

# **Curbing Tax Evasion and Avoidance in Personal Income Tax Administration: A Study of the South-South States of Nigeria**

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## **Abstract**

Tax evasion and avoidance, a problem which seemed to have defied solution, had bedeviled the Nigerian tax system right from the colonial times. While some have blamed the situation on the tax authorities for not living up to expectation with regards to tax administration, others attribute it to the unpatriotic attitude of the taxpayers. It was in the light of these contending positions that this researcher carried out a survey involving state tax authorities and individual taxpayers in the five South-South States of Nigeria. The study sought to identify the causes of tax evasion and avoidance amongst individual taxpayers, the way through which it is perpetrated and the social and economic consequences brought about by this problem. It was found, among others, that loopholes in the tax laws, poverty and lack of adequate public enlightenment are responsible for the problem. The taxpayer perpetrates this unpatriotic act through such means as concealment of profit and interference with the Revenue agents through bribery and corruption. The situation results in the inability of government to render essential services adequately, creation of resentment among honest taxpayers, and inequality in the society. It was recommended that tax officials should be constantly trained and re-trained on the job, a deliberate and more aggressive public enlightenment campaign be embarked upon by government and the establishment of Revenue Courts by state governments having powers to impose heavy monetary penalties and criminal sanctions.

## **Introduction**

The desire to uplift one's society is the first desire of every patriotic citizen. Tax payment is a demonstration of such a desire. The payment of tax is a civic duty and an imposed contribution by government on her subjects and companies to enable her finance or run public utilities and perform other social responsibilities. Taxes, thus, constitutes the principal source of government revenue. However, one of the greatest problems facing the Nigerian Tax System is the problem of tax evasion and tax avoidance. While tax evasion is the willful and deliberate violation of the law in order to escape payment of tax which is unquestionably imposed by law of the tax jurisdiction, tax avoidance is

the active means by which the taxpayer seeks to reduce or remove altogether his liability to tax without actually breaking the law.

These “Twin devils” have created a great gulf between actual and potential revenue. The government has for the umpteenth time complained of the widespread incidence of tax avoidance and evasion in the country as companies and other taxable persons employ various tax avoidance devices to escape or minimize their taxes or deliberately employ fraudulent ways and means of evading tax altogether sometimes with the active connivance of the tax officials. As pointed out by Reynolds (1963), since tax is a principal source of government revenue, if persons are able to escape by legal or illegal means the tax to which they should logically be subject under the general scope of the tax, the theoretical equity of the tax to a large measure is lost. Tax evasion and avoidance no doubt deny any government the tax revenue due to her, which results in a gap between the potential and actual tax collections. This study is aimed at bridging this gap.

## **The Problem**

Although tax evasion and avoidance are problems that face every tax system, the Nigerian situation seems unique when viewed against the scale of corrupt practices prevalent in Nigeria. Under direct personal taxation as practiced in Nigeria, the major problem lies in the collection of the taxes especially from the self-employed such as the businessmen, contractors, professional practitioners like lawyers, doctors, accountants, architects and traders in shops among others. As observed by Ayua (1999) these persons blatantly refuse to pay tax by reporting losses every year. According to him, many of these professionals live a lifestyle inconsistent with reported income, which is usually unrealistically low for the nature of their businesses. Civil Servants and other salaried workers are the only class of people that actually pay tax in Nigeria. However, even among the salaried workers, he added, many have turned the statutory personal allowances and relief into a fertile ground for tax evasion. Almost all Nigerian taxpayer is married with four children! Similarly, despite the tax provision meant to plug loopholes through which taxable persons can minimize tax liability the self-employed persons employ all kinds of avoidance schemes to minimise or escape tax liability and makes you wonder whether there are still any tax officials working in that capacity. Such scenarios, no doubt, say a lot about tax administration system in Nigeria both in its design and in the disposition of some taxpayers towards taxation. While it immediately presupposes that there are legal framework put in place to punish tax evaders it perhaps raises a poser on the efficiency and effectiveness of tax laws and tax administration in Nigeria. Some state governments in an effort towards solving this problem had even gone to the extent of engaging the services of tax consultants. This government effort, notwithstanding, the problem of tax evasion and avoidance still persists (Alabi, 2001). There is no doubt that revenue due any government will be reduced by the unpatriotic act of tax evaders.

It was in the light of the foregoing issues that the present study was designed towards investigating: i. the causes of tax evasion and avoidance as it relates to personal income taxation; ii. the ways through which the problem is perpetrated, and iii. the effects or consequences (economic and social) of tax evasion and avoidance in Nigeria. It is expected that the results of this study will provide a basis for effective system of tax collection by government.

## **The Literature**

### **Personal Income Tax**

This is a tax levied on employment income and any other income received by individuals. Individuals here being those in paid employment and those in self-employment, i.e. those engaged in a trade, business, profession or vocation such as lawyers, accountants, doctors, traders in shops etc. The assessment and collection of this tax in Nigeria is regulated by the Personal Income Tax Act No. 104

LFN, 1993. It is this law that gives the necessary procedures and administrative powers to impose and collect taxes from persons, individuals, partnerships, executors, trustees Family or Communities Corporation sole or body of individuals.

Personal Income Tax is collected by the various state governments through the State Board of Internal Revenue (SBIR) from individuals resident in the tax territory. Taxes from certain categories of individual - members of the Armed Forces, the Nigeria Police, FCT residents, External Affairs Officials and non-resident individuals- are collected by the Federal Government via the Federal Board of Inland Revenue (FBIR).

By the provisions of the Approved list for Collection Decree (Decree No. 21 of 1998), the following taxes/levies are collectible by State Governments in Nigeria: 1. **Personal Income Tax:** a) Pay-as-you-earn (PAYE), b) Direct (Self and government) Assessment; c) Withholding Tax (individuals only). 2. Capital Gains Tax (Individuals only) 3. Stamp Duties (instruments executed by individuals); 4. Pools Betting and Lotteries, Gaming, and casino Taxes; 5. Road Taxes; 6. Business premises registration and renewal levy: i) Urban areas as defined by each state: maximum of N10,000.00 for registration and N5,000.00 for renewal per annum, ii. Rural areas: -Registration: N2000.00; -Renewal: N1000.00 per annum. 7. Development Levy (individuals only) not more than N100.00 per annum on each taxable individual; 8. Naming of street registration fee in state capitals; 9. Right of occupancy fees on land owned by the state government in urban areas of the state. 10. Market taxes where state finance is involved.

### **The Meaning of Tax Evasion and Tax Avoidance**

Tax avoidance arises in a situation where the taxpayer arranges his financial affairs in a way that would make him pay the least possible amount of tax without infringing the legal rules. In short it is a term used to denote those various devices which have been adopted with the aim of saving tax and thus sheltering the taxpayers income from greater liability which would have been otherwise incurred (Kielbaso, 2001). Ani et al (1978) had described tax avoidance as follows: the taxpayers knowing what the law is decides not to be caught by it, arranges his business in such a manner as to escape tax liability partially or entirely. It is a lawful trick or manipulation to evade the payment of tax. The meaning of tax avoidance is vividly captured in the case involving *Ayrshire Pullman Motor Services and David M. Ritchin Vs Commissioner of Inland Revenue* when the Lord President, Lord Clyde held that:

No man in this country is under the smallest obligation moral or otherwise so to arrange his legal relations to his business or to his property as to enable the Inland Revenue to put the largest possible shovel into his stores. The Inland Revenue is not slow and quite rightly to take every advantage, which is open to it under the taxing statutes for the purpose of depleting the taxpayer's pocket. And the taxpayer is in like manner entitled to be astute to prevent so far as he honestly can the depletion of his means by the Revenue.

Thus, it is clear that tax avoidance is legal or at least not illegal since one is mostly probably using the tax laws to limit his tax liability under the same laws. Examples of tax avoidance include:

- (i) Seeking professional advice;
- (ii) Reducing one's income by submitting claims for expenses in earning the income;
- (iii) Increasing the number of one's children (in Nigeria the maximum allowable is four);
- (iv) taking additional life assurance policies.

Tax avoidance is thus considered to be a matter of being sensible.

While the law regards tax avoidance as a legitimate game tax evasion is seen as immoral and illegal. Tax evasion is an outright, dishonest action whereby the taxpayer endeavours to reduce his tax liability through the use of illegal means. According to Farayola (1987), tax evasion is the fraudulent, dishonest, intentional distortion or concealment of facts and figures with the intention of avoiding the payment of or reducing the amount of tax otherwise payable. Tax evasion is accomplished by

deliberate act of omission or commission which in themselves constitute criminal acts under the tax laws. These acts of omission or commission might include:

- a) failure to pay tax e.g. withholding tax;
- b) failure to submit returns;
- c) omission or misstatement of items from returns;
- d) claiming relief (in Personal Income Tax), for example, of children that do not exist;
- e) understating income;
- f) documenting fictitious transactions;
- g) overstating expenses;
- h) failure to answer queries.

The most common form of tax evasion in Nigeria is through failure to render tax returns to the Relevant Tax Authority. A tax evader may be charged to court for criminal offences with the consequent fines, penalties and at times imprisonment being levied on him for evading tax (Faseun 2001).

And as observed by Sosanya (1981):

Tax evading has become the favourite crime of the Nigerian, so popular that it makes armed robbery seem like minority interest. It has become so widespread that there now exists a cash economy of vast proportions over which the taxman has no control and which is growing at several times the rate of the national economy.

No doubt, tax evasion and avoidance had robbed the Nigerian government of substantial tax revenue. According to the Nigerian Stock Exchange, 85 percent of corporate tax revenue in the country accrues from the 196 companies listed on the exchange compared to the 30,000 companies registered with the Corporate Affairs Commission. This is a serious indictment of the administrative machinery and capacity of the tax authorities in Nigeria.

### **Causes of Tax Evasion and Tax Avoidance in Nigeria**

The causes of tax evasion and avoidance are universal, as they are applicable in any country that tax is imposed. Some are peculiar to different areas, however. In Nigeria some of these causes as identified by Onuigbo (1986) include:

#### **The Absence of a “Quid Pro Quo”**

The average human being abhors the payment of tax. He sees taxation as a discredited imposition and evidently obnoxious. This stems mainly from the absence of a “quid pro quo” i.e. something of value given in return (by the Government) for the taxes paid. Taxes, it is commonly argued, should not be paid as the authority do not provide amenities which are in any way commensurate with the taxes paid. There is no guaranteed compensatory benefit.

#### **Inequitable Distribution of Amenities**

In many parts of Nigeria citizens are opposed to the payment of any form of taxes and rates on the ground that government had been unfair in the distribution of amenities and other good things of life. This thinking is often a root cause of most civil disturbances in parts of the country.

#### **Misuse or Mismanagement of Collections Made**

More often than not there are reports in the news media of how government functionaries misuse taxpayers money. Evidences of wastage of public funds abound in the form of inflated contract prices, in unexecuted but paid contracts or in the criminal acts of using diverse methods and loopholes to exhaust funds voted for ministries and governmental departments before the financial year runs out. The cumulative effect thereby produced is the resolve of many honest taxpayers never to pay their due taxes again, or at most pay under compulsion.

### **Remoteness of Taxpayers from the Government**

There is this common belief which most taxpayers have about the nature of government. The average Nigerian has an inborn bias or hatred against most government functionaries who in most cases live apart from the taxpayers. It hurts, most taxpayers would reason, for one to part with his hard earned resources for the upkeep of these (imagined) enemies. The creation of local government councils, which is supposed to bring government closer to the people had not helped matters. As argued by Kiabel (2001), a solution to the problem probably lies in the proper education and orientation of the taxpayers towards government and its functionaries.

### **Absence of Spirit of Civic Responsibility**

Most Nigerians probably due to illiteracy and ignorance fail to understand that they owe certain responsibilities to government, one of which is the payment of tax. Even when the government says it is poor they would rather argue that the government should print more money to solve her problems. This lack of spirit of civic responsibility amongst the majority of Nigerians is a major cause of tax evasion in Nigeria.

Some other authors have at one time or the other attributed the causes(s) of tax evasion and avoidance to various reasons. For example Orewa (1957) had earlier investigated the characteristics of evasion and found that complete evasion results from high degree of inter-district mobility on the part of the taxpayers. According to him, due to mobility, evasion is more pronounced on the part of self-employed taxpayers who move from compound to compound at frequent intervals than it is with salary and wage earners with known and permanent address. He contended also that partial evasion may be due to inadequate accounting records maintained by traders, mistaken belief on the part of some illiterate taxpayers that only wages and salaries represent taxable income.

Kiabel (2001) has argued that some businessmen do not see any reason why they should pay tax irrespective of the fabulous profits made. This is the direct display of the spirit of unpatriotism. Such people take the stand that no matter the income or revenue that was acquired during the year nothing will be paid as tax or they may prepare their accounts in such a way that a loss will be reflected. Generally tax evasion which is illegal achieves the same goal as tax avoidance.

### **Ways by Which Tax Evasion and Avoidance are Perpetrated**

The taxpayer indulges in evasion by resorting to various abnormal practices. Some of these are acts of omission and others are acts of commission. There are various refinements to the blatant act of tax evasion which render detection difficult: secreted wealth may be siphoned off to foreign countries through smuggling activities, refuge may be sought in foreign bank accounts or in investment abroad to escape the reach of the local laws.

Other forms of tax evasion include claiming of fictitious deductions, improper utilization may be made of temporary taxpayers status, fleeing the country to avoid payment of tax, failure to pay or keep records or adequate records, failure to pay over to the revenue the estimated tax; interference with the tax administration through bribery and corruption and any other unlawful means employed which seeks to withhold tax which is otherwise payable.

According to Toby (1983) tax avoidance consists of manipulations of transactions by resorting to various strategies. These include setting up subsidiaries or associated companies while maintaining financial interests in the outcome of both with a view of facilitating transactions as may be advantageous from the tax point of view, arranging the transfer of losses of defunct business for the purpose of obtaining a set-off against profits of the other and establishing tax haven entities in foreign countries.

### **Effects of Tax Evasion and Avoidance**

Tax evasion and avoidance have adverse effect on government revenue. Tax avoidance generates investment distortion in the form of the purchase of assets exempted from tax or under-valued for tax purposes. Avoidance takes the form of investment in arts collection, emigration of persons and capital. And as observed by Toby (1983) the taxpayer indulges in evasion by resorting to various practices. These practices erode moral values and build up inflationary pressures. This point can be buttressed with the fact that because of the evasion of tax, individuals and companies have a lot of money at their disposal. Companies declare higher dividends and individuals have a high take home profit. This increases the quantity of money in circulation but without a corresponding increase in the goods and services. This then build up what is known as inflationary trends where large money chase few goods.

### **Methodology**

The study was based on one hundred and sixty respondents drawn from the Internal Revenue Authority of Rivers, Bayelsa, Akwa Ibom, Cross Rivers and Delta States and taxpayers (individuals) in these states. Initially two hundred copies of the questionnaire were sent out: fifty copies (10 each) were administered on Internal Revenue Staff of the rank of Director, Chief Inspectors, Principal Inspectors and Senior Inspectors of taxes of the Internal Revenue Authorities of the aforementioned States. One hundred and forty copies of the questionnaire were administered randomly on various taxpayers both self-employed and salary earners in these states. Of the fifty copies mailed out to the Revenue Authorities thirty-five were properly completed and returned while a total of one hundred and twenty-five copies were duly completed and retrieved from the taxpayers. The study was eventually based on one hundred and sixty respondents. This number represents the sample size in this study.

The questionnaire was designed in such a manner as to solicit responses in the following areas.

- a) Causes (or reasons) of tax evasion and avoidance;
- b) Identification of the problems militating against tax assessment and collection;
- c) The various ways through which tax evasion and avoidance are perpetrated;
- d) Evaluation of the possible consequences of tax evasion and avoidance on states' tax revenue in Nigeria.

### **Analysis, Findings and Discussions**

Data collected were analysed using percentages, the arithmetic mean and standard deviation. The standard deviation enables us to determine with a great deal of accuracy where the values of a frequency distribution are located in relation to the mean. The standard deviation and the mean of normal population density function help us to determine probabilities of events. As the sample size is sufficiently large (greater than 30) the central limit theorem was applied. According to the Central Limit theorem, even if the population is not normally distributed as the sample size increases, distribution of sample means approaches normality. Thus the application of this theorem enabled us to use the sample size in this study to draw inferences about the population of study without knowing much of the population other than what we got from the sample.

**Table 1:** Analysis of the causes of tax evasion and avoidance

S/No	Particulars	No. of Samples that Identified it (X)	Mean (M)	X-M	(X-M) <sup>2</sup>	Percentage (%)
1.	No public enlightenment campaign	150	123.4	26.6	707.56	94
2.	Illiteracy	110	123.4	-13.4	179.56	69
3.	High tax rates	160	123.4	36.6	1339.56	100
4.	Non-existence of an efficient and equitable tax system	110	123.4	-13.4	179.56	69
5.	Lack of personnel	125	123.4	1.6	2.56	78
6.	Poor method of accounting	95	123.4	28.4	806.56	59
7.	Lack of adequate tax incentives	155	123.4	31.6	998.56	97
8.	Poor relationship between Taxpayers and tax authority.	135	123.4	11.6	134.56	84
9.	Lack of adequate enforcement for default	120	123.4	-3.4	11.56	75
10.	Poverty	144	123.4	20.6	424.36	90
11.	Non-provision of social services	105	123.4	-18.4	338.56	66
12.	Inter-district mobility	100	123.4	-23.4	547.56	63
13.	Absence of tax conscience	115	123.4	-8.4	70.56	72
14.	Proliferation of taxes.	130	123.4	6.6	43.56	81
15.	Loopholes in the tax laws	97	123.4	-26.4	696.96	61
		1851			6481.60	

**Source:** Field Survey, November 2008.

$$\text{Variance } (\sigma^2) = \frac{\sum_{n=1}^{15} (X - M)^2}{n - 1}$$

$$= \frac{6481.60}{14} = 462.97$$

$$\text{Standard deviation } (\sigma) = \sqrt{462.97}$$

$$= 21.52$$

Applying the Central Limit Theorem:

$$Z = \frac{X - M}{\sigma} \text{ is exactly standardised where; } n \geq 30$$

When X = 160;  $\sigma = 21.52$ , M = 123.40

$$Z = \frac{160 - 123.40}{21.52} = 1.701$$

$$\begin{aligned} \Pr(Z \geq 1.701) &\Rightarrow 1 - \Pr(Z \leq 1.701) \\ &= 1 - (0.5000 + 0.4564) \\ &= 0.0436. \end{aligned}$$

From the above computations the mean (M) = 123.4 the standard deviation ( $\sigma$ ) is 21.52 and the distribution = 0.0436. This shows that there is 0.0436 probability that the mean will lie outside the standard deviation. In other words, it means that there is about 95% probability that all the variables listed as causes of tax evasion and avoidance are correct. Since the probability of its correctness is by far greater than its non-acceptance we can conclude that these reasons are actually the causes of tax evasion and avoidance. As could also be observed in Table 1 there are four major causes of tax evasion and avoidance. These are high rates of tax, lack of adequate incentives to both taxpayers and tax authorities, lack of public enlightenment campaign and poverty. All of these causes have a percentage of 90% and above.

**Table 2:** Analysis of ways tax evasion and avoidance are perpetrated.

S/No	Particulars	No. of Samples that Identified it (X)	Mean (M)	X-M	(X-M) <sup>2</sup>	Percentage (%)
1.	Omission of Taxable income	95	121.08	-26.08	680.17	60
2.	Failure to keep adequate records	150	121.08	-28.92	836.37	94
3.	Inflating expenses and setting of expenses against the increased profits.	104	121.08	-17.08	291.73	60
4.	Submission of false accounts	140	121.08	18.92	357.97	88
5.	Artificial disposition.	130	121.08	8.92	79.57	87
6.	Improper characterization of income or expenses	110	121.08	-11.08	122.77	69
7.	Interference with Revenue Authority through bribery and corruption	80	121.08	-41.08	1687.57	50
8.	Fleeing the country to avoid tax.	78	121.08	-42.08	1770.73	49
9.	Claiming of fictitious deductions	150	121.08	28.92	836.36	94
10.	Failure to pay over to the Revenue the Amounts deducted from employees' wages.	120	121.08	-1.08	1.17	75
11.	Concealment of profits	160	121.08	38.92	1514.77	100
12.	Purchase of more fixed assets exempted from tax.	135	121.08	13.92	193.77	84
		1453			8372.90	

Source: Field Survey, November 2008.

$$\text{Variance } (\sigma^2) = \frac{\sum_{n=1}^{12} (X - M)^2}{n - 1}$$

$$= \frac{8372.90}{11} = 761.17$$

$$\therefore \text{Standard deviation } (\sigma) = \sqrt{761.17}$$

$$= 27.59$$

From the Central Limit Theorem:

$$Z = \frac{X - M}{\sigma}$$

When; X = 160;  $\sigma$  = 27.59; and mean (m) = 121.08

$$Z = \frac{160 - 121.08}{27.59} = 1.41$$

$$\therefore \text{Pr}(X \geq 1.41) = 1 - \text{Pr}(Z \leq 1.41)$$

$$= 1 - (0.5000 + 0.4207)$$

$$= 0.0793$$

From the above computations the mean (M) = 121.08 the standard deviation ( $\sigma$ ) = 27.57 and the distribution = 0.0793. These data show that there is 0.0793 probability that the mean will lie outside the standard deviation. This implies that there is about 92% probability that all the variables mentioned as ways through which tax evasion and avoidance are perpetrated are correct. Since the probability of its correctness is by far greater than its non-acceptance, it is concluded that these are the various ways through which evasion and avoidance of tax are perpetrated. Also as shown in table 2 tax evasion and avoidance are perpetrated through three major means. These are failure to keep adequate record, claiming of fictitious deductions and concealment of profit.

**Table 3:** Analysis of the Economic and social effects of tax evasion and avoidance:

S/No	Particulars	No. of Samples that Identified it (X)	Mean (M)	X-M	(X-M) <sup>2</sup>	Percentage (%)
1.	Non-provision of social Services	160	112.09	47.91	2295.37	100
2.	Low Revenue	140	112.09	27.91	778.97	88
3.	Higher costs of enforcement	100	112.09	-12.09	146.17	63
4.	Creation of resentment among honest taxpayers	124	112.09	11.91	141.85	78
5.	Inequality in the society	145	112.09	32.91	1083.07	91
6.	General contempt for the Law	89	112.09	-23.09	533.15	56
7.	Investment distortion	75	112.09	-37.09	1375.67	47
8.	Resource cost	135	112.09	22.91	524.87	84
9.	Siphoning of wealth to another state or country	75	112.09	-32.09	1375.67	47
10.	Breeds corruption	80	112.09	-32.09	1039.77	50
11.	Inflationary pressures	110	112.09	-2.09	4.37	69
		1233			9298.93	

**Source:** Field Survey, November 2008.

$$\begin{aligned} \text{Variance } (\sigma^2) &= \frac{\sum_{n=1}^{11} (X - M)^2}{n - 1} \\ &= \frac{9298.93}{10} \\ &= \mathbf{929.89} \end{aligned}$$

$$\therefore \text{Standard deviation } (\sigma) = \sqrt{929.89} = 30.49$$

Applying the Central Limit Theorem:

$$Z = \frac{X - M}{\sigma}$$

Thus when; X = 160;  $\sigma = 30.44$ ; and Mean (M) = 112.09

$$Z = \frac{160 - 112.09}{30.49} = 1.57$$

$$\begin{aligned} \therefore \text{Pr}(X \geq 1.57) &\Rightarrow 1 - \text{Pr}(Z \leq 1.57) \\ &= 1 - (.5000 + 0.4418) \\ &= 0.0582 \end{aligned}$$

This result shows that there is 0.0582 probability that the mean will lie outside the standard deviation. In other words, it means that there is about 94% probability that all the variables listed as economic and social consequences of tax evasion and tax avoidance are correct. For the fact that the probability of its correctness is by far greater than its non-acceptance; it is concluded that these are the effects or consequences (both economic and social) of tax evasion and avoidance. Table 3 also reveal that there are two main consequences of tax evasion and avoidance. These are non-provision of social services and inequality in the society. These two variables were identified by over 90% responses in the study.

## Conclusion

Tax evasion and avoidance is a very serious societal problem that is causing much concern and major set back on revenue collection in Nigeria. From all indications it is now clear that if government engages in a complete re-organization of the tax administrative machineries, the twin problems of tax evasion and avoidance will be reduced to a tolerable limit. It is equally important for the various state governments to make frantic efforts aimed at educating the tax illiterates of their civic responsibilities.

Such enlightenment on tax evasion and avoidance will go a long way to reduce the states' over dependence on federal allocation. It is hoped that if the measures prescribed in this study are implemented, it will go some way in reducing the problem of tax evasion and avoidance to reasonable dimensions.

## **Recommendations**

For the various State Governments to meet their revenue targets especially now that the services of tax consultants have been discontinued it would be appropriate to take a look at the factors responsible for the incidence of tax evasion and avoidance since a check on these factors will go a long way in reducing if not eradicating the problem. In the light of this, the following recommendations are made:

1. Government should embark upon other means of publicity such as radio messages, television advertisement, post bills as well as the use of town criers to inform taxpayers of changes in tax legislation and need for compliance.
2. The tax authorities should properly review and evaluate the assessment and collection procedures so as to encourage compliance by the taxpayers. The usual practice of reprinting parts of the tax laws and sending same to the taxpayers expecting that they would understand is not encouraging since these laws are written in legal jargons or terms that are not easily understood. Moreover, tax forms should be made less complex. Vast improvement can be made by improving the design of the forms.
3. Suitable personnel should be recruited and Revenue personnel generally trained and retrained to cope with the demands of the job. Staff should also be motivated through good salary package to insulate them from fraud and other corrupt practices.
4. The setting up of Revenue Courts should be embraced by the various state governments. These Courts should be made to impose heavy monetary penalties and criminal sanctions.
5. The handling of tax clearance certificates should be well decentralized such that neither the assessor nor the collector can issue tax clearance certificates. The Audit Unit of the Authority should be strengthened to always audit tax remittance by collectors at all levels. This measure will go a long way to curb corrupt practices among tax officials.
6. A legislation compelling banks to inform the tax authorities, on request, of any income standing in the account of any taxable person (especially the self-employed taxpayers) should be put in place by the various state governments.
7. Government should endeavour to provide social amenities to all nooks and crannies of the state (not just the state capitals alone), provide employment opportunities to all by the judicious use of tax proceeds. In this way all will feel belong thereby encouraging voluntary compliance.
8. A census of the taxable population should be conducted throughout the various states. This will now update the tax register so that at any given point in time the tax office can give details of taxable adults and businesses thus reducing the incidence of tax evasion.
9. Since majority of the people are poor tax evasion becomes inevitable. Government should therefore aggressively tackle the inflationary trend and also ensure that the poor pay very minimal tax.

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