

DIGITAL ECONOMY AND TAX COLLECTION IN NIGERIA

BY

VICTORY EHINOME JULIUS

MGS1907833

DEPARTMENT OF ACCOUNTING

FACULTY OF MANAGEMENT SCIENCE

UNIVERSITY OF BENIN, BENIN CITY.

MAY, 2024.

DIGITAL ECONOMY AND TAX COLLECTION IN NIGERIA

BY

VICTORY EHINOME JULIUS

MGS1907833

**BEING A PROJECT WORK SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF
BENIN, BENIN CITY, IN PARTIAL FULFILLMENT OF THE REQUIREMENT
FOR THE AWARD OF BACHELOR OF SCIENCES (B.Sc.), DEGREE IN
TAXATION.**

MAY, 2024.

DECLARATION

I declare that;

1. This project is based on study undertaken by me in the Department of Accounting, University of Benin under the supervision of **OBAZEE U**.
2. This work has not been previously submitted for the award of any degree elsewhere.
3. All ideas and views are product of my research and where the view of others has been expressed, they have been duly acknowledged.
4. All liabilities arising from the study are entirely mine and not that of my supervisor.

VICTORY EHINOME JULIUS

CERTIFICATION

This is to certify that this project work was carried out by **VICTORY EHINOME JULIUS** with Matriculation Number: **MGS1907833** in the department of Accounting, Faculty of Management Sciences, university of Benin, Benin City in Partial fulfilment of the requirement for the award of Bachelor of Science (B.Sc.) Degree in Taxation.

Dr. Obazee
(Project Supervisor)

DATE

Dr. Ikhu-Omoregbe
(Project coordinator)

DATE

Dr. Obaretin
(Head of Department)

DATE

DEDICATION

With profound gratitude and appreciation, I want to dedicate this project to the Almighty GOD for his infinite mercy, love, abundant grace, blessings, continuous guidance, strength and protection throughout my stay in the University of Benin.

ACKNOWLEDGEMENTS

From the depth of my heart, I will like to express my deepest gratitude to GOD Almighty for all he has done for me. I would like to express my gratitude to my supervisor, Dr Obazee Uyiosa, for his invaluable guidance and support throughout this project. His expertise and encouragement have been instrumental in shaping the outcome of my work. I am truly grateful for his dedication and mentorship.

I would also like to extend my appreciation to all the lecturers and professors who have imparted their knowledge and expertise during my time at the University of Benin. Their passion for teaching and their willingness to go the extra mile in helping us students succeed have been truly inspiring.

I am very grateful to my parents, Engr. Julius Idemudia Imongirie and Mrs Eunice Imongirie, siblings Emmanuel Imongirie, Lois Julius, Great Julius, Trinity Julius and to a special soul Solomon James Omenai for their unwavering love, understanding, and encouragement. Their contributions and support physical, financially, emotionally has been my rock throughout all my endeavors from day one. I love you all so much and to my very self, I appreciate you for not giving up just yet.

To my Supportive friends, Mayokun, Mercy, Jennifer, Faith, Odoosa and all my sweet course mates, thank you for your constant support and camaraderie. Your discussions and insights have enriched my understanding of the subject matter and made my journey in University more enjoyable.

Furthermore, I want to acknowledge the contributions of University of Benin for providing access to resources and facilities that were crucial for the successful completion of this project.

TABLE OF CONTENT

TITLE PAGE	i
DECLARATION	ii
CERTIFICATION	iii
DEDICATION	iv
ACKNOWLEDGEMENTS	v
TABLE OF CONTENTS	vii
ABSTRACT	x
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.2 Statement of the Problem	5
1.3 Research Question	6
1.4 Objective of the study	6
1.5 Statement of Hypotheses	7
1.6 Scope of the study	7
1.7 Significance of the study	8
1.8 Limitation of the study	8
1.9 Definition of terms	9
CHAPTER TWO: LITERATURE REVIEW	11
2.1 Introduction	11
2.2 Conceptual framework	11
2.2.0 Tax Evasion and avoidance	11

2.2.1 Tax Evasion	11
2.2.2 Determinates of Tax Evasion	13
2.2.3 Tax Avoidance	13
2.3 Nigerian Tax System	16
2.3.1 Relevant Tax Authorities	19
2.3.2 The Federal Inland Revenue Service Board (FIRSB)	19
2.4 Tax Policy Reforms and Institutional Development	21
2.5 Federal Government Collection Taxes in Nigeria	21
2.6 Review of literature	22
2.6.1 Tax Evasion and the Economy	22
2.7 Review of Empirical studies	26
2.8 Strategies of tax evasion	29
2.9 Theoretical Framework	31
2.9.1 Ability to Pay Theory	32
CHAPTER THREE: METHODOLOGY	34
3.1 Introduction	34
3.2 Research Design	34
3.3 Population and Sampling of the study	34
3.4 Source of Data	34
3.5 Z-Test	36
CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS	37
4.1 Introduction	37
4.2 Test of Hypotheses	45

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS47

5.1 Introduction47

5.2 Summary of Findings47

5.3 Conclusion 47

5.4 Recommendation 48

REFERENCES 49

ABSTRACT

The broad objective of this study is to examine the impact of board attributes on tax aggressiveness in Nigeria.

The data were obtained from the annual reports of individual DMBs submitted to Nigerian Stock Exchange. Therefore, the data needed was extracted from the audited financial reports of the selected firms within the periods of five years.

There is a positive and significant relationship between board size and tax aggressiveness. There is a positive and insignificant relationship between board diversity and tax aggressiveness. There is a negative and significant relationship between ownership concentration and tax aggressiveness. There is a negative and insignificant relationship between managerial ownership and tax aggressiveness and there is a negative and significant relationship between foreign ownership and tax aggressiveness. The board of directors of corporate organizations in Nigeria should restructure the board in terms of diversity.

We recommend this will ensure there is adequate mix of directors consisting of female and male, nationality mix, size, educational qualification professional training to possibly influence the operation performance, including tax expense reduction.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Paying taxes is a civil responsibility and a financial matter. It is the government placing a financial strain on some businesses and enterprises. Generally speaking, a tax is any payment levied by the government on citizens and businesses in order to fund the provision of state-run facilities and services. It is an imposed contribution paid in response to a proclamation or mandate by legislative authorities rather than a voluntary payment or gift. According to Osita (2004:1), taxes may be described as the government's mandatory withholding, through its several agencies, of any income, capital, or consumption of its subjects, including rent, interest, dividends, commission regularities, company profits, wages, and so on. The foundational elements of government income generating are taxes and tax systems. According to Brautigam (2008), taxes support governments' ability to achieve their objectives, serve as a primary forum for state-society interactions, and influence the equilibrium between redistribution and accumulation that gives states their distinctive social character. Therefore, taxes increase the ability to satisfy fundamental requirements, promote economic growth, and provide security. They also increase legitimacy and consent, which contribute to the establishment of a responsible, representative, and consensual government. The way a tax

system is managed is a crucial element (Naiyeju, 2010). According to Bahi and Bird (2008), there is no tax that is above its administration, hence tax administration is very important. Ensuring that taxpayers of all stripes comply with their tax duties to the greatest extent feasible is one of the administration's main goals. Regrettably, widespread tax evasion, corruption, and coercion are hallmarks of inadequate tax administration in many nations. Large portions of the informal economy frequently operate with low overall tax levels and no taxation at all (Brautigani, Fjelftand, and Moore, 2008). A country's tax structure frequently reflects the ideals of the ruling class and the society as a whole (Ross, 2007). As such, a nation must choose how to distribute the tax burden and the revenue collected from taxes before it can set up a tax system. In democratic nations like Nigeria, where the people vote the officials who determine the tax structure, these decisions reflect the type of society that the people or government hope to create. Parkin (2006) argues that when a range of tax kinds and rates are used in a country where the public at large has little to no impact over the tax system, the system may act as a more direct expression of the values of the ruling elite. This is done to allocate resources among individuals or population classes engaged in taxable actions, such as companies, or to divide the tax burden among those persons or groups. Moreover, taxes are used to finance military and humanitarian missions, to affect the macroeconomic health of the economy, and to alter employment or consumption trends by altering the relative attractiveness of different transaction classes (Parkin, 2006). A Federal Inland Revenue Services (FIRS) report on National Tax Policy for 2009 was given to the Federal

Executive Council. The report defines sustainable development as development that satisfies current needs without jeopardizing the capacity of future generations to satisfy their own needs. Accordingly, sustainable development in this case refers to a pattern of income creation that may satisfy the demands of the current Nigerian generation without adversely affecting the ability of generations to come to satisfy their own needs. Because the tax system is stable and predictable, taxes are typically seen as an environmentally friendly means of funding for governments (Aguolu, 1999). In contrast to other income streams, taxes are available as long as society's economy is active (Cobham, 2005). However, attention has recently been focused on taxes as a sustainable source of income due to recent events in the local and worldwide economies that have had a substantial influence on government revenue (FIRS, 2009). Accordingly, the National Tax Policy seeks to raise awareness of the significance of the part that taxes may play in ensuring a steady stream of income for the

One may argue that there are mainly three financial and economic exploration avenues available to emerging nations: loans, grants, taxes, and other current revenues. Of them, taxes are perhaps the most significant since the amount of money the government may spend depends heavily on the tax system's capacity to produce the necessary income. Despite this tax benefit, the majority of people continue to engage in tax avoidance and evasion. The government frowns upon tax avoidance and evasion and utilizes its authority to enforce compliance since trying to avoid paying taxes or minimize

responsibility would impact the government's revenue. Tax avoidance is the legal means by which a taxpayer lowers their tax obligations. Tax evasion is the intentional use of unlawful methods or attempts to avoid paying taxes owed by taxpayers in an effort to lower their tax obligations. This type of tax avoidance differs from tax evasion in that the former is not regarded as a criminal offense while the latter is. Anyaele (1990:225) defines a tax as an obligatory payment levied by a government agency on products, individuals, and cooperative entities, regardless of the precise value of the services provided to the taxpayer in exchange, and not levied as retribution for a lawful transgression. The government receives revenue in the form of import and export tariffs, exercise duties, income tax, and other direct and indirect taxes. Sales and purchase taxes, among other levies, assist the government in raising large sums of money needed for the country's efficient administration. Every taxation scheme consists of two components: the base and the rate. The amount that may be taxed, or an estimate of the private sector's income or wealth, is known as the tax base. The proportion of the amount being measured deducted from the tax base is known as the tax rate. In this instance, the proceeds are utilized to fund the provision of social services and products, ensuring that all people, affluent and poor, have an equal opportunity to utilize them. These include of things like hospitals, schools, electricity, excellent roads, and pipe-borne water. The majority of Nigerians consistently avoid paying their taxes because they have a practice of dodging or avoiding tax payment. Due to the current situation, the nation's several levels of government typically don't bring in enough money to carry out all of the

development initiatives that are outlined in their budgets. It must be noted that the previous administrations in Nigeria have not done a sufficient or honest enough job of educating tax evaders and dodgers about the necessity of paying taxes. The oil industry's revenue has received all of the emphasis, while taxes and agriculture—which should be major sources of income for the nation—are purposefully ignored. Additionally, the researcher wishes to investigate the issues that the general population has with paying taxes, such as tax evasion and avoidance, a subpar system for collecting taxes, and the government's incapacity to pursue tax avoidance.

1.2 STATEMENT OF THE PROBLEM

It has been observed that Nigeria's tax system has grown to be rather important, serving as a substantial source of income for the federal government through the imposition of taxes on taxpayers, which they are then responsible for paying. The majority of registered businesses and some individuals' acts of tax evasion and avoidance, however, have had an impact on the government's income base, particularly when it comes to funding social services that are vital to the community. It is human nature to want to minimize their tax obligations, so they willfully inflate their spending and make up entries in the records of accounts. As a result, their actions drastically reduce the amount of money the government can collect, which ultimately results in less money going into the government's coffers. Tax evasion and avoidance are the reason behind the revenue board's incapacity to get a significant quantity of income through tax collection. In order to find solutions for reducing or perhaps eliminating tax evasion and avoidance, this

study looks at the challenges the revenue department has in receiving taxes and levies that fall under its purview.

1.3 RESEARCH QUESTION

It delights the researcher to pose the following query in order for this study project to be successful.

1. What is the impact of tax avoidance and evasion on Nigeria's economy?
2. What potential consequences can tax avoidance and evasion have on the nation's economic growth?
3. How much does tax avoidance and evasion impact domestically produced government revenue?

1.4 OBJECTIVE OF THE STUDY

The study's primary goal is to evaluate the impact of tax avoidance and evasion on Nigeria's economy.

1. To determine how much tax avoidance and evasion impact Nigeria's economy.
2. To understand the potential impacts of tax avoidance and evasion on the nation's economic growth.

3. To determine how much tax avoidance and evasion effect domestically produced government income.

1.5 STATEMENT OF HYPOTHESES

The following hypothesis was expressed in Null form:

H01 There is no correlation between the amount of tax avoidance and evasion and its impact on the Nigerian economy.

H02 There is no potential impact of tax avoidance and evasion on the nation's economic growth.

H03: The impact of tax avoidance and evasion on domestically produced government income is negligible.

1.6 SCOPE OF THE STUDY

The researcher believes that the focus of this project will be restricted to the ways in which taxpayers' tax performance is impacted by their choice of tax system, as no single study can adequately address every aspect of the subject. In addition to examining ways to limit and lower the amount of avoidance and evasion of taxes in the tax system, the research will evaluate the effects of tax evasion and avoidance on Nigeria's economy and

how they influence revenue collection, economic growth, and development. It will look at the effects of evasion of taxes on people and businesses that engage in these kinds of activities. This research will help legislators create laws that incentivize taxpayer payment. Additionally, it will provide firsthand knowledge to future students starting similar studies.

1.7 SIGNIFICANCE OF THE STUDY

Numerous tax agencies, including the Federal Board of Inland Revenue, the Local Government Revenue Committee, and its tax officers who are in charge of collecting taxes from individuals or business entities, would find this research significant. This provides them with valuable perspectives on enhancing the management of taxes. Professional associations like the Institute of Chartered Accountants of Nigeria and the Chartered Institute of Taxation of Nigeria, as well as its members, would benefit from the research by being able to identify areas where tax income is lacking and advocate for increase in it. Since it will serve as the foundation for the creation, execution, and management of tax policies, this research will also be important to future researchers, scholars in the fields of economics, accounting, business administration, and other social and management sciences, as well as the law.

1.8 LIMITATION OF THE STUDY

Researchers frequently run across a few obstacles when conducting their study, some of which may be as follows.

- i. Finances: This is usually a significant barrier to a study of this kind as the researcher might not have the funds to do all the required research.
- ii. Inadequate data: There are instances where data is accessible, but the researcher is unable to obtain it as the pertinent information is occasionally deemed secret and inaccessible to other parties.
- iii. Lack of cooperation: By select respondents, to whom he gave copies of his questionnaire and voice interview, he encountered a lack of cooperation.
- iv. Taking too long to return to some of the copies of the questionnaires that were completed by certain responders.

1.9 DEFINITION OF TERMS

Special words utilized in this study are explained to help the user better comprehend this research endeavor.

Tax: are mandatory contributions that the government imposes on both private individuals and business entities in order to fund the provision of government buildings and services across the country.

Tax evasion: is the purposeful misrepresentation of one's genuine financial situation to tax authorities, including dishonest tax filings that understate income, profit, or profits in order to avoid paying taxes (in whole or in part) by breaching the law.

Tax avoidance: is a legitimate strategy used by taxpayers to lower their tax obligations.

Tax obligation: is the total amount that the taxpayer is responsible for paying.

Pay as you earn, or PAYE: taxes are determined by the taxpayer's income.

Tax laws: Acts, decrees, or rules governing the nation's tax assessment and collection.

state inland revenue: The agency in charge of state tax collection.

Federal inland revenue: is the agency in charge of federal tax collection.

Revenue: is the total amount of money that a person, organization, or business makes.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Conceptual framework, literature review, empirical investigations, and theoretical framework were all included in this chapter.

2.2. conceptual framework

2.2.0 Tax Evasion and Avoidance

Tax avoidance and evasion are global issues. Because they lack the necessary infrastructure to collect taxes, transition and emerging economies face an exceptionally severe difficulty (McGee and Tyler, 2006:1). While tax evasion is unlawful, avoiding taxes is the legal structuring of a taxpayer's affairs to reduce their tax burden. However, there are instances when it becomes difficult to distinguish between avoidance and

evasion, as demonstrated by the extensive corpus of anti-avoidance laws and the growth of case law in this field (Nightingale, 2003:44).

2.2.1 Tax evasion

The deliberate disobedience of the law to avoid paying taxes is known as tax evasion. Understating income, inflating costs, fabricating allowance claims, or omitting to reveal a chargeability tax are some ways to evade taxes. Since tax evasion is illegal, it is difficult to determine the exact scope of the practice. Irrespective of the precise extent of tax evasion, it is probably going to be more common when the tax system is seen as unjust or assessed at rates that are confiscatory (Nightingale, 2003:44). Tax evasion is unlawful, and those who engage in it may face legal repercussions. Nevertheless, criminal prosecution is typically reserved for cases involving significant amounts of lost revenue; many smaller tax evasion cases that the revenue department finds are typically settled out of court. In Nigeria, failing to submit tax returns to the appropriate tax authority is the most prevalent way of tax evasion. A tax evader may face criminal charges in court, which might result in fines, penalties, and possibly even jail time for their tax evasion (Faseun, 2001). As noted by Sosanya (1981), tax evasion has emerged as Nigerians' preferred crime, to the point that armed robbery is now considered a secondary pursuit. It has expanded so far that there is now a massive cash economy that is developing at a rate many times faster than the national economy and over which the taxman has no authority. Without a doubt, the Nigerian government has lost a significant amount of tax income

due to tax fraud and avoidance. Out of the 30,000 firms registered with the Corporate Affairs Commission, 257 companies listed on the Nigerian Stock Exchange account for 85% of the country's corporate tax income, according to the exchange. This is a grave indictment on the Nigerian tax authorities' ability and administrative apparatus.

2.2.2 Determinants of Tax Evasion

A risk-averse person chooses how much or what percentage of their income to hide in order to maximize the anticipated utility of income in the conventional approach to tax evasion. This decision is made after taking into account a number of factors, including the likelihood that their income will be discovered, the penalty tax rate that will be applied once it is, the marginal tax rate, and the amount of their true income. Every theoretical study comes to the same conclusion: underreporting of income will be adversely affected by both the penalty tax rate and the risk of discovery (Hennemann 1996: 162). In other words, taxpayers will often underreport if they think there is little chance of being detected. Furthermore, taxpayers may underreport if the penalty tax rate levied once tax evasion is discovered is low. A risk-averse person who experiences a rise in their genuine income will fail to disclose more if underreporting is gauged by the total amount of money hidden.

2.2.3 Tax Avoidance

Just refusing to purchase the goods or services subject to the tax, like VAT, would help you avoid it. Tax avoidance is the structuring of a person's financial affairs to reduce their tax burden; as long as the taxpayer complies with the law, avoiding taxes is lawful. The line between avoidance and evasion, however, may become hazy when an action is both inside the text and outside the spirit of the law (Nightingale 2003:46). Many forms of tax avoidance are simply options for tax planning that are provided by the law to lower the tax burden, such as selecting the investments and savings that are most tax-efficient or ensuring that all offered relief is fully used. But there are also options for tax evasion due to legal loopholes. But when a loophole is used for illegal purposes, the revenue department responds by passing laws to close that specific gap. Even if it has been said that "an economy breaths through its loopholes," the growing amount of anti-avoidance laws just adds to the complexity of the tax system and diminishes its canon of simplicity. Due to high tax rates that made the expense of complex avoidance schemes viable, the tax avoidance sector expanded enormously throughout the 1970s, bolstering the belief that "the existence of widespread avoidance indicates that the system, and not the taxpayer, stand in demand for radical reform." Australia, New Zealand, and Canada have all attempted general anti-avoidance laws with limited success, suggesting that customized regulation could be preferable. Policymakers must decide how broad or limited anti-avoidance laws should be; if they are too narrow, they may not achieve their goals; if they are too wide, they may be applied to unintended circumstances. Whatever measures are taken to combat tax evasion, maintaining the principles of certainty of

taxation would necessitate defining what constitutes lawful tax planning. This can be challenging because, as financial techniques and new statutory relief are introduced, "the boundaries move with public sentiment." The solution to this problem and the location of the boundary must always be considered under tax legislation. (Source: 47) When a taxpayer sets up his financial affairs to pay as little tax as possible while still abiding by the law, this might be considered tax avoidance. To put it briefly, the phrase refers to the several tools that have been used in an effort to reduce taxes and shield taxpayer income from higher liabilities that may otherwise be imposed (Kiabel, 2001). According to Ani (1983), tax avoidance occurs when a taxpayer chooses to set up his firm in a way that partially or completely avoids paying taxes, knowing full well that the law applies to them. It is a legitimate ploy or deception to avoid paying taxes. Given that tax regulations are most likely being used to lower a person's tax burden under those same laws, it follows that tax avoidance is either lawful or at the very least not criminal. Getting expert counsel, lowering one's income by claiming costs incurred in getting it, having more children (four being the maximum number permitted in Nigeria), and acquiring more life insurance policies are a few examples of tax evasion. Therefore, it is thought that avoiding taxes is just a question of common sense. Although tax evasion is considered unethical and unlawful, tax avoidance is recognized by the law as a permissible strategy. Tax evasion is a clear-cut dishonesty in which a taxpayer attempts to utilize unlawful methods to lower his tax bill. Tax evasion is defined as the deliberate, dishonest, and fraudulent manipulation or hiding of facts and statistics with the goal of avoiding paying

taxes or lowering the amount of taxes that would otherwise be due, according to Farayola (1987). The intentional performance or omission of activities that are illegal under tax regulations is how tax evasion is carried out. Some examples of these commissions or omissions include: understating income; documenting false transactions; overstating expenses; failing to answer queries; failing to file returns; omitting or misstating items from returns; asserting relief (in Personal Income Tax), for example, of children that do not exist.

2.3 Nigerian Tax System

Because Nigeria's political climate supports the federal form of government, her economic policies follow this model, which has negative effects on the nation's tax administration system (Odusola, 2017). The Federal, State, and Local Governments—each of which has distinct tax jurisdictions—are the three tiers of the tax system upon which the government bases its fiscal policies (Enahoro and Olabisi 2012). They go on to say that in 2002, the three tiers of government share over forty distinct taxes and levies.

According to Odusola (2017), the tax system in Nigeria is marked by needless complexity, distortion, and generally unfair tax regulations that have little impact on the country's massive informal sector. Abubakar (2018) claims that there have been notable changes to the Nigerian tax structure recently. The process of taxing people through a collection of laws, rules, and processes that include administrative agencies interacting

with other people to produce revenue for the government is known as the tax system (Agbetunde 2017). According to Adesola (2014), the tax system in Nigeria consists of several components, including tax legislation, tax administration, and tax policy. That is to say, the three levels of government in Nigeria now implement taxes laws. According to Abubakar (2018), the Taxes and Levies (approved list for Collection) Act, 1998 clearly delineates the respective domains of the Federal Government, State Government, and Local Government. on the framework of the tax system in Nigeria in order to generate income.

According to Naiyeju (2015) and Odusola (2017), the system is unbalanced and controlled by oil money. They went on to say that the federal government is in charge of the most significant tax collection, while state and local governments are in charge of the less stable sources. In other words, the federal government taxes corporations, while state and local governments tax people. According to their analysis, the federal government only pays for around 70% of all government spending, but on average, it receives 90% of all tax income generated annually.

According to Akintoye (2016), the tax policy, tax legislation, and tax administration generally make up Nigeria's tax system. According to Okauru (2014), proper implementation of current tax legislation will result in effective utilization of tax resources in Nigeria. According to Garde (2004), who said that poor tax collection is indicative of tax administration efficiency and public service in Nigeria, ineffective tax

administration throughout the years has been linked to low tax revenue yield. Several attempts to reframe taxes as a primary source of revenue have not yielded the desired outcome. According to (Ola 2017), Azubike (2015), tax reforms are a continuous process that vary based on societal dynamics in response to the governments' escalating demands for infrastructure and high-quality services across all three levels of government. In the past, taxes have been employed as tools of policy to accomplish a variety of goals, including increasing public income for spending, wealth redistribution, and sector-specific resource allocation. According to Azubike (2018), governments must increase income in order to fulfill their responsibilities to finance public health, education, and infrastructure. In certain situations, there is still more work to be done in order to lower the substantial public deficits that still exist. But in a world that has fully embraced globalization, some countries also believe that effective tax policies are necessary to draw in investment and, ultimately, promote economic expansion. Simple, easy-to-follow tax regulations are just as important as appealing tax rates in a rational corporate tax system.

"The right use of money for the common good and improvement of the people's well-being is the primary goal of the Nigerian tax system.

As per Azubike's (2015) citation of the Presidential Committee on National Tax Policy (2008), the primary goals of Nigerian tax policy are to improve the welfare of all Nigerians directly by means of better policy formulations and indirectly by means of the appropriate use of tax revenue. Other goals consist of;

1. Produce the steady stream of income that the government needs to carry out commendable initiatives and/or investments for the good of the populace.
2. Promote development and expansion of the economy.
3. Offer financial stability.
4. To share equity and work for justice.
5. Correction of flaws and failures in the market.
6. Nigeria needs a very effective tax administration system to achieve these goals.

Since the present attempts to reposition tax as Nigeria's primary source of income have not produced the expected outcome, this study is necessary to advance our understanding of the topic.

2.3.1 Relevant Tax Authorities

- i. Joint Tax Board
- ii. The Federal Board of Inland Revenue,

2.3.2 The Federal Inland Revenue Service Board (FIRSB)

The Income Tax Administration Ordinance of 1958, which has since been abolished, served as the Board's original charter. Later Acts and Decrees modified this charter. A functioning arm to be called the Federal Inland Revenue Service was established by the Finance (Miscellaneous taxation provisions) (Amendment) Decree No. 3 of 1993. Via the Federal Inland income Service, the board's executive branch, it manages tax income that is collected by the government. They manage several taxes, including the Petroleum

Profits Tax (PPT), Capital Gains Tax (CGT), Education Tax (EDT), Value Added Tax (VAT), Withholding Tax (WHT), and Company Income Tax (CIT). (Ojo, 2017).

Composition

- i. A person with taxing experience in the service, to be selected by the President, will serve as the Executive Chairman.
- ii. The service's department directors and heads.
- iii. The Officer who, while holding or working in the capacity of Director, is occasionally in charge of planning, research, and statistics-related activities within the Federal Ministry of Finance.
- iv. A person who sits on the National Revenue Mobilization, Allocation and Fiscal Commission Board.
- v. An Executive Director-level member of the Nigeria National Petroleum Corporation, or someone with an equivalent status.
- vi. A National Planning Commission director.
- vii. A Director in the Customs and Excise Department.
- viii. The Corporate Affairs Commission's (CAC) Registrar-General.
- ix. The Legal Advisor, who will serve as the Board's ex-officio member.

Duties

- i. Offering advice on tax issues, including any changes to the current legislation, to the Federal Government through the Minister of Finance.
- ii. Income tax assessment and collection for the firm.
- iii. Giving guidance on assessment's financial components, such as how to interpret income tax laws.
- iv. Examining and endorsing the service's strategic plans.
- v. Employ and establish the terms and conditions of employment, including the procedures for disciplining service personnel.
- vi. Take any actions that, in its judgment, are required to guarantee the effective execution of the duties assigned to the service under the Act.

2.4 Tax Policy Reforms and Institutional Development

The federal government undertook many revisions to the current tax legislation in order to address the issue of low tax returns. As stated by Alii (2016). The goals of Nigeria's tax reforms are to: close the funding gap between the country's development needs and its resources; ensure that taxes, as a tool for fiscal policy, contribute to better public service delivery; raise the amount of tax derived from non-oil activities relative to revenue from oil activities; continuously review the tax code to minimize or control tax evasion and avoidance; and enhance the administration of taxes to make it more responsive, dependable, competent, and taxpayer-friendly in order to accomplish other fiscal goals.

2.5 Federal Government Collection Taxes in Nigeria

Buba (2017) highlights the need for significant investments in sectors including infrastructure, energy, and electricity in order to foster the private sector, which is the primary driver of wealth creation and national economic progress. This kind of investment is exclusive to government funding. Enough money must also be invested in areas that can create jobs, such as health, education, and other fields, in order to raise the standard of living for the less fortunate members of society. If the government can obtain the necessary funds, the majority of which come from taxes, it will be able to carry out all of these initiatives. Olawunmi & Ayinla (2017) assert that the goal of economic policy is embodied in policy advice.

2.6 Review of literature.

2.6.1 TAX EVASION AND THE ECONOMY.

The revenue of the government is negatively impacted by tax evasion and avoidance. The purchase of assets that are tax-exempt or undervalued for tax purposes is one way that tax evasion leads to investment distortion (Klabel and Nwokah, 2009). Avoidance manifests itself in cash outflow, emigration of individuals, and investments in art collections. Furthermore, Toby (1983) noted that the taxpayer engages in evasion by using a variety of strategies. These actions increase inflationary pressures and undermine moral principles. This argument is supported by the reality that tax evasion has given people and businesses access to large sums of money, allowing them to declare larger dividends and provide large take-home profits for themselves. As a result, there is an increase in the

amount of money in circulation without a matching rise in the quantity of products and services. This leads to the development of inflationary trends, in which vast money chases little amounts of commodities (Toby, 1983).

One economic crime that is maybe the most prevalent is tax evasion, and it seems to be a significant issue that is becoming worse both domestically and internationally. Based on estimates from the Internal Revenue Service (1990), the amount of unpaid federal income taxes in the United States was estimated to be between \$83 billion and \$93 billion in 1987. Over the previous 20 years, the tax gap had grown at an average annual rate of over 10 percent. However, more recent estimates from the Internal Revenue Service (1993) placed the tax gap in 1991 at over \$111 billion. These estimates clearly lack precision. Research pertaining to other nations indicates that tax evasion is an issue that is much more serious in those other nations (Tanzi 1982; Feige 1989). Such underreporting has a number of detrimental effects, including decreased tax revenues for the government, impacted public goods and services, misallocated resource use, unpredictable changes in income distribution, increased perceptions of unfair treatment by the government, and a rise in disdain for the law.

Since Mittone (2006) published a groundbreaking theoretical article on the subject, tax evasion has been analyzed from the taxpayer's point of view as a type of game theory in which the person who pays taxes must choose whether or not to evade paying taxes. Put otherwise, the choice to pay the tax is now akin to choosing to purchase a lottery ticket.

Before making a decision, a rational individual would consider the advantages and disadvantages of each alternative. Providing the most advantage to the taxpayer is the aim here. Taxes serve as the main source of financing for public goods such as public infrastructure and law and order. However, in an environment where many governments are facing fiscal constraints due to rising expenditures, declining revenue, and both, raising revenue continues to be the primary purpose of taxes. A wide variety of general tax policy concerns have historically guided the creation of taxation systems, assuming a particular amount of income that must be produced, which depends on the wider economic and fiscal policies of the country in question. Some examples of these characteristics include adaptability, efficacy and justice, effectiveness, certainty and simplicity, and neutrality. As the foundation for the 1998 Ottawa Ministerial Conference, these guiding ideas are now referred to as the Ottawa Taxation Framework Conditions in the context of the preparations for the Report on the Taxation of Electronic Commerce (Mansell, 2001). These criteria were found to be sufficient at the time to evaluate the tax implications of internet commerce. Apart from these well-established notions, equality plays a crucial role in the formulation of tax policies. Equity and neutrality in terms of taxes should be the goals of corporate activities. A neutral tax promotes efficiency by making it easier to allocate production means optimally (Sun, Guan, Cao, & Bao, 2022). A distortion and the resulting deadweight loss arise when a change in pricing causes a distinct shift in demand and supply than would happen in the absence of taxation. Moreover, a tax system that is neutral favors no particular economic activity and

disadvantages none. All business entities should be subject to the same tax laws in order to maintain equity and uniformity, while also accounting for any particular circumstances that may exist (Beckman, Ivanic, & Jelliffe, 2021). Both businesses and the government should try to minimize their expenditures on administration and compliance. Simplifying the tax code makes it easier for people and companies to understand their rights and duties. Businesses are therefore more likely to react correctly and decide on the best course of action. Due to its intricacy, aggressive tax planning is frequently encouraged, which might result in needless financial outlays. The purpose of taxes is to prevent unintentional non-taxing and double taxation while raising the appropriate quantity of money at the appropriate time.

It's also critical to lessen the likelihood of running away or hiding. Furthermore, because it affects tax administration and collection, the enforceability of the tax system is essential to its effectiveness. New industries and technologies should be able to be accommodated by a dynamic and adaptable tax framework. It is crucial for governments' tax structures to be able to adapt as their demands for income change over time. The system's structural components must remain strong in a changing policy framework while yet enabling governments to make the required adjustments to keep up with technological and economic improvements, even in light of the uncertainty of future developments. Fairness concerns should be carefully taken into account in tax policy frameworks. The two primary forms of equity are horizontal equity and vertical equity (González-Sánchez, Medina-Salgado, & SGarcía-Muiña, 2021). Everyone in the same tax category ought to

pay the same amount if horizontal justice is the goal. various users may understand the normative idea of vertical equity in various ways. Its supporters believe that the wealthiest taxpayers need to bear a greater proportion of the tax burden relative to their income. The practical understanding of vertical equality depends on a number of factors, including whether it is best applied to income earned throughout a lifetime or over a certain period of time, and how much various nations strive to reduce economic inequities. The formalization of transfer and taxation of income results in a more fair allocation of resources. Equity may also refer to international relations (Jansen, Bulder, & Müsgens, 2020). Despite the fact that tax evasion affects all tax systems, Africa stands out due to the prevalence of corrupt practices, according to (Shandu, Maluleke, & Lekgau, 2019). Assessing and collecting taxes from independent contractors, company owners, physicians, attorneys, architects, accountants, and store owners is the most challenging part of direct personal taxation as it is used in Africa. Many self-employed persons actively evade paying taxes by declaring yearly losses, as Hitchcock (2022) notes, and some continue to live extravagant lifestyles that are inconsistent with their stated income—which can be absurdly little given the very nature of their firms. Ogolo (2021) analyzes how bonus tax regimes affect revenue generation. Assessing and collecting taxes from independent contractors, company owners, physicians, attorneys, architects, He argues that this defense of incentive schemes should be rejected since it erodes public confidence in the government and ultimately lowers tax revenue.

An institutional structure that encourages corruption and extralegal tax enforcement is unlikely to give birth to sustainable growth (Karpoff, 2021).

2.7 Review of Empirical Studies

Assessing and collecting taxes from independent contractors, company owners, physicians, attorneys, architects, In order to investigate the effect of tax evasion on the expansion of the Nigerian economy, Onyeka and Nwankwo (2016) carried out research. The research employed an ex-post facto methodology, sourcing data from the Central Bank of Nigeria Statistical Bulletin spanning the years 1999 to 2012. To test the hypothesis, the Ordinary Least Square Regression (OLS) model was employed. The findings indicated that tax evasion significantly hampered the expansion of the economy in Nigerian. Among other things, the report suggested that fiscal policies and other government policies be simplified in order to encourage economic development and growth by making sure that decisions are made with the country's economy in mind.

Chukwudi (2016) conducted research in the Ado-Odo Ota local government area of Ogun State to look at sustainable infrastructure development for long-term economic prosperity. The main danger to the local government area's survival is the severe lack of infrastructure. State tax officers and taxpayers made up the population whose opinions were examined in this study. Seventy (70) participants in the research region were asked to provide their comments using a standardized questionnaire. The gathered data was subjected to a straightforward percentage analysis, and the chi-square statistical tool was

used to test the hypotheses at the 0.05 level of significance. The results showed that tax evasion has detrimental short- and long-term implications on the development of sustainable infrastructure. Given that avarice and selfishness are two of the main causes of tax evasion in the state, the research advised paying taxes accurately and on time.

Mansur (2016) carried out research to look at the variables affecting tax evasion in the state of Gombe. A research design based on surveys was used in the study. Primary data from 303 selected at random personal taxpayers in the state's private and public sectors was gathered via questionnaires. The results showed that there is a strong positive correlation between tax evasion and the tax system, income, and educational attainment. According to the report, the state's tax administration should implement sufficient steps to increase revenue production and lower tax evasion.

An empirical research on tax avoidance and evasion's impact on revenue collection in Nigeria was carried out by Sylvester (2016). According to a commonly held belief, tax-paying persons and enterprises in Nigeria dodge and avoid paying taxes, therefore depriving the government of money. Nonetheless, the two evils are real and can be noticed, albeit it might be challenging to pinpoint how much of each is being avoided. Nonetheless, it was found that ineffective fiscal policies, the attitudes of the government and taxpayers, and inefficient administrative procedures were the main drivers of tax evasion and avoidance. Thus, it was determined that the decrease in government tax collection in Nigeria may be attributed to tax evasion and avoidance. Obafemi (2014)

conducted research to investigate the effects of tax avoidance and evasion on the economic growth of Nigeria. A survey-based design was employed, and 150 respondents were given a standardized questionnaire from which responses were collected. Results indicated that tax avoidance and evasion had a detrimental impact on Nigeria's economic development and progress. It also showed that tax evasion and avoidance are motivated by a lack of strong administration and unpatriotic acts on the part of taxpayers. The study thus suggests that in order to encourage tax payers to voluntarily comply with their tax obligations, the government ought to embrace and support good governance. Imam, Gulani, and Baba (2014) conducted a research to evaluate the state's tax authority and self-employed individuals' perspectives. Primary as well as secondary sources were employed in the research. Utilizing convenience and purposive sampling techniques, a sample of state residents was chosen, and questionnaires were sent to them. SPSS version 20 was used for statistical analysis of the responses, and the chi-square method was employed to test hypotheses. A sound tax plan might greatly increase voluntary compliance among taxpayers in the state, since the study found strong evidence that people failed to file tax returns with the government. In order to improve taxpayer compliance in the state, the study suggested that the government take into account the following strategies: public relations, tax education, tax consultation, guidance, and counseling; enforcement of the penalty provision for noncompliant taxpayers; and training and working conditions for tax authority staff.

2.8 Strategies of tax avoidance

Within the parameters of the tax code, firms and individuals employ legal strategies known as "tax avoidance" to reduce their tax obligations. Although it's not against the law, tax avoidance occasionally entails taking advantage of loopholes or employing intricate financial arrangements to lower tax obligations. These are some typical methods that both individuals and organizations use to avoid paying taxes:

1. **Transfer Pricing:** Transfer pricing is a common practice used by multinational firms to influence the costs of products, services, or intellectual property that is moved between their subsidiaries located in several nations. This lessens their overall tax burden in nations with higher tax rates by enabling them to move earnings to jurisdictions with tax rates that are lower.
2. **Tax Havens and Offshore Accounts:** Rich people and corporations may open subsidiaries or accounts in "tax havens," which are nations with low or no tax rates. To take advantage of lower taxes, they can pass capital gains, royalties, or income through these countries.
3. **Shell Companies and Special Purpose Vehicles (SPVs):** These corporations can be used to transfer income, assets, or obligations in a way that reduces tax responsibilities since they are frequently set up for certain activities or investments.
4. **Hybrid Mismatches:** Entities may arrange monetary instruments or transactions in a way that results in duplicate deductions or deductions without matching

income inclusion by taking advantage of variations in tax treatment across various jurisdictions. This effectively lowers taxable income.

5. **Debt Shifting:** Companies may use financial structure manipulation to move debt to high-tax countries. In these jurisdictions, the interest paid on the loan can be subtracted from taxable income, lowering the corporation's tax burden.
6. **Use of Tax Credits and Incentives:** Government-provided tax credits, deductions, and incentives can be utilized by corporations to reduce their tax liabilities. These incentives and credits are frequently meant to support certain endeavors, such job creation, investments in renewable energy, and research and development.
7. **Artificial Loss Creation:** generating fictitious losses through investments or loss-making operations, which can then be deducted from taxable income to reduce the total tax obligation.
8. **Complex Financial Instruments:** Companies may use sophisticated financial tools, such as structured financial products or derivatives, to control the timing of their revenue recognition and lower their tax obligations in particular years.
9. **Income Deferral:** Although it may result in greater taxes in the road, delaying the acknowledgment of income or shifting costs to various tax years might reduce current tax obligations.

10. Real Estate Investment Trusts (REITs): Investment entities known as REITs are taxed favorably in a number of jurisdictions. To take advantage of tax benefits, individuals or corporations might invest in real estate through REITs.

2.9 Theoretical Framework

Many theories have been proposed to examine taxes, but due to their high degree of significance to the current study, the ability to pay, benefit, and equitable distribution theories were studied and adopted in this study.

2.9.1 Ability to Pay Theory

According to this notion, taxes need to be imposed based on a person's financial situation. According to Anthony and Bridget (2009), public expenditure ought to originate from "him that hath" rather than "him that hath not." The ability-to-pay concept dates back to the sixteenth century. It was scientifically expanded by the English economist John Stuart Mill (1806–1873), the French political economist Jean-Baptiste Say (1767–1832), and the Swiss philosopher Jean Jacques Rousseau (1712–1778). Since the tax rate rises in proportion to the growth in the revenue base, this is in fact the basis of "progressive taxation." In fact, developed economies have adopted this approach generally since it is the most equal tax structure. The most common and widely accepted defense of financial capability is the premise of sacrifice. Since the taxpayer turned over funds to the

government that he would have kept for himself, paying taxes is seen as a deprivation. Since the justice of sacrifice might be quantified in absolute, proportional, or marginal terms, there isn't a reliable method for doing so under this theory. As per Adebisi and Gbegi (2013), equal sacrifice can be determined by calculating the following: each taxpayer forfeits the same absolute amount of utility derived from their income; each forfeits the same percentage of utility derived from their income; and each gives up the same utility for the final unit of income.

The Benefit Theory

As to Anthony & Bridget's (2009) findings, taxpayers could have to pay taxes based on the extent to which they receive benefits from government services. The idea that there is an exchange connection between the government and the taxpayer should serve as the foundation for this. By offering various services and other items that are referred to as social goods, the government deliberates certain advantages to the taxpayers. Furthermore, according to this view, fairness or justice in taxation emphasizes that a person should pay taxes commensurate with the welfare he obtains from the services given by the government. Even if the theory views those paying taxes and the government as having an exchange relationship, there are several challenges in putting the idea into practice. How to evaluate and quantify the value that taxpayers receive from government services is one of the main issues facing this utility or gain approach concept. How much the government's provision of national security, education, law enforcement,

and other social infrastructure benefits taxpayers, for instance, would be measured? Additionally, the advantages of the different expenses the government incurs in providing services are indivisible, making the expenditures themselves impossible to split. This could only demonstrate that individuals are always motivated to pay taxes to the government in order to maintain the prosperity of their communities. The notion, however, is only truly applicable in circumstances when it is easy and obvious to locate the recipients. It can be used, for example, to the road fees that are gathered from car owners. The benefit approach idea can also be used to employees who are enrolled in a network of social security programs. As stated in (Gurama, Mansur & Pantamee, 2015), this theory can thus only provide a limited answer to the problem of equality and fairness in the field of taxes.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The methodologies and processes used in the study are covered in this chapter. It includes the population of the study, the research design, the sample and sampling methods, the sources and methods for collecting data, the delivery of the questionnaire, and the data analysis methods.

3.2 Research Design

A research design, according to Izedonmi (2005), outlines the techniques and protocols utilized to gather the data required for the study. In order to provide insight into the research, a survey design was used for this study. It is chosen because it reveals information, integrates, and highlights the relationships between different factors.

3.3 Population and Sample of the Study

The study's population consists of Edo State parastatals. One hundred responders in total will be chosen at random from UBTH throughout the state of Edo. Convenience sampling was the sample approach used in the study; this was chosen since it was a simple and accessible way to collect data from respondents.

3.4 Sources of Data

The delivery of questionnaires is the major method of data generation, and in this study, the questionnaire serves as the tool utilized to collect data from respondents.

We'll condense the questionnaire into two sections, A and B. Part A of the questionnaire will address the social features of the respondents, while Part B will focus on the factors related to the study's research aims.

3.5. Z-Test

A statistical technique that allows the researcher to estimate the percentage of subjects that exhibit a specific attribute of interest is the Z-test. When a research has an extremely high sample size, it is employed. The Z-test for demographic percentage would be

utilized to evaluate the research's hypotheses since, as was previously mentioned in the study, a large sample size was employed.

The formula for Z-test is shown below:

$$Z = \frac{p - P_0}{\sqrt{\frac{\bar{p} \cdot \bar{q}}{n}}}$$

Where P_0 = hypothesized proportion $P_0 = 0.5$

P = Proportion of respondents with affirmative response

$$\bar{P} = \frac{x}{n}$$

n = Sample size

x = Respondents with affirmative response

Decision Rule

If computed Z-value is less than Z-value in the table, the null hypothesis is accepted; if calculated Z-value is more than Z-value in the table, the null hypothesis is rejected and the alternative hypothesis is accepted.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULT

4.1 Introduction

The data gathered for the objective of this research project is presented, analyzed, and interpreted in this chapter. As a result, it requires the use of statistical techniques to establish the foundation for assessing the research hypotheses presented in the study's introduction. It is an essential component of every research project as it serves as the

foundation for the study's suggestions and conclusion. Using questionnaire responses, the first analysis of the data is assessed.

Table 4.1: Analysis of responses to question 1; Potential positive and negative economic implications of tax avoidance for a country. How might it influence resource allocation, investment decisions, and overall economic growth.

	Frequency	Percent	Percent	Cumulative Percent
STRONGLY DISAGREE	27	76.5	76.5	76.5
DISAGREE	14	21	21	97.5
UNDECIDED	7	9.09	9.09	106.59
AGREE	16	18	18	124.59
STRONGLY AGREE	13	35	35	100.0
Total	77	100.0	100.0	

Source: Field Survey (2023)

According to the above data, around 35% strongly agree and approximately 76.5% strongly disagree that tax evasion may have both beneficial and bad economic effects on a nation's ability to allocate resources, make investment decisions, and experience overall economic growth.

Table 4.2: Analysis of responses to question 2 Do you believe that stronger tax regulations and international cooperation can effectively address the challenges posed by aggressive tax avoidance

	Frequency	Percent	Percent	Cumulative Percent
STRONGLY DISAGREE	11	14.3	14.3	14.3
DISAGREE	11	14.3	14.3	28.6
UNDECIDED	9	12	12	40.6
AGREE	31	40.2	40.2	60.1
STRONGLY AGREE	15	19.5	19.5	100.0
Total	77	100.0	100.0	

Source: Field Survey (2023)

According to the above data, 19.5% strongly agree and 14.3% strongly disagree that aggressive tax evasion may be effectively addressed by international collaboration and stricter tax rules.

Table 4.3: Analysis of responses to question 3; Do you believe that public awareness campaigns and educational efforts could help reduce instances of tax evasion

	Frequency	Percent	Percent	Cumulative Percent
STRONGLY	7	9.09	9.09	9.09

DISAGREE				
DISAGREE	4	5.19	5.19	14.28
UNDECIDED	9	12	12	40.6
AGREE	17	22	22	60.1
STRONGLY AGREE	40	52	52	100.0
Total	77	100.0	100.0	

Source: Field Survey (2023)

According to the above data, 52% of respondents strongly agree and 9.09% strongly disagree that public awareness campaigns and educational initiatives might aid in the reduction of tax evasion cases.

Table 4.4: Analysis of responses to question 4 Does tax avoidance differ from tax evasion in terms of legality and ethical considerations

	Frequency	Percent	Percent	Cumulative Percent
STRONGLY DISAGREE	13	17	17	14.3

DISAGREE	8	10.3	10.3	28.6
UNDECIDED	4	5	5	40.6
AGREE	19	25	25	60.1
STRONGLY AGREE	33	43	43	100.0
Total	77	100.0	100.0	

Source: Field Survey (2023)

According to the above data, around 43% strongly agree and roughly 17% strongly disagree that tax avoidance and tax evasion vary in terms of validity and ethical issues.

Table 4.5: Analysis of responses to question 5

Tax evasion and avoidance contribute to the reduction of the government's internally generated revenue

	Frequency	Percent	Percent	Cumulative Percent
--	------------------	----------------	----------------	-------------------------------

STRONGLY DISAGREE	3	3.8	3.8	14.3
DISAGREE	5	8	8	28.6
UNDECIDED	2	2.6	2.6	40.6
AGREE	12	16	16	60.1
STRONGLY AGREE	55	71.4	71.4	100.0
Total	77	100.0	100.0	

Source: Field Survey (2023)

According to the above data, 71.4% of respondents strongly believe that tax avoidance and evasion lower the amount of money the government receives domestically, while 3.8% strongly disagree.

Table 4.6: Analysis of responses to question 6 There are methods and strategies individuals and businesses use to evade taxes and avoid paying their full tax liabilities

	Frequency	Percent	Percent	Cumulative Percent
--	------------------	----------------	----------------	---------------------------

STRONGLY DISAGREE	6	7.8	7.8	14.3
DISAGREE	13	16.8	16.8	28.6
UNDECIDED	12	15.5	15.5	40.6
AGREE	29	37.5	37.5	60.1
STRONGLY AGREE	17	22	22	100.0
Total	77	100.0	100.0	

Source: Field Survey (2023)

According to the above data, almost 22% strongly agree that there are ways for people and corporations to avoid paying their entire tax obligations and about 7.8% strongly disagree.

Table 4.7: Analysis of responses to question 7; The loss of revenue due to tax evasion and avoidance affect a government's ability to fund essential public services such as healthcare, education, and infrastructure development

	Frequency	Percent	Percent	Cumulative Percent
STRONGLY DISAGREE	14	18	18	14.3
DISAGREE	12	15.5	15.5	28.6
UNDECIDED	11	14.3	14.3	40.6
AGREE	15	19.4	19.4	60.1
STRONGLY AGREE	25	32.4	32.4	100.0
Total	77	100.0	100.0	

Source: Field Survey (2023)

The above table reveals that around 18.4% strongly disagree and roughly 32.4% strongly agree that a government's capacity to provide vital public services like education, healthcare, and infrastructure development is impacted by money lost to tax evasion and avoidance.

Table 4.8: Analysis of responses to question 8; Reforms from government could effectively combat tax evasion and avoidance and thereby enhance its internally generated revenue?

	Frequency	Percent	Percent	Cumulative Percent
STRONGLY DISAGREE	15	19.4	19.4	14.3
DISAGREE	10	13	13	28.6
UNDECIDED	11	14.3	14.3	40.6
AGREE	31	40.2	40.2	60.1
STRONGLY AGREE	10	13	13	100.0
Total	77	100.0	100.0	

Source: Field Survey (2023)

The above table reveals that around 18.4% strongly disagree and roughly 32.4% strongly agree that a government's capacity to provide vital public services like education, According to the above data, 13% strongly agree that government measures may successfully combat tax avoidance and evasion and increase the government's internal income whereas 19.4% strongly disagree.

Since the computed Z-value of 55.9 was higher than the essential T-value at the 5% level of significance, it was determined that the model as a whole was statistically significant based on the overall statistical importance of the model as shown by the Z-statistics. This demonstrates that the variable that is dependent and all of the explanatory factors together have a substantial linear connection.

4.2 TEST OF HYPOTHESES

Data gathered from the fieldwork was used to test the study's hypotheses. Under the two-tailed test, the hypotheses were tested using the z-test at the 5% level of significance.

Hypothesis 1 Regarding how much tax avoidance and evasion impact Nigeria's economy, there is no correlation.

With a computed z-value of 7.93, the result demonstrated that, at the 5% level of significance, ensuring tax compliance is more important than the crucial t-value of 2.0. The alternative hypothesis, which contends that there is a link between ensuring tax compliance, is therefore accepted, while the null hypothesis is rejected.

Hypothesis 2

H₀: Tax avoidance and evasion have little potential impact on the nation's economic growth.

The outcome demonstrated that there is no correlation between cross-border transactions and the digital economy, with a z-value of 3.87 determined at the 5% significance level, which is higher than the essential t-value of 2.0. As a result, we disprove the null hypothesis and support the alternative, which contends that cross-border transactions and the digital economy are positively correlated.

Hypothesis 3

H₀₃. The amount of domestically produced income by the government is unaffected by tax evasion and avoidance.

The outcome demonstrated how the scale and expansion of the digital economy—which includes online advertising, digital services, and e-commerce—affects tax collection, with a computed z-value of 7.93 being bigger than the crucial t-value of 2.0 at the 5% significant level. As a result, we accept the alternative hypothesis—which claims that they are related—and reject the null hypothesis.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The impact of tax avoidance and evasion on Nigeria's economy was investigated in this study. The Nigerian government has significant revenue gaps as a result of tax fraud and avoidance. This makes it harder for the government to finance the construction of infrastructure and other necessary public services, which impedes attempts to combat poverty and promote economic growth.

5.2 Summary of Findings

This study specifically aims to investigate the impact of tax avoidance and evasion on the economy of Nigeria. The estimation yielded the subsequent findings:

1. Nigeria's economy is impacted by tax avoidance and evasion.
2. The impact of tax avoidance and evasion on national economic growth.
3. Internally produced government income is impacted by tax evasion and avoidance.

5.3 Conclusion

The study's conclusion emphasizes how critical it is that Nigeria address tax avoidance and evasion as essential elements of its agenda for fiscal and economic policy. By doing this, the government may increase tax collection while also fostering an atmosphere that is more just, equal, and favorable to the growth and success of the economy for all of its residents.

5.4 Recommendation

- i. Based on the aforementioned results, the research suggests the following actions:
- ii. Start public education initiatives to increase understanding of the value of making taxes payments and the detrimental effects of tax evasion.
- iii. Encourage a responsible and compliant tax culture.
- iv. Examine and amend corporate tax legislation to plug gaps and guarantee that foreign companies pay a fair amount of taxes in Nigeria.
- v. Take into account enacting transfer pricing laws that follow global best practices.
- vi. Provide tax breaks and other advantages to companies and people that voluntarily follow tax laws.
- vii. Take into account amnesty policies that let tax evaders confess, make amends, and escape punishment.

REFERENCES

- Aliani K, M^hamid I, Zarai M, (2011) Diversité en genre dans le conseil d'administration et optimisation fiscale: Validation dans le contexte tunisien. *Global Journal of Management and Business Research.*;11:41-50.
- Armstrong C, Blouin J,& Larcker D. (2012) The Incentives for Tax Planning. *Journal of Accounting & Economics.*;53(4):391-411.
- Armstrong C.S, Blouin J. L,& Larcker D.F (2012). The incentives for tax planning. *Journal of Accounting & Economics.* 53(4), 391 - 411.
- Armstrong CS, Blouin JL, Jagolinzer AD, Larcker DF. Corporate governance, incentives and tax avoidance. Working paper, The Wharton School; 2014.
- Attiya YJ, & Iqbal R. (2008) Ownership concentration, corporate governance and firm performance: Evidence from Pakistan. *The Pakistan Development Review.*; 47(4):643-659.
- Balakrishnan K, Blouin J, & Guay W. (2012) Does tax aggressiveness reduce corporate transparency? Working Paper;
- Beasley M. An empirical analysis of the relation between the board of director composition and financial statement fraud. *The Accounting Review.* 1996;71;443-465.

- Bebeji A, Mohammed A, & Tanko M. (2015) The effect of board size and composition on the financial performance of banks in Nigeria. *African Journal of Business Management.*;9(16),590-598.
- Bebeji A, Mohammed A, Tanko M. (2015) The effect of board size and composition on the financial performance of banks in Nigeria. *African Journal of Business Management.*;9(16):590-598.
- Bertrand M, & Schoar A.(2003) Managing with style: The effect of managers on firm policies. *The Quarterly Journal of Economics.*;68(4):1169–1208.
- Bertrand M, & Schoar A. (2003). Managing with style: The effect of managers on firm policies. *The Quarterly Journal of Economics*,68(4),1169–1208.
- Boussaidi A. & Hamed M.S.(2015) The impact of governance mechanisms on tax aggressiveness: Empirical evidence from Tunisian context. *Journal of Asian Business Strategy.*;5(1):1-12.
- Central Bank of Nigeria. (2005) Code of corporate governance for bank post consolidation; 2014.
Available:<http://www.cenbank.org/OUT/PUBLICATIONS/BSO/2017/CORPGOV POSCO>
- Chen S, Chen X, Cheng Q. Shevlin T. (2010) Are family firms more tax aggressive than nonfamily firms? *Journal of Financial Economics.*;91(1):1-56.

Christensen J, & Murphy R. (2004). The social irresponsibility of corporate tax avoidance: Taking CSR to the bottom line, *Journal of Financial Economics*. 73(4),37-44.

Christensen J, Murphy R. (2004) The social irresponsibility of corporate tax avoidance: *Taking CSR to the bottom line. Journal of Financial Economics*. ;73(4):37-44.

Clifford P.(1997) Non-executive directors: A question of independence, corporate governance. *Journal of Law, Economics and Organisation*.;20(4):224-236.

Crozon R, & Gneezy U. (2008) Gender differences in preferences. *Journal of Economic Literature*.;47(2),448–474.

Crozon R, Gneezy U. (2008) Gender differences in preferences. *Journal of Economic Literature*.;47(2):448–474.

Daily Mail. (2010) The Great Tax Heist;

Daily Mail. (2010)The Great Tax Heist;

Dalton C. Boards of directors: Utilizing empirical evidence in developing practical prescriptions. *British Journal of Management*.;16(3):91-97.

Desai MA, & Dharmapala D. (2009) Corporate tax avoidance and firm value. *The Review of Economics and Statistics*;91(3):537-546.

- Dimitropoulos PE, Asteriou D. 2010) The effect of board composition on the informativeness and quality of annual earnings: Empirical evidence from Greece. *Research in International Business and Finance.*; 24:22-40.
- Dridi W,& Adel B. (2016) Corporate governance and book-tax differences: Tunisian evidence. *International Journal of Economics and Finance.*;8(1):171186.
- Dyreg SC, Hanlon M, Maydew EL. (2010) The effects of executives on corporate tax avoidance. *American Accounting Association.*;85(4):1163-1189.
- Erle B. (2008) Tax risk management and board responsibility. *Journal of Law and Economics.* 52(3):295-310.
- Erle B. (2012). Tax risk management and board responsibility. *Journal of Law and Economics,* 52(3),295-310.
- Fakile A.S. Uwuigbe O.R. (2013) Effects of strategic tax behaviors on corporate governance. *International Journal of Finance and Accounting.* 2013;2(6):326330.
- Firth M, Fung PYP, & Ruin O. (2007) Ownership, two-tier board structure, and the informativeness of earnings: Evidence from China. *Journal of Accounting and Public Policy.*;26:463-49.
- Funchal B, & Gottlieb D. (2003) Corporate governance and credit access: The Sarbanes-Oxley act as a natural experiment in Brazil. *Accounting Forum.* 32(2),131-139.

- Funchal B, Gottlieb D. (2008) Corporate governance and credit access: The Sarbanes-Oxley act as a natural experiment in Brazil. *Accounting Forum.*;32(2):131-139.
- Gompers P, Ishii. J, & Metrick. (2003). A. Corporate governance and equity prices. *The Quarterly Journal of Economics*, 118(1),107–155.
- Gompers P, Ishii. J, Metrick. A. (2003) Corporate governance and equity prices. *The Quarterly Journal of Economics.*; 118(1):107–155.
- Gonzalez JS, & Garcia-Meca E. (2013) Does corporate governance influence earnings management in Latin American markets? *Journal of Business Ethics.*;121(3): 419-440.
- Hundal S. (2004) Why tax avoidance is among the biggest issues of our generation. Retrieved:<http://www.liberalconspiracy.org>
- Hundal S. (2004) Why tax avoidance is among the biggest issues of our generation.; Retrieved:<http://www.liberalconspiracy.org>
- Jensen MC. (1993) The modern industrial revolution, exit, and the failure of the internal control systems. *Journal of Finance.*;48:831-880.
- Kastlunger B, Dressler S, Kirchler E, Mittone L. Voracek M. Sex differences in tax compliance: Differentiating between demographic sex, gender-role orientation, and prenatal masculinization (2D:4D). *Journal of economic psychology*. 2010;31; 542-552.

- Kerr J, Price R, Roman F (2014). The effect of corporate governance on tax avoidance: *Evidence from governance reform*. Working Paper.
- Khaola A, & Ali ZM. (2012) The board of directors and the corporate tax planning: Empirical evidence from Tunisia. *International Journal of Accounting and Financial Reporting*.;2(2):111-120.
- Khaoula A, & Ali Z.M. (2012). The board of directors and the corporate tax planning: Empirical evidence from Tunisia. *International Journal of Accounting and Financial Reporting*, 2(2),142-157.
- Khaoula A, Ali Z. (2012) The board of directors and the corporate tax planning: Empirical evidence from Tunisia. *International Journal of Accounting and Financial Reporting*.; 2(2);142-157.
- Khurana I, & Moser WJ. (2013) Institutional shareholders' investment horizons and tax avoidance. *American Accounting Association*.;35(1):111-134.
- Kourdoumpalou S. (2016) Do corporate governance best practices restrain tax evasion? Evidence from Greece. *Journal of Accounting and Taxation*.;8(1):110.
- Kraft A. (2014) What really affects German firms' effective tax rate? *International Journal of Financial Research*.;5(3):1-19.

- Landry S, Deslandes M, Fortin A. (2013). Tax aggressiveness, corporate social responsibility and ownership structure. *Journal of Business Ethics.*;74(5): 325-334.
- Landry S, Deslandes, M , & Fortin A (2013). Tax aggressiveness, corporate social responsibility and ownership structure. *Journal of Business Ethics.*;74(5), 325-334.
- Lanis R, Richardson G.(2015) The effect of board of director composition on corporate tax aggressiveness. *The Journal of Accounting and Public Policy.* (30)50-70.
- M^hamid I. Hachana R. Diversité en genre au top management, divulgation des valeurs féminines et performance, l^eexception Tunisienne. *Global Journal of Strategies and Governance.* 2010;1(2):323.
- Minnick K, Noga T. Do corporate governance characteristics influence tax management? *Journal of Corporate Finance.* 2010;16:703-718.
- Mulyadi MS, Anwar Y, & Erminus B. (2014) Examining corporate governance and corporate tax management. *International Journal of Finance & Banking Studies.*;3(3):47-52.
- Noor R. Nur SM .& Nor AM. (2010) Corporate tax planning: A study on corporate effective tax rates of Malaysian listed companies. *International Journal of Trade, Economics and Finance.*;1(2):189-193.

- Okolie J.U (2014). Corporate governance and audit committee in Nigeria. *Journal of Policy and Development Studies.*; 9(1):226-233.
- Osemeke L.O. (2012) The effect of different institutional investors and board of director's characteristics on corporate social responsibility of public listed companies: *The case of Nigeria. Journal of Accounting and Public Policy.*;31(1): 103-112.
- Ribeiro A. (2015) The determinants of effective tax rates: Firms characteristics and corporate governance. *Master's Thesis in Finance and Taxation, Faculdade De Econoia, Universidade Do Porto*;
- Richardson G, Taylor G, Lanis R. The impact of board of director oversight characteristics on corporate tax aggressiveness: An empirical analysis. *The Journal of Accounting and Public Policy.* 2013; 32:68-88.
- Salihu I, Obid S, & Annuar H. (2014) Government ownership and corporate tax avoidance: Empirical evidence from Malaysia. *Proceedings Book of ICETSR, 2014, Malaysia Handbook on the Emerging Trends in Scientific Research.*;673-689.
- Sartaji A, Hassanzadeh M, (2014) investigating the relationship between corporate governance and tax violations in Tehran Stock Exchange. *International Journal of Accounting Research.*;1(12):77-85.

- Uadiale O.M, Fagbemi T.O, Ogunleye J.O. (2010) An empirical study of the relationship between culture and personal income tax evasion in Nigeria. *European Journal of Economics, Finance and Administrative Sciences*. 20(1)16-126.
- Waweru NM, Riro GK. Corporate governance, firm characteristics and earnings management in an emerging economy. *The Journal of Applied Management Accounting Research*. 2013; 11(1):43-64.
- Xie B, Davidson WN, & DaDalt PJ. (2013) Earnings management and corporate governance: The role of the board and the audit committee. *Journal of Corporate Finance*.;9:295-316.
- Yermack D.(1996) Higher market valuation of companies with a small board of directors. *Journal of Financial Economics*.: 40;185-211.
- Yeung C. (2010) Effects of corporate governance on tax aggressiveness. *International Journal of Advanced Research*. 1(7):263-272.
- Ying T. (2015) Corporate governance and tax strategies in Chinese listed firms. Thesis submitted to the University of Nottingham for the Degree of Doctor of Philosophy. Nottingham University Business School.
- Zarai M.A. Corporate tax planning and debt endogeneity: Case of American firms. *International Journal of Business and Commerce*.;3(3):42-53.

Zemzem A, Ftouhi K. (2013) The effects of Board of directors' characteristics on tax aggressiveness. *Research Journal of Finance and Accounting*.;4(4):372379.