beginning of this programme, May Almighty Allah continue to bless him.

I also wish to express my heartfelt appreciation to my brothers and sisters, Muzammil, Sadiq, Abdulrahman, Abdullahi and Rukayya and to all my family members May Allah Grant them their hearts desires and continue to unite us, Amin.

Finally, my special thanks and appreciation goes to my good friends in school most especially those that made the campus life a memorable one for me, a big shout out goes to the following Ahmed Shalanke, Salisu, Sani, Abdulwahid totti, Abubakar Ambursa, Yinka, Babangida, Haruna sokoto, Yera Hussein, Buhari Zubairu (BZ), Yahaya, Usman

capuci and Lukman Simpa. I thank you all for your encouragement may Almighty Allah give you the course to celebrate always.

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## **ABSTRACT**

This study aims to evaluate the causes and effects of tax evasion and avoidance in Lagos state and proffering solution to the menace of these tax irregularities. The total number of one hundred and twenty seven (127) was used to analyze the opinion of eligible tax payers in Lagos state. The hypothesis were tested on the relationship between the tax evasion and tax avoidance and the administration of taxation by the government and the relationship between tax evasion and tax avoidance and the tax rate.

Statistical package for social science (SPSS) was employed in analyzing the questions in the questionnaire and chi-square was used to test the hypothesis . The study revealed tax administration in the country with particular reference to Lagos State is very inefficient and ineffective, and there is no adequate information on the tax payers in the state. Hence, some people can hide from their tax liabilities. It was also discovered that there is a significant relationship between tax evasion and tax avoidance and the revenue of government and the tax rate.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

Prior to the second republic of Nigeria an average Nigerian earned less than five hundred naira. The cost of living was at the lowest to the extent that most workers lived below their remuneration and able to save from the little disposable income without much ado.

It is worthy to note that, starting from the late 1970's the general price level had skyrocketed beyond reasonable, imaginable and frightening degree. The Nigeria populace could not afford what used to be the minimum standard of living in the society, the economic and social needs of the people were on the increase and survival of the fittest becomes the order of the day throughout the rooks and crannies of Nigeria.

It is late glaring that there is a threat to our existence, continuity and hope as a single entity (country) of which urgent and correction measures must be put in place to revive our ailing economy from total collapse.

In total, the country is confronted with unabating debt difficulties coupled with the domestic and external financial imbalance confronting them.

However the economy has remained in a deep slumber, macroeconomics indicates the economy is in dire need of rejuvenation and indeed radical reform. Also, tax administration need to be revamped while refund of taxes as well as duty drawback administration are inefficient.

## **1.2 STATEMENT OF RESEARCH PROBLEM**

To tax is to impose a financial charge or other levy upon a tax payer (an individual or legal entity) by state or the functional equivalent of a state such that failure to pay is punishable by law.

The money generated from these taxes by the government is used in providing some essential and basic services. These services include provision of health care centre, transportation and communication facilities, in defense by providing security as well as providing food security and sustenance of energy supply etc.

However, every tax system is being faced with the problem of tax avoidance and evasion, our country's own is however very unique taking into cognizance the level of corrupt practice the country has reached for instance in a situation where expected revenue is not generated from tax as a result of tax avoidance and evasion.

This might be as a result of the fact that the citizens have lost confidence in the governance of the tax system. They probably believe that the revenue previously generated are not utilized judiciously or due to the fact that the tax levied on individuals and firms are inconsonance with the revenue generated by them. At the end of the day, the various revenue generated from tax is neither properly accounted for nor judiciously utilized.

Another problem is as a result of lack of adequate enlightenment effective and communication by the tax authority to the tax payer on the importance of tax remittance to the advancement and the development of the nation and also there is no adequate and comprehensive tax avoidance and evasion legislation to curb the anomalies.

These and the host of other problem not here mentioned constitute to the aggravated level of tax evasion and avoidance experienced by the nations.

The researcher therefore find it necessary to on his search light and add to the pool of knowledge on the reasons for the prevalence of tax evasion and avoidance.

### **1.3 RESEARCH QUESTION**

The following questions will serve as a guide to the research

1. Is the existence of loopholes in the Nigerian tax law system an opportunity for tax avoidance?
2. Is there any effect of tax evasion and tax avoidance on the Nigerian economy?
3. How can tax evasion and tax avoidance in Nigeria be minimized and eliminated in Lagos state?

### **1.4 AIM AND OBJECTIVES OF THE STUDY**

Broadly, the objective of this study is to critically examine the reasons for tax avoidance and evasion in Nigeria with particular reference to Lagos state of Nigeria and to suggest ways of minimizing the practice. The broad objective is broken down to the following specific objectives:

- i. To establish the existence of tax evasion and avoidance in Lagos state.
- ii. To assess (if any) the differences between tax evasion and tax avoidance.
- iii. To investigate why people evade and avoid taxes.
- iv. To proffer solution to the problems of tax evasion and avoidance.

### **1.5 RESEARCH HYPOTHESES**

The following were formulated and empirically tested using chi-square statistical method.

Ho: There is no significant relationship between tax evasion and tax avoidance and the total revenue generated by the government.

H1: There is significant relationship between tax evasion and tax avoidance and the total revenue generated by the government.

Ho: There is no significant relationship between tax rates and tax evasion and tax avoidance.

H1: There is significant relationship between the tax rates and tax evasion and tax avoidance.

## **1.6 SIGNIFICANCE OF THE STUDY**

This study will inform the tax authorities more on the reasons why people evade and avoid tax, it will expose to the tax payer the harm and injuries caused to themselves and the advancement of the nation while avading and avoiding tax.

This researcher attempt to highlight the noticeable weakness in the legislative tax system on tax avoidance and evasion and it will add spices to the existing theories on argument and counter arguments on the existing theories on tax evasion and avoidance.

Furthermore, it will inform the government to be more committed in the proper usage of the revenue generated from taxation and finally, it will serve as a stepping stone for students and other researcher in the same field.

## **1.7 SCOPE AND LIMITATIONS**

The scope of this study is limited to the administration of taxation in Nigeria specially it focuses on the evaluation of tax evasion and avoidance and the reasons why tax payers avoid and evade taxes in the country. Lagos state Nigeria was then chosen as the case study. This study is further limited to the avoidable literature on the topic of study as at 2015 (the year of the study).

Data obtained from the case study will be the basis of conclusion of this study.

## **1.8 SCHEME OF CHAPTERS**

This research contain five chapters in which chapter one cover the introduction, chapter two reviews conceptual framework and review literature relevant to the research topic, third chapter covers the methodology adopted for the research, it has discussed the population and sample, instrument of data collection and methods of data analysis. Chapter four covers data presentation analysis and interpretation. Chapter five contains the summary of major finding conclusion and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This chapter attempts to give brief history of taxation, definitions, classifications, types, principles and reasons for taxation. It also tries to see how the authorities concern deals with the issues of tax avoidance and evasion, offense and penalties, relief with respect to errors and mistakes, collection and payment of tax, theoretical and empirical framework of tax evasion and avoidance.

#### **2.2 CONCEPTUAL FRAMEWORK**

Under the conceptual framework relevant conceptual issues are discussed that are related to tax evasion and avoidance.

##### **2.2.1 HISTORICAL DEVELOPMENT OF TAX SYSTEM IN NIGERIA**

The history of taxation in Nigeria dates back to the pre-colonial era. Before the colonization of different-entities which were later amalgamated under the name Nigeria, there were different systems of taxation existing in the form of compulsory service. Contribution of goods, money, labour: etc. amongst the various kingdom, ethnic groups and tribes, controlled by the Obas, Emirs, Ezes, Attahs, Ohinoyis and- Amanyanabios, in order to sustain the monarchs. The deportation of king Opobo in 1983, due to his opposition to imperialist taxation is an illustrative of this point. The traditional rulers imposed taxes in one form or the other on their subjects.

These taxes took the form of “Zakat” levied on Muslims for education charitable and religious purposes. “Kudin Kasa”, a form agricultural tax on the utilization of land (equivalent to present day Group Rent). 'Shuk.a-Shuka' levied on the ownership of cattle based on the number of cattle's. 'Ishakole' Contribution of farm products as a form of land tax, in exchange for the use of land for agricultural purposes payable to Obas, "chiefs, family/community heads. 'Owo ori that is individual taxes payable in cash or in kind in return for services, war tax, payable by a vanquished community. .Community tax payable by all adults within a community to execute projects, beneficial to the community, Osusu

Imachi Nkwu (levies for palm fruits) taxes are payable by those who harvest palm, fruits In Rivers and Bayelsa state, block hunting and fishing are also other forms, of taxation, whereby male adults offer assets in form of canoes, boats, nets and 'other fishing equipment. While female sell the harvested, fish and safes proceeds are used in financing community projects.

Nigeria; taxation in its present form is traced to the establishment of a British colony in Lagos Oh August.6, 1861 and subsequent amalgamation of the Southern and Northern protectorates of Nigeria in 1914.

During the colonial era, the imposition of any type of tax on the citizens (individuals and corporate) took the form of promulgation of laws by the colonial authority. Example of such laws includes:

- i. Proclamation law 1914, applicable to the whole Nigeria,
- ii. Native law ordinance cap 74 of 1917, applicable to western Nigeria. This law was re-enacted in Eastern Nigeria in 1929 one of the features of this law was that for the first time, it imposed taxes on women resulting in. the Aba women's riot of 1929.
- iii. Non-native protectorate Tax ordinance of 1931 later consolidated with, subsequent amendment in 1939. This ordinance was later repealed and incorporated into the taxation, No:4<sup>i</sup> of 1940 and subsequent re-enacted as the income tax- ordinance, 1943. The above tax laws were administered on individuals and corporate entities by tax controllers. In order to achieve uniformity in the system of taxation throughout the geographical .entity called Nigeria, the colonial government set up the Riesman commission 1958, This commission recommended the introduction of uniform basic income. Tax principles, for the application of all the regions of Nigeria, the recommendation were accepted by the government which incorporated same into the I960 constitution of the Federal Republic: of Nigeria. This led to the promulgation of the Income Tax Management Act, 1961 and the companies Income Tax Act, 1961.

These legislations were later repealed and re-enacted as the personal income Tax Act, CAP.P8 LFN 2004 and the companies Income Act, CAP C 21 LFN 2004 - respectively. As a result of the re-assessment carried out by the Tax review

commission, these laws have been reviewed and I, V codified and are included in the laws of the Federal republic of Nigeria 2004: (ICAN 2006)

## 2.2.2 DEFINITION OF TAXATION

To "TAX" is to impose a financial charge or other levy upon a tax payer (an individual or a legal entity) by a staff or the financial equivalent of a state .and such that failure to pay is punishable by law.

A tax can also be seen as a pecuniary, burden laid upon individuals or property owners to support the government.

According to Ariwodola (1997) taxation is a compulsory levy imposed on income, of individual, companies as well as goods and services within a geographical regions provided by law to finance the economy. Taxation is backed up by various decree of act promulgated from time to time succession government.

The oxford advanced learner's dictionary defines 'tax' as "money that has to be paid to the government so that it can pay for public services". People pay taxes according to their profits and it is often paid on goods and services.

Thomas Cooley in "the law of taxation" defines taxes as; "enforced proportional contributions from persons and property, levied by the state, by virtue of its sovereignty, for the support of government and for all public needs."

## 2.2.3 CLASSIFICATION OF TAXATION

Ignatus (1996) in his book, the Nigerian taxation law classified taxation into four which are: Proportional, progressive, regressive and digressive taxation

- **Proportional taxation:** It is a tax system in which the tax rate remains constant irrespective of 'change in the tax base. Hence tax is at a uniform rate and the tax payable is steady. So in this method, the rate of tax, increases with increase in the income. The applicable rate depends upon the income level of individual.
- ii. **Regression taxation:-**Is one where the rate of the tax decreases as the 'tax base increases. So, the rate of tax decreases for the higher income, A taxis said to be regressive in nature,



if the rate of such tax decreases as tax base increases value added tax (VAT) can be described as regressive tax because the burden is more felt by the poor than the rich.

**iii Progressive tax:-** Under this as tax base increases, so will the rate of the tax increase. In Nigeria progressive tax rate is applied on personal income tax only,

**iv. Digressive tax:-**A tax is said to be digressive where the tax rate rises at decreasing rate as a result of increase in tax base.

## 2.2.4 REASONS FOR TAXATION

The main purpose-of taxation is to accumulate funds for the functioning of the government, machineries. No government in the world can run its administrative office without funds and it has no such system incorporated in itself to generate profits from its functioning:

In other words a government, can run its administrative set up only through public funding. Which is collected in the form of Therefore it can be well understood that the purpose of taxation is very simple and obvious for proper, functioning of a state.

Another reason for taxation is to prevent the consumption of harmful goods. This is obvious in federal government policy on consumption of cigarette where its mandatory, to include certain words in any advertisement place on media' for promotion of the commodity and also to prevent duping of inferior or substantive goods in the country. Tax as a fiscal policy instrument is used by the government to discourage the importation of certain goods seen to be below the required standard. Tariff is raised to discourage the importation and consumption of foreign goods and currently lowering excise-duties in favor of locally manufactured goods:

Furthermore, the oilier important reasons for taxation are as follows:

- a. Increases in effectiveness and productivity of the nation.
- b. Increase' in the quantum of revenue collection.
- c. Improvement in services of the government.

- d, Improve employment at all industry verticals.
- e. induction of modern technology into the system.
- f. Rationalization of terms and condition of the economic system.
- g. Rationalization of employment terms and conditions.

### **2.2.5 TYPES OF TAXATION IN NIGERIA**

There are basically two types of taxes in Nigeria which are:

- a. Direct taxes
- b. Indirect tax

**a. THE DIRECT TAXES:-** These are taxes levied directly on income of the tax payers. It is the tax paid directly to the government by the persons on whom it is imposed Example are:

- i. Personal income tax:-** This is a tax levied on the income of an individual. It is backed up with income tax management Act (ITMAS) of 1961 as amended by personal income tax decree 104 of 1993.
- ii. Company Income tax :-** Company income tax is that tax levied on the profit of a limited liability, companies, established under the company and allied matters Act of 1990 It is backed up by company act of 1979 (CITA)
- iii. Petroleum income tax:-** PPT is a tax levied on the profits of company engaged in petroleum operations. It is backed up by the petroleum profit tax act of 1959. There are three types of companies in the petroleum industry namely:
  - a. The crude oil producing companies (upstream)
  - b. The petroleum product marketing companies (downstream)
  - c. The servicing companies which provide some basic service to the oil producing-companies such as seismic, survey logging interpretation of data collected from. oil fields and so on.
- iv. Capital gains tax;-** This is a tax payable on gains accruing from increase, in the market value of asset to a person who does not habitually offer them for sale and in whose-hands, they do not constitute stock in trade. It is, the tax payable on the disposal of capital assets not necessarily for gratuities purpose but on commercial terms

**b. INDIRECT TAX:-** These are taxes levied on the consumption and production of goods and services. Examples of indirect taxes are

**i. Value added tax (vat):-**This is a tax on consumer levied at all stages of distribution and applicable, to most, traders, and professions. In Nigeria, VAT was introduced in 1993. and it is chargeable at the rate of 5% on sales value. Every valuable person, are expected to register with the federal Inland Revenue service and. obtain a VAT registration number which must be quoted on all correspondence with tax authority.

It worthy of note that however certain good and services are exempted from VAT payment. The following goods and services are exempted

- Performance of play by education institutions for advancement of learning
  - Medical services
  - Services produced by community banks, peoples bank .and mortgage institutions etc.
- ii. Exercise tax:** This is an indirect tax levied on goods produced locally by the companies in the country i.e locally manufactured goods
- iii. Entertainment tax:** Entertainment tax is also an indirect tax payable on the income people and companies involved in the entertainment industry.
- iv. Custom duties and tariff:-** These are taxes imposed on both importation (usually) or exportation (unusually) of goods.

### **2.2.6 PRINCIPLE OF TAXATION.**

There are basic criteria which had been used for judging tax system which is referred to as cannon of taxation according to Adam Smith they are:

**i. Equity:-** Equity principle is broken into two i.e horizontal equity which means that those with the same income should pay equal amount of tax while “vertical equity” says that those with different income should pay different amount of tax. The diction is that equal should be treated equally and unequal should be treated unequally. This principle helps to emphasize on the level of equality, before the law and as such foster cooperation among the tax payers on one hand, and the tax authorities on the other hand.

**ii. Certainty :-** The tax which every person is bound to pay ought to be certain and not arbitrary. The scope of tax should be clear. It must be certain that the tax can and will be enforced with clarity of how much revenue will be raised from taxation.

**iii. Administrative efficiency and cost effectiveness;-** That the administrative costs should not be higher than the revenue to be raised. In other words, there must be efficient and cost-effective administration.

**iv. Neutrality:-** This principle says that the system should be neutral. A tax system is said to be neutral if it avoids discrimination of the market, for example, if it does not discriminate between, or among different activities in the company.

**v. Conveniences:-** A tax system should not bring on an untold hardship on the payers. The position in the principle is that "the goose that lays the golden egg should not be destroyed." The tax should be paid at a convenient time by the tax payer within the legal time or period stipulated by the country's law.

#### **2.2.7 CHARACTERISTIC OF TAXATION**

The report of the committee on the structure and reform of direct taxation in the United Kingdom set out the characteristics of a good tax system as:

**a. Incentive and economic efficiency:-** This is to demonstrate how a tax system can have an important effect on incentive and opportunity to work, to save, to invest on capital development, to take risk and to innovate, to use resources efficiently and to allocate them to various competing uses which serve the ultimate needs of the state.

**b. Flexibility and stability:-** In a country where government may change within five years with different and various fiscal economy policies, if a tax structure is flexible, the succeeding government will be able to adapt to such a tax system in pursuing their political programme. This tax system must contain the following features;

1. A scope for effective modification or distribution of income and property.

2. Operationalised effective incentives for private enterprise must be provided for and upheld. However, other essential characteristics of taxation are as follows:

a. It is an enforced contribution.

- b. It is generally pay able in money.
- c. It is proportionate in character usually based on the ability to pay.
- d. It is levied on persons and property within the jurisdiction of the state
- e. It is levied pursuant to legislative authority. The power to tax can only be exercised by the law making body or congress.
- f. It is levied for public purposes.
- g. it is commonly required to be paid on regular intervals.

## **2.2.8 DEFINITION OF TAX AVOIDANCE AND TAX EVASION TAX AVOIDANCE**

### **TAX AVOIDANCE**

Ariwodola (2007) stated in his book companies taxation in Nigeria that tax avoidance is a deliberate attempt aimed at minimizing tax liability by arranging one's affair as to take advantage of provisions in the Nigeria tax law to the betterment of tax payer. Example of which include:

- i. Clearing of capital allowance
- ii. Claiming of reliefs and allowances

Under the same context, tax avoidance happens when the tax payer minimizes his tax liability by taking-advantage of legally available tax planning opportunities. This is otherwise known as tax minimization.

In, certain quarters tax avoidance is been viewed a legal. The proponent of this view opined that tax payer should use his professional knowledge of tax law system to his advantage by exploring the silent loopholes there in, .where as the antagonize of tax avoidance said where there; are various manipulation of different kind that has the effect of reducing considerably;

The revenue due to the government and as such, such practice should be penetrated, if not totally curbed.

## **TAX EVASION**

On the other hand LA. Ayua opined that tax evasion is an outright failure to pay one's tax i.e the reduction of One's liability through illegal or fraudulent means more specifically failure to make return or even failure to pay tax on time this is however also known as tax dodging

According to the federal Inland revenue, service 4 report of the three day annual senior staff conference held between 23<sup>rd</sup> and 25<sup>th</sup> November 2005 in the Words of Mr, I.F. Olaniyan 14<sup>th</sup> December 2005, Director National, Harming Commission; "tax evasion involve illegal reduction of tax payable by making false returns or by deliberate, omission of returns file of some source of income.

Smuggling and bunkering are some of the aggravated forms of tax evasion. This led to the removal of petrol earn subsidy. Other forms include:-

- Nondisclosure of profits, or income
- Under statement of profit or income.
- Falsification of document

### **2.2.9 DISTINCTION BETWEEN TAX AVOIDANCE AND TAX EVASION**

Tax avoidance is generally the legal exploitation of the tax regime to one's own advantage to attempt to reduce the amount of tax that is payable by means that are within, the law; whilst making a full disclosure of the material information to the taxi authorities. Examples of which include using tax deduction changing One's business structure through incorporation or establishing an off-shore, company in a tax heaven,

By contrast tax evasion is the general term for effort by individuals firms trusts and other entities to evade the payment of taxes by illegal means. Tax evasion usually entails tax payers deliberately misrepresenting or concealing the true state of thie.ir affairs to the tax authorities to reduce their tax-liability and it include in particular dishonest tax. reporting (such as under declaring income, profits or gains; or overstating deductions).

Tax-avoidance may be considered, as either moral dodging of one's duties to society, part of a strategy of not supporting violence government activities or just the right of every citizen to find all the legal ways to avoid paying too much tax.

Tax evasion the other hand is a crime in almost all countries and subjects the guilty party to fine or even imprisonment. Switzerland is one notable exception-tax fraud (forging documents for example) is considered a crime, tax evasion like (under declaring of assets) is not.

Some tax evaders see their efforts to evade taxation as based upon novel legal theories. These individuals and groups are sometimes called tax protesters U.S. tax protesters are an example, of this kind of approach to tax evasion that has generally ended in failure for those making such claim.

However the overall objective of both tax avoidance and evasion is the reduction of burden.

## **2.2.10 HISTORY OF LAGOS STATE OF NIGERIA**

Lagos state is an administrative demission of Nigeria, located in the southwestern part of the country Lagos State is arguably the most economically important state of the country; containing Lagos, the nation's largest urban area. The largest urban area the actual population total is disputed between the official Nigeria census of 2006, and a much higher figure claimed by the Lagos State government.

Lagos institute was created on May 27 1967, by virtue of state (creation and transitional) decree No. 14 of 1967 which restricted Nigeria's federation into 12 states Prior to this, Lagos municipally had been administered by the federal government though the federal ministry of Lagos affairs as the regional authority, while the Lagos city council (LCC) governed the pity of Lagos.

Equally the metropolitan areas (colony province) of Ikeja Agege, Mushin Epe and Badagry were administered by the Western Region. The state took off as an administrative entity, on April 1968 with Lagos Island serving the dual role of being-the state and federal capital inventory of Abuja. In 1976, Lagos Island leased to be the capital of the state which was moved to Ikeja. Equally, with the formal relocation of seat of the federal government

to Abuja on December 1991 Lagos Island learned to be Nigeria's, political capital. Nevertheless Lagos remains (he center of commerce for the country.

Lagos State is divided into five Administrative Divisions which are further divided into 20 local government-areas.

These local government areas:

- Agege.
- Alimosho
- Ifako Ijaye
- Ikeja
- Kosofe
- Oshodi-Isolo
- Ojo
- Badagry division
- Epe
- Shomolu
- Apapa
- Eti-Osa
- Lagos Island
- Lagos Maryland
- Surulere
- Ajeromi Ifelodun
- Amuwo-Odofin
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## **2.2.11 FACTORS INHIBITING THE EFFECTIVENESS OF TAX AUTHORITY OPERATIONS**

In a situation, where reliable accounts are not kept for tax purpose, the data necessary to reconstruct price on the basis of actual cost is difficult to obtain from the companies. The information necessary to determine the reasonableness of transfer-for prices for particular product has to be obtained the elsewhere which also accented the problem of data gathering.

Another issue is the area of funding- Right now most of the funding comes from subscription from member. The government is not however investing enough in the system. The problem of tax awareness is another major challenge facing tax authorities operations in Nigeria. The level of awareness of taxation is very; low. The Nigeria tax system also lack enforcement machineries which include among others tiling's, adequate manpower, computers and effective postal and communication system. Inadequate personnel in terms of quantity and quality are another factor inhibiting the effectiveness of tax operations in Nigeria. The shortage of qualified tax personnel is partly responsible for the poor enforcement. Tax collectors including messenger and some daily rated employees are supervised by the tax clerks who are generally, not knowledgeable in tax Practices. The category of staff is generally not adequately equipped to carryout tax operation. All these and other related, practices are probably capable of having a demoralizing effect on die tax payers who may evade tax,

## **2.2.12 RELIEF IN RESPECT OF ERROR OR MISTAKE**

Section. 131 Relief in Respect of Error or mistake Provides:

1. If any person who has paid tax for any year of assessment alleges that an assessment relating to that year is excessive by reasons of some error of mistake in a return or statement made by him for the purpose of this act and furnished by him to the director general prior to the assessment becoming final and conclusive he may within six years after the end of the

year, of assessment within which the assessment was made make an application in writing to the director general for relief.

2. On receiving an application under subsection (1) the director general shall inquire into the matter and subject to this section and subsection 128(5) shall give, by way of repayment of tax such relief in respect of the alleged error or mistake, as appears him to be just and reasonable.

3. In determining any application under this section the director general shall have regard to all the relevant circumstances of the case and in particular.

a. Shall consider whether the granting of relief would result in the exclusion from charge to tax; of income of the application and

b. For that purpose may take into consideration the chargeability of the applicant for years of assessment other than the year to which the application relate and assessments made upon him for those years

4. No relief shall be given under this section in respect of an error or mistake as to the basis on which the chargeability of the applicant ought to have been computed if the return or statement containing the error or mistake was in fact made on the basis of or in accordance with the practices of the director general generally prevailing at the time when the return or; statement was made.

5. An application under subsection. (1) Shall be as nearly as may be in the same form as a notice of appeal under section 9(a) where the applicant is aggrieved by the director general decision on the application.

a. The applicant may within six month after being informed of the decision request the director general in writing to send the application forward to the special commissioner.

b. The Director General shall within three months after receiving request send the application, forward as if he were sending an appeal forward pursuant to. Section 102 and

c. The application shall there-upon there be deemed to be an appeal and shall be disposed of accordingly.

### **2.2.13 COLLECTION AND PAYMENT OF TAXATION**

Tax is payable for each year of assessment or the profit of any company accruing in derived from brought into or received in Nigeria in respect of all kinds of income that is income derived from trades, business or investment. The rate of company income tax in Nigeria has been 30%.

The Nigeria tax law states that not later, than three (3) months from the commencement of each year of assessment every company shall pay a provisional, tax equal to the amount of tax paid by the company in the immediate preceding installment not exceeding: (6). as may be approved, by relevant tax authority.

### **2.2.14 TAX OFFENCES AND PENALTIES**

Aside from problems of tax avoidance and evasion administrative problem in connection with enforcing payment which, was indeed said by the tax experts that there is a wide gap between the tax due to the government and the amount of tax actually collected as revenue yearly. In pursuance of enforcing payment of tax both the personnel income tax act and companies income tax act 1990 categorize the various offences of violation of the tax law in respect of taxation and. prescribe penalties for such offences of violation.

- Personal income tax criminal offences and penalties Under the personal income tax act, investigating powers have been given the revenue to enable them effectively, perform their functions; the revenue can request for information concerning any tax payer from whoever, they believe might have them including the payment spouse and banks. The revenue could require by such notice in writing any person to deliver to any of their officials, such documents as in their 'reasonable opinion, contain information relevant to any tax liability of a tax payer. Failure to comply with such notice is an offence and may attract penalties though this provision is aimed at checking tax abuses and ensuring compliance,

generally it is a violation, of individual liberty and contravenes the provision on competence of witnesses-contained in the evidence Act. It is therefore important that in order to ensure tax compliance without'-Comprising individual lights, this provision should be limited to the tax payer and his banker alone; Also under the personal income tax Act Where the revenue is satisfied (hat there is reasonable, ground for suspecting that offence involving any form of total-or partial non-disclose of information, or any irregularity or an offence in connection with or in relation to lax has been committed; and is of the opinion that evidence of the offence or irregularities is to be found in the premises, the registered office, or place of management of the trade,-vocation, profession or business or. in the residence of the' principal officer, factor, agent or representative of the individual, the center, if necessary by force to conduct a search, as such in doing this a search warrant must be served on the person in: possession of such premises or office and where he refuses to cooperate or does anything which amounts to failure to cooperate or engages in. act or acts resulting in abuse, physical assaults or similar, misbehavior shall be guilty of an offence and liable on conviction to a fine of ₦5000 or to imprisonment for a term not exceeding three month or both again a person who for the purpose of obtaining a tax clearance certificate gives incorrect information in relation to any matter or thing affecting his liability to tax, or obtains tax certificate through misrepresentation. forgery or falsification shall be guilty of an offence and liable on conviction to a fine of ₦500 plus twice the tax payable by him or to imprisonment for three years or to both.

- **Companies income tax ‘criminal’ offences and sanctions**

Part XII of CITA has elaborated the provisions relating to criminal offences and penalties the ensuing discussion in that regard:

- i. The contravention or failure by accompany to comply with any of the provision of the companies income tax Act made there under attracts a fine of ₦200 and where the offence is the failure to furnish statement or information or to keep records required, a further sum of ₦40 for each and every day during which such failure continues. In the event of default of payment of the above fine, then to imprisonment of six months.. This penalty is also applicable for an offence for which no. other penalty is specifically provided. The rationale behind this omnibus penalty section is to bring every imagined offence within the act which had not been envisaged by the legislature. This omnibus provision on penalty fails short of the requirement of certainty .and predictability' of law which demands that an act is only a crime if at the time of its commission it is illegal and punishment clearly, 'provided against it.
  - ii. Failure to comply with the requirements of a notice served on any person under the, pro vision of the acts is punishable. Upon conviction an offender under this provision shall be fined the sum of ₦200 and where the offence is the failure to furnish a statement or information or to keep records required, a further sum of ₦40 for each and. every day during which such failure continues In default or payment then to imprisonment for six months.
  - iii. Failure without sufficient cause to notice or summons served on any person under the provisions of the act or having attended, failure to answer any question lawfully put to him. The punishment for this offence is also a fine of ₦200 and imprisonment for six months in default of payment of the fine.
- Knowingly making false statement or false representation for the purpose of obtaining any deduction set of relief or repayment in respect of any company is punishable! This offence is punishable with a fine of ₦1000 or to imprisonment for five years or to both.
  - Aiding, abetting, assisting counseling, inciting or inducing any person to make-or decline any false return or statement under any act or to keep or prepare false accounts or particulars concerning any profits, on which tax is payable under the act or unlawfully

refuse to pay tax is punishable this offence also attracts a fine of ₦1000 or imprisonment for fine or both.

- Any official of the board or any of its employees shall also be guilty, of an offence by
  - Demanding from any company an amount in excess of the authorized assessment of the tax or
  - With holding for his own use or otherwise any portion of the amount of tax collected or
  - Rendering a false return,, whether overall or in writing of the amount of tax collected or received by him
  - Defrauding any person embezzling any money or otherwise using his position as to deal wrongfully with the board or
  - Collecting or attempting to collect, the tax under the act without being authorized under act to do go

The foregoing offences and penalties are those provided under part: XII of the CITA. These are however some provisions scattered all over the act which also provide offences and punishments accordingly these include the following:

- In terms of secrecy, and confidentiality of staff employed in the administration of the company's income tax, any wrong communication or attempt to communicate information contained in documents to unauthorized persons in an offences. And since penalty in that regard has been, provided by the section, such an offender shall on conviction be liable to a fine of ₦200 and in event of default in payment of such -fine, shall be sentenced to a six months term of imprisonment in accordance with section 71 (1) CITA.
- It is also an offence for any person to abstract any officer of the board hi the exercise .of his (the officers) functions under the act or use violence on such officer.

A first offender in this regard shall on conviction be sentenced to six months imprisonment or a fine of not less than ₦2000 or bosh while in the case of a second offender or subsequent offence and in case where violence is used on any such officers imprisonment for six months without the option of a fine.

## **2.3 THEORETICAL FRAMEWORK**

The theoretical framework upon which this study is based is Ibn-Khaldun's theory of taxation in his own word is "to lower as much as possible the amount of individual impost levied upon persons capable of undertaking cultural enterprises. In this manner, such person will be psychologically disposed to undertake them because they can be confident of making a profit from them". Thus, the theory advocates for decreasing the burden of taxation in businessmen and producers, in order to encourage enterprise by ensuring greater profits to entrepreneur and revenue to the government. In practice, the theory found that at the initial stage government relies on low taxes as a result, enterprises increase in number and size and thus permit tax base, tax revenue and government surplus to grow which in turn means economy will develop. The theory suggest that at beginning of a dynasty taxation yields a large revenue from small assessment. At the end of a dynasty taxation yield a small revenue from large assessment.

The theory also assert that a high tax rate is no guarantee that it will maximize tax revenues rather it will be showing a diminishing revenue after a certain stage because high tax rate discourage work effort and encourage tax avoidance and even tax evasion.

This theory or according to IbnKhaldun man is political by nature this requires a government and a ruler to look after people's affairs and control them (Translation by Rosenthal 1958).

## **2.4 EMPIRICAL FRAMEWORK**

A number of studies have examined the act of tax evasion and avoidance on the society, Osuegbu, (2009), opined that tax evasion generally consists of criminal conducts. It involves breaking of the laws and has no effect on the amount of the tax actually owed although it may give rise to substantial monetary penalties. Rabin, (1980) slated that the tax

avoider is simply the one who "arranges his affairs in such a way that he pays little or no tax at all while the tax evader is one who -for a number of reasons refuses to fulfill his civil responsibility under the law, Duru,(2009) gave an example of tax evasion as falsification of books. Many corporate bodies keep different sets of financial reports including statement of profit and loss balance sheet. Soyode and Kajola (2006) submitted that refusing to register with the relevant authority; failure to furnish a return, statement or information keep records required, making an incorrect return by omitting or understating any of income liable to tax, refusing or neglecting to pay tax, overstating of expenses so as- to reduce taxable profits or income, which will also lead to payment of less tax than would, otherwise have been paid. A taxpayer may also hide & way totally without making any tax returns at all, and entering into artificial transactions.

Dura, (2009) asserted that many individual and corporate bodies set up non-profit making organizations including non-governmental organizations (NGOs) and religious bodies and siphoned profit recorded by various corporate bodies through donation to such organizations purposely to reduce the amount of tax paid. Common occurrences of tax vices are usually in the areas of transfer pricing; thin capitalization and apportionment of contract costs between local contractors and foreign companies (Catatax.org). Ville-Pekka, (2006) asserted that, tax havens offer themselves as a place where non-residents can escape tax obligations in their countries of residence OECD regards tax haven as a state or region areas that, offers low or zero tax rate for non-residents and had secretive legislative and is not cooperative in information exchange.

Palan, (2002) stated that the key features of a tax havens are low or minimal taxes available to non residents ring-fencing of tax vehicles, tailored tax regimes 'minimal business presence requirements lack of legislative transparency, banking secrecy authority reluctance to exchange information, few or no restrictions or regulations. In Lagos State/income tax assessment forms and a tax table have been introduced to assist people to determine their tax liabilities. Mini tax offices are now established in all the major markets In partnership with collecting banks and



individual tax payer can now conveniently assess himself by reference to a table which shows various, income brackets the allowances and tax payable in respect of each. The self assessed individual can also obtain the simplified assessment form free of charge and pay his / her tax at any of the over 1200 bank branches and 36 LIRS Tax Stations across the state. To guard against exploitation of the tax payers by fraudulent tax officials, 'the Lagos State, has also established a central complaints and information unit for its Revenue generating agencies. This unit creates an avenue for member of the public' to lay their complaints and make suggestions towards improvement of Lagos State. Administrative processes. Ipaye, (2008) declared that Lagos State Government has concluded plans, to regulate tax collection by Local Government. Areas in the state, (Adesola 1986).

## **2.5 CHAPTER SUMMARY**

This chapter reviews the concept of tax evasion and avoidance. The chapter also discussed the theoretical framework or the theory upon which they study is based and it also review empirical work or past studies conducted on the act of tax evasion and avoidance on the society.

## **CHAPTER THREE**

### **RESEARCH METHODS**

#### **3.1 INTRODUCTION**

This chapter covers the research design used, population of the study, the sample size and sampling techniques, data collection instrument, questionnaire, personal interview and the method of data analysis.

#### **3.2 POPULATION OF THE STUDY**

In a research work the word population refers to the entire group of people, object, event etc that possesses the qualities and traits which the research is based and from which sample is drawn.

The population of this study therefore comprises of the entire person that is eligible to pay tax and also have an understanding of the term “tax avoidance and tax evasion” in Lagos State. Which consist a number of seven million nine hundred and thirty seven thousand, nine hundred and thirty two (7937932) people, population census (2006). For the purpose of convenience and accuracy the population is reduced to sample size.

#### **3.3 SAMPLE SIZE AND SAMPLING PROCEDURE**

The focus of this study is on those residing in Lagos Nigeria. The tax payers considered were in employment, either self-employment or other wise and the respondents were at least 20 years of age. The sample size was 200 respondents and a judgemental sampling technique was adopted to choose those tax payers who have an understanding of the term “tax avoidance and tax evasion” out of which 127 were completed returned and analyzed.

#### **3.4 SOURCES AND METHODS OF DATA COLLECTION**

Two major instruments were employed in the collections of data in this research there are questionnaire and personal interview.

### **3.4.1 QUESTIONNAIRE**

Questionnaire was used to gather data for this study because it guaranteed a high degree of anonymity of individuals as well as ensures the standardized questions for all the respondents.

The questionnaire was administered using a close ended method.

This method was chosen because of simplicity in gathering data and also considering the tight schedule of the people, a close ended questionnaire will be easier for them to give responses considering their daily tight schedules at work.

The questionnaire contained six questions on demographic information and ten questions on the variables observed.

### **3.4.2 PERSONAL INTERVIEW**

In order to achieve the aims of the study the researcher also employed verbal interview with various people residing in Lagos State.

Personal interview is a system whereby the researcher setup a question and answers sessions with various eligible tax payer residing in Lagos with any other person knowledge on the topic of this study.

It should be noted that both formal and informal interview were used in the collection of data for this research work.

### **3.5 METHOD OF DATA ANALYSIS**

For the purpose of this research work, the Likert scale (a 5-point) rating scale was used. A package known as statistical package for social scientist (SPSS) was employed to analyze the responses while chi-square statistical method was used to test the hypothesis.

This method is used because it is good in testing the validity of the hypothetical statement especially to study the relationship between two or more variables. The chi-square is given by

$$X^2 = \sum \frac{(f_o - f_e)^2}{f_e}$$

Where

$X^2$  =chi-square

$\Sigma$  = (sigma) summation

$f_o$  = frequency observed

$f_e$  = frequency expected

### **3.6 CHAPTER SUMMARY**

This chapter has discussed the population of the study. It has also discussed the sampling technique which is probability (random) sampling. The chapter also discussed the source of data collection which is primary source. Finally the chapter discussed or highlighted descriptive method as the method employed for data analysis.

## CHAPTER FOUR

### DATA REPRESENTATION ANALYSIS AND INTERPRETATION

#### 4.1 INTRODUCTION

This chapter majorly discussed the presentation and analysis of the relevant data via questionnaires, simple percentage was used for the analysis of the data and chi-square was also used for the hypothesis. The data were presented in a tabular form in analyzing the results and it is followed by the discussion with a view to giving an insight into the chapter.

#### 4.2 ANALYSIS AND INTERPRETATION OF RESPONSES

A total of two hundred (200) questionnaires were distributed among the residents of Lagos state.

Among the two hundred (200) questionnaires that were distributed a total of one hundred and twenty seven (127) were retrieved.

Table 1 : The system of tax administration in Nigeria is efficient and effective?

Variables	Frequency	Percentage
Strongly disagree	21	16.5
Disagree	55	43.3
Undecided	12	6.3
Agree	21	24.5
Strongly agree	18	9.4
Total	127	100

Table 1: above showed that 16.5% strongly disagreed with the statement. Therefore, the system of tax administration in Nigeria is not efficient and effective.

Table 2: Tax avoidance is the right of an individual as long as it is within the framework of law, hence it is not immoral?

Variables	frequency	Percentage
Strongly disagree	45	7.1
Disagree	28	16.5
Undecided	6	9.4
Agree	25	16.5
Strongly agree	23	26
Total	127	100

Table 2: shows that 26 percent strongly agreed with the statement. Conclusively, tax evasion and tax avoidance increase inequality in income between the rich and the poor.

Table 3: Tax evasion and avoidance have an adverse effect on the government revenue?

Variables	frequency	Percentage %
Strongly disagree	63	49.6
Disagree	53	41.7
Undecided	5	3.9
Agree	5	3.9
Strongly agree	1	0.9
Total	127	100

Table 3 above shows that 49.6% of the respondents which represents the majority strongly disagree with the statement. Hence, the conclusion was tax evasion and tax avoidance has adverse effects on government revenue.

Table 4: The level of corruption at all levels is used by people as an excuse to evade tax?

Variables	frequency	Percentage %
Strongly disagree	45	35.4
Disagree	52	40.9
Undecided	13	10.2
Agree	12	9.4
Strongly agree	5	3.9
Total	127	100

In table 4 above 40.9% of the respondents Disagree with the statement. Therefore, the degree of corruption at all levels is used as an excuse to evade tax.

Table 5: Non availability of the database of all taxable individuals by the revenue authority provides an opportunity for people to evade tax?

Variables	frequency	Percentage %
Strongly disagree	5	3.9
Disagree	6	4.7
Undecided	11	8.7
Agree	36	28.3
Strongly agree	69	54.3
Total	127	100

In table 5 above, 54.3% of the respondent represents the majority strongly agree to the fact that non-availability of the database of all taxable individuals by the revenue authority provides an opportunity for people to evade tax.

Table 6: There is shortage of experienced and highly motivated personnel or tax assessment and tax collection?

Variables	frequency	Percentage %
Strongly disagree	8	6.3
Disagree	15	11.8
Undecided	19	15
Agree	54	42.5
Strongly agree	31	24.4
Total	127	100

In table 6 above, 42.5% (majority) agreed that there is a shortage of experience and highly motivated personnel for tax assessment and tax collection.

Table 7: The loopholes in the tax laws are used to avoid tax?

Variables	frequency	Percentage %
Strongly disagree	3	2.4
Disagree	9	7.1
Undecided	23	18.1
Agree	56	44.1
Strongly agree	36	28.3
Total	127	100

In table 7 above, majority of the respondent (44.1%) agreed to the statement that the loopholes in the tax laws are seen as opportunity to avoid tax.



Table 8: If the tax rates are reduced, more people would be encouraged to pay their taxes?

Variables	frequency	Percentage %
Strongly disagree	14	11
Disagree	20	15.7
Undecided	18	14.2
Agree	32	25.2
Strongly agree	43	33.9
Total	127	100

Table 8: Majority of the respondent (33.9%) strongly agree that if tax rates are reduced, more people would be encouraged to pay taxes.

Table 9: There is need for better mechanisms for assessment and collection of taxes to be put in place?

Variables	Frequency	Percentage
Strongly disagreed	2	1.6
Disagree	0	0
Undecided	8	6.3
Agree	34	26.7
Strongly agree	83	65.4
Total	127	100

Table 9 above showed Majority of the respondent (65.4%) strongly agreed that there is need for better mechanisms for assessment and collection of taxes to be put in place.

Table 10: People are not enlightened on the use of revenue generated from tax?

Variables	Frequency	Percentage
Strongly disagree	5	3.9
Disagree	10	9.4
Undecided	6	3.3
Agree	45	35.4
Strongly agree	61	49
Total	127	100

Table 10 above showed Majority strongly agreed (49%) that the people are not enlightened on the use of revenue generated from tax.

#### 4.3 TESTING OF HYPOTHESIS

Chi-square ( $X^2$ ) statistics is used to test the hypothesis of this study. And the test is carried out as follows:

**HYPOTHESIS ONE:** the hypothesis here is closely linked with question ten of the questionnaire administered.

Ho: There is no significant relationship between tax evasion and tax avoidance and the total revenue generated by the Government.

Hi: There is significant relationship between tax evasion and tax avoidance and the total Revenue generated by the Government

The responses for each range on the likert scale are as follows

Responses	O <sub>i</sub>	E <sub>i</sub>	O <sub>i</sub> – E <sub>i</sub>	(O <sub>i</sub> – E <sub>i</sub> ) <sup>2</sup>	(O <sub>i</sub> – E <sub>i</sub> ) <sup>2</sup> / E <sub>i</sub>
SA	63	25.4	37.6	1413.76	55.66
A	53	25.4	27.6	761.76	29.99
UN	5	25.4	-20.4	416.16	16.38
SD	5	25.4	-20.4	416.16	16.3
SD	1	25.4	-24.4	595.36	23.44
TOTAL	127	127	0		141.85

Degree of freedom (v) = n-1

From the chi square table, 4 degree of freedom at 5% level of significance gives 9.488, therefore, calculated  $X^2 = 141.85$

Tabulated  $X^2 = 9.44$ .

Decision:

Since the cal  $X^2$  is greater than the tabulated  $X^2$  of 9.488 at 0.05, reject the null hypothesis and accept the alternative hypothesis that there is a significance between tax evasion and the total revenue generated by the state government.

Hypothesis two:

The hypothesis is closely linked with question eight of the questionnaire administered.

Ho: There is no significant relationship between tax rate and tax evasion and tax avoidance.

Hi: There is significance relationship between tax rates and tax evasion and tax avoidance.

The responses for each range on the Likert scale are as follows;

Response	O <sub>i</sub>	E <sub>i</sub>	(O <sub>i</sub> – E <sub>i</sub> )	(O <sub>i</sub> – E <sub>i</sub> ) <sup>2</sup>	(O <sub>i</sub> – E <sub>i</sub> ) <sup>2</sup> /E <sub>i</sub>
SA	43	25.4	17.6	309.76	12.20
A	32	25.4	6.6	43.56	1.71
UN	18	25.4	-7.4	54.76	2.16
D	20	25.4	-5.4	29.16	1.15
SD	14	25.4	-11.4	129.96	5.12
TOTAL	127	127			22.34

Degree of freedom (v) = n-1

Where n =5 v =5-1 = 4

From the chi square table, 4 degree of freedom at 5% level of significance gives 9.488,

therefore,

Calculated  $X^2 = 22.34$

Tabulated  $X^2 = 9.488$

### **Decision**

Since the calculated  $X^2$  is greater than the tabulated  $X^2$  of 9.488 at 0.05, reject the null hypothesis and accept the alternative hypothesis that there is a significance relationship between the tax rate and tax evasion and tax avoidance.

## **CHAPTER FIVE**

### **5.1 INTRODUCTION**

This chapter covers the summary of the research conclusion recommendations and suggestion for further study.

### **5.2 SUMMARY OF MAJOR FINDINGS**

Based on the analysis, the following findings were arrived at;

- Tax evasion and avoidance have a significant relationship with the government revenue; hence government revenue is being seriously affected by tax irregularities. The overall evidence suggests that tax evasion and avoidance are very significant in Nigeria and the degree of significance depends on the extent to which the government relies on taxation as a means of government revenue.
- There is a significant relationship between tax rates, evasion and avoidance, such that; if the tax rates are increased; more people will evade or avoid tax liability, whereas, if the tax rates are reduced more people would be encouraged to pay taxes and desist from tax irregularities.
- It was submitted that tax evasion and avoidance could be reduced and possibly eliminated.
- Taxpayers seek for enlightenment on the use of revenue collected; this is because there is a general consensus among the taxpayers that the amount collected as tax is not commensurate with amenities government claims to use the money to provide.
- Finally, the study shows that Nigeria tax system is not efficient and effective in its totality; there is no available database of all taxable individuals, the mechanism in place for the assessment and collection of taxes are not enough and there no strict measures in place.

### **5.3 CONCLUSIONS**

The effect of tax evasion and avoidance on the administration of taxation with specific reference to Lagos State cannot be overemphasized. The revenue of government has been greatly affected. The current tax system used gives room for loopholes, the corrupt tax officials, the lack of adequate data and many more have worsened the situation. In addition, a reduction in tax rate is even not an optimum solution to the problem. Simply because some people would still attempt to evade or avoid taxes no matter the rates of taxes. Therefore, there should be completely over hauled of the Nigeria tax system. The existence of substantial number of tax evaders in Lagos State should be a matter of concern to the policy makers and tax administrators.

### **5.4 RECOMMENDATION**

Tax avoidance can largely be checked by plugging the loopholes in the tax law and carefully drafting of all new lax legislation. All the tax laws should be further codified and harmonized. Furthermore, tax enforcement machinery should be strengthening. The level of punishment should also be stricter and the legal provisions for doing this should be clearly stated. Continuous education for citizenry has to be embarked upon and step has to be taken to convince the tax payers that the money collected in form of taxes are judiciously spent. The state board of internal revenue and the revenue collecting officers at the local government must also wake up to their duties.

Finally, database for tax administration at all levels of government should be promptly computerized to ensure that the system of information storage processing and retrieval is efficient. Tax clearance should also be presented where an individual wants to transact business with government agencies.

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