
AN EVALUATION OF THE EFFECT OF TAX EVASION ON REVENUE GENERATION IN NIGERIA

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Introduction

A well organized society, for instance a country or state government owe to the people it governs some fundamental obligations. These obligations are in the forms of provisions of basic social amenities such good roads, health, security of lives and properties, shelter, good water etc. The citizens on their own part owe the government by making equitable contribution in the form of levy on tax. It is against these background that government levy taxes on its citizenry to pursue the above stated objectives it owns to the people. Tax is a non-punitive yet compulsory levy on the income and properties of individuals and organizations by government and which it does not account for, the processed from the levy on trade which the government uses to pursue the accomplishment of some social, economic and political objective in the interest of its citizens” (Ola, 2008).

One of the responsibilities of a good citizen as usually state in the constitution is tax payment, but saddens to note that many shy away from this responsibility, in other words, individuals and business organizations device different illegal strategies in order not to pay tax, this is known as tax evasion. Tax evasion means a tax payer is doing something against the law in order not to pay tax and if discovered is punishable by the law. However, another school of thought maintain that tax is non-punitive but compulsory, that an efforts should be made to pay as little possible with the frame work of the law, this engaging in legal tax evasion. This is one of the most universal social malice hindering adequate revenue generation, thereby affecting the proper administration of government at various levels.

The acid rest of an efficient government is its ability to generate sufficient revenue to finance its enormous expenditure, and all things being equal tax should be in the forefront in government revenue generation, but on the contrary tax as always contributed miserly to government revenue. Undoubtedly there has been the after math of excessive tax evasion. Empirical evidence have shown that the unco-operative and unprogressive attitude of our citizenry towards tax payment result in major financial problems of government. Obviously it is an agreed fact, that payment of taxes is among the basic things needed for the survival of any society. The hall mark of technological advancement, economic growth, social satisfaction, the people’s need’s and value to the society center exclusively by within the ambit of taxation. Also the increasing impact government is making in economic development is such that it requires substantial financial assistance from every individual in the society. This phenomenon therefore presupposes a qualitative and practical approach to a good system of base administration and collection. Admittedly, negative, attitudes of the populace especially in the payment of tax have resulted in tax evasion which is capable of pulling down a well-organized government. Developing and emerging countries like Nigeria are particularly vulnerable to tax evasion and

avoidance activities of individual taxpayers and corporations. This can be considered one of the primary reasons for large differences in the ability to mobilize own resources between developed and developing countries. In developing countries, tax evasion and tax avoidance is a great problem as there are many individual taxpayers and corporations who are evading or avoiding tax. As a result, government's developmental activities are hampered. Hence the urgent need to arrest this ugly incident of tax evasion, so to generate revenue needed by the governments to carry out its various obligations.

Though there are various means of contributing to the funding of government, but the widely accepted and most commonly adopted throughout the world is taxation. In Nigeria, besides taxation, among other sources of revenue generation are oil and gas, income from investment on other sectors like treasury bills and bond, mineral resources, grants/support from international donor agencies like IMF, UN, world bank etc., support services to neighboring countries and other cross border transactions etc. While these are means for revenue generation, they are not as reliable and sustainable as taxes. Taxation is one of the key sources of revenue generation in Nigeria and just like in many developing countries, Nigeria's revenue generation suffers tax evasion.

Statement of problem

Although tax evasion is a problem that faces every tax system, the Nigerian, situation seems unique when viewed against the scale of corrupt practices prevalent in Nigeria, the threat of tax evasion is the greatest puzzle facing the Nigerian tax system. Under direct personal income 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 as observe by Ayua (1999), persons blatantly refused to pay by reporting losses every year. According to him, many of this Professionals like lawyers, doctors, accountants, architects and traders in shops among others. 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 income tax in Nigeria.

However, even among the salaried workers, many have turned the statutory personal allowances and relief into a fertile ground for tax evasion. Almost all Nigerian taxpayers claimed to have 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 minimize or escape tax liability and this make you wonder whether there are still any tax officials working in that capacity. If tax evasion and avoidance is high, there is the likelihood that the amount of tax collected will fall short of the target and this results to low IGR and inability of the stats to meet their financial obligations at any time that oil revenue individuals

Objectives of the study

The main objective of this research work is the effect of tax evasion on revenue generation in Nigeria. The other specific objectives are:

- i. To ascertain if there is a relationship between tax evasion and revenue generation in Niger
- ii. To examine the effect of tax evasion on revenue generation in Nigeria

Research Hypotheses

In an effort to discover the effect of tax evasion on revenue generation in Nigeria; the following hypotheses were postulated to enable the researcher have good focus on the study:

- i. **H₀**: There is no significant positive relationship between tax evasion on revenue generation and the economic growth in Nigeria
- ii. **H₀**: Tax evasion has no significant positive effect on revenue generation in Nigeria

Literature Review

Taxation

The concept of taxation has been a concern of global significance as it affects every economy irrespective of national differences (Oboh, 2012). Tax is a compulsory charge imposed by a public authority on the income of individuals and companies as stipulated by the government decrees, acts or cases laws irrespective of the exact amount of services rendered to the payer in return (Omotoso, 2001). Tax is a compulsory levy imposed by an organization or Government on its member citizens, for the sole purpose of providing common goods and services for the benefit of all members” (Ekenze, 2013). Tax is designed to raise revenue required for the expenditure authorized in a government budget expectation. It is also a veritable instrument of promoting social and economic justice and equality amongst citizens of a state or members of an organization. Tax is not a voluntary payment; it is a compulsory pecuniary burden placed upon the subjects of a given country to support the people.

Objectives of Taxation

The main purpose of tax is to raise revenue to meet government expenditure and to redistribute wealth and management of the economy (Ola, 2008, Jhingan, 2004, Bhartia, 2009). Anyanwu (1993) pointed out that, there are three basic objectives of taxation. These are to raise revenue for the government, to regulate the economy and economic activities and to control income and employment. Also, Nzotta (2007) noted that, taxes generally have allocation distributional and stabilization functions. The allocation function of taxes entails the determination of the pattern of production, the goods that should be produced, who produce them, the relationship between the private and public sectors and the point of social balance between the two sectors. The distribution function of taxes relates to the manner in which the effective over economic goods is divided, among individuals in the society.

Tax Administration in Nigeria

This involves practical interpretations and application of tax laws. The bodies charged with the administration of tax in Nigeria are the Federal, the State and Local Government. The tax authorities of these tiers of government derive their formation from the Federal Laws which include:

- The Federal Board of Inland Revenue (FBIR) section 1, 2, and 3 of the companies Income Tax Act (CITA) 1990.
- The Board of Internal Revenue (SBIR), section 85A, B and C of personal Income Tax Act as amended by Act No 31 of 1996.
- The Local Government Revenue Committee, section 85D and E of personal Income Tax as amended.

Anyafo (1996:122) stated that, Taxation are administrated in Nigeria as follows;

- (a) At the Federal level the Federal boards of Inland Revenue are in charge of companies income tax and petroleum profit tax and the federal board of customs and excise in the case of import, export and excise duties.
- (b) At the state level it is administered by the state tax board in respect of Personal Income Tax (PIT), capital gain tax resident, casino, vehicle and drivers license, sales tax transfer tax etc.
- (c) The local government administered the flat income (poll tax) cattle tax, community tax, property tax etc. The administration of income tax under the ITKA is rested on the joint tax board. This board consists of an officer from each of the state and a nominee of the federal public services commission with the chairman of the federal board of Inland Revenue as its chairman.

Challenges of Tax Administration in Nigeria

The major challenges facing tax administration in Nigeria include the following:

Tax Evasion: This is a contravention of tax law whereby a taxable person blatantly refuse to pay tax. The tax payer achieve this either by reducing tax liability by making fraudulent or untrue claims on the income tax form. The various methods of tax evasion includes:

- Refusal to register with relevant tax authority
- Failure to furnish a return, statement or information or keep record so required.
- Making an incorrect return by admitting or understating an income liable to tax.
- Refusing or neglecting to pay tax.
- Overstating of expenses so as to reduce taxable profit or income, which will also lead to payment of less tax than otherwise have been paid (Madugba, 2013).

The General Apathy to Pay Tax: It is no double a fact that people are always skeptical to part with their hard earned income. This is a general world phenomenon. However, the situation is worst in developing countries like Nigeria as some taxpayers see tax payment as waste of fund by given their hard earned monies to the government. There are other perspectives to this, among which are those successful businessman and elites that are deliberately evading tax, those using the planning to avoid tax, and those that are ignorant of what to do but are willing to do if properly enlightened.

Corruption in the System: The extent to which corruption has gone in every sector of this country is overwhelming and incredible. Indeed, it is beyond blaming anyone or sector. The task to fight this menace is therefore a responsibility of all us as citizens by ensuring that we do the right thing at all times.

Unreliable or Inadequate Data: Though information generally are unreliable in various sectors, taxpayer information are no exception. Among these are: insufficient audited accounts details, wrong incorporation details, use of fake or wrong addresses and manipulated figures most of which is done to avoid or evade taxes.

Government Revenue Generation

Olotu (2012) mentioned that today, taxation is already sowing seed of transformation in many states of the federation of Nigeria. She pointed that only last month, tell magazine carried a cover story titled; "the new cash cow". In that write up the magazine reveals how "more and more states across the country are now turning to taxation to shore up their revenue to finance critical infrastructural projects".(Tell Magazine, April 30, 2012). She pointed examples of

Government Okorocha (Imo State), Governor Oshiomole (Edo State), Governor Fashola (Lagos State) and Governor Amaechi (River State) were among the list of states where tax revenues are being harnessed to transform their various jurisdiction. Furthermore, Olotu (2012) mentioned that these states have seen their tax revenues tripled and quadrupled in recent times and this has enabled the implantation of numerous life and community transforming project and programmers leading to an increasingly more satisfied populace.

Olotu (2012) cited monthly revenue increase from N275 million per month to over N1.6 billion per month, as it the case in Edo State. She attributed the cause mainly due to increase in tax revenue. Abiola and Asiweh (2012) also highlighted the contribution of Lagos State to government revenue generation in Nigeria. They states that Lagos State is among a few state in Nigeria that have left a land mark in terms of independence ad use internally generated revenue. Syndelle (2009) observed that in 2007, Lagos State achieved a gross domestic product of N3.68 trillion an equivalent of \$29.028 billion making it the biggest contributor to the federal government. A cross analysis of the last eleven years, (see Appendix) at the Federal level reveals that oil and gas taxes dominated the source of tax revenue in Nigeria as it constituted on the average about 57.77% of the tax revenue generation. The peak was at 77.65% in 2005. However, for the last three years of the eleven years period, the average dropped to 48.34% but of particular note was that in 2015 alone it has dropped to 34.47%. The emphasis now is how to increase our non-oil taxes to “generate adequate revenue to promote economic growth in Nigeria.” It is also instructive from the revenue collection figures that in total the performance in relation to the target set for the FIRS was achieved up to 115.03%. Considering non-oil taxes only, this is 97.14% of the target given to the FIRS. Accordingly, the FIRS is working hard on yearly basis to surpass the set target to ensure adequate revenue for funding government activities and to also improve non-oil taxes percentages ratio to GDP (Ogundare, 2016).

Tax Evasion

Tax evasion is the general term for efforts by individuals, firms, trusts and other entities to evade taxes by illegal means. Tax evasion usually entails taxpayers deliberately misrepresenting or concealing the true state of their affairs tax liability. It also includes, in particular, dishonest tax reporting such as declaring less income, profits, or gains than actually earned; or overstating deductions. Tax evasion apart from being a moral wrong also amounts to a breach of the tax laws (Nwachukwu, 2006). Soyode and Kajola (2006), defined tax evasion as a deliberate and willful practice of not disclosing full taxable income in order to pay less tax. It is a deliberate violation of tax laws and it is evident in situations where tax liability is fraudulently reduced or false claims are filled on the revenue tax form. Tax evasion is an outright dishonest action whereby the taxpayer endeavours to reduce his tax liability through the use of illegal (Adebisi and Gbegi, 2013). 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 (Farayola, 1987).

Tax evasion is accomplished by deliberate act of omission or commission which in them constitutes criminal act under the tax laws. These acts of omission or commission might include:

- (a) Failure to pay tax example; withholding tax
- (b) Failure to submit returns;
- (c) Omission or misstatement of items from returns;
- (d) Darning 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.

Ezeanyeji (2015) note that, tax evasion is either understatement or concealment of taxable object or as the failure to pay tax in time either by the assessee or his agent. So it is illegal. In the case of tax evasion, tax liability is reduced or tax is not paid at all. Tax evasion means illegally hiding income or concealing the particulars of income or concealing the particulars of source of income or manipulating account so as to inflate expenditure and other outgoings with a view to illegally reduce the burden of taxation. Hence, tax evasion is illegal.

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). Sosanya (1981). Tax evading has become the favorite 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 waste proportions over which the taxman has no control and which is growing at several times the rate of the national economy. Anyafa (1996) stated that tax evasion is an attempt to escape tax (wholly or partially) by breaking the law. It is essentially, a criminal act since it is achieved principally by making false declaration such as under reporting income or over reporting relief and allowances. The Red cliff commission defined tax evasion as a situation which denotes all those activities which are responsible for a person not paying the tax that are existing change on his income. Asprey Committee stated that the phrase "tax evasion" described an act in contravention of the law whereby a person who derives a taxable income either pay no tax or pay less tax than he should otherwise be bound to pay tax evasion include the failure to disclose in a return the true amount of income derived. The definition offered by the Canadian department at National revenue as quite comprehensive and at immense assistance in the quest for an acceptable definition. They stated that: "tax evasion is the commission or omission of an act knowingly with intent to defraud, so that the reported by the tax payer is less than the tax payable by the tax payer or less than the tax payable under the law, or a conspiracy to commit such an offence. This may be accompanied by deliberate misrepresentation, concealment or withholding of material fact.

Tax evasion is not the same thing as tax avoidance, in the sense that tax evasion is deliberately paying less tax or not at all what one is legally obliged to pay to government or tax agency, while tax avoidance is an act of doing everything possible within the confines of the tax law to reduce the tax paid. Therefore, the main difference between the two terms is the tax evasion is illegal and punishable while tax avoidance is lawful.

Causes of Tax Evasion and Avoidance in Nigeria

There various factors actually cause tax payers to evade. These factors must be understood and dealt with if the eradication or at least reduction of tax evasion is anything to come by. Some of these factors are:

- **High Rates of Taxation:** The prevailing high rates of taxation is one of the main causes of evasion. The high tax rates in the top income brackets are said to be tolerated only because, considerable evasion take place there. But the tax rates by themselves are not

to be blamed for the large extent of the evasion in any country for even if the rates are reduced, evasion will still continue, because it exists at all levels of income.

- **Inadequacy of Powers:** The inadequacy of the powers vested in the personnel of the department is yet another cause of tax evasion. The facts relating to income, wealthy, expenditure etc., are known only to the tax-payer and if he does not disclose all of them to the assessing officer are also not used freely, by an honest officer because of the fear that no harassment is caused to the honest tax-payer. An honest man can only respect honesty.
- **Lack of Publicity:** Another reason for widespread evasion is said to be the secret provisions of the direct taxes Acts in various countries. At present, the department in various countries is statutorily prohibited from disclosing any information relating to a person's return or assessment, excepting to specified authorities like central and State Government Authorities, courts of law and central bank of the respective countries for the limited purpose mentioned in the Acts of that country.
- **Shortage of Experienced Personnel:** Another reason for evasion is said to be the dearth of experienced personnel in the department. It is, therefore, necessary to have in the department sufficient numbers of trained and experienced personnel to cope with the current as well as arrear load of assessment and investigation work. Simultaneously, the organization and procedures of the department should be imposed so as to bring it with highest pitch of efficiency.
- **Absence of Deterrent Punishment:** One important reason for the prevalence of evasion is stated to be that in actual practice, no deterrent punishment like imprisonment is being meted out to tax evaders when they are caught. The non-resort to prosecution and non-levy of deterrent punishment have undoubtedly encouraged the growth of tax evasion.
- **Political Vendetta:** People evade if they are being oppressed by the party in power. Sometimes, the political party in power may witch-hunt their opponents by imposing heavy taxation on their business interests or personal income tax. This leaves the opponent with no other option than to evade the tax. Sometimes also, the opponent may refuse to pay income tax if the party in power is not favorable to him or he does not support that government (Appah, 2004).

Effects of Tax Evasion on Government Revenue and Economic Development

Tax evasion have adverse effect on government revenue. As observed by Toby (2003) the tax payer 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 increase 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 chases few goods (Appah, 2010).

According to Appah (2010), the effects of tax evasion on revenue generation and economic developmet are; but not limited to the following;

- Tax revenue is used to build the infrastructure, to invest in social security programmers. But due to tax evasion and tax avoidance, the developmental activities are hampered.

- Tax evasion and tax avoidance hamper the social welfare. It obliges the government to borrow loan that effects the economic development.
- In capitalist mixed economy, private sector is supposed to play vital role in investment and development. But sometimes direct investment by governments is necessary. Due to tax evasion and tax avoidance the government cannot supply the expected fund for investment.
- The government has to take various plans for economic development. But due to lack of fund, the plan cannot be implemented. If the people would not evade tax, the government could implement the plans as they would have enough resources with them for their purpose.
- The government needs fund to create employment opportunities to its citizen. But due to tax evasion and tax avoidance, the government cannot ensure the employment opportunity due to paucity of funds.
- Social security cannot be provided fully by the government due to lack of fund. Tax evasion and tax avoidance is the main obstacle to create sufficient fund.
- Due to tax evasion and tax avoidance a huge amount of tax revenue is lost. As a result the government cannot provide basic needs for the masses of the people.

Modes of Tax Evasion

The following are the modes of tax evasion

1. **Tax shelter and Tax Haven:** The strictly transactions involve shifting of income between taxpayers and tax-indifferent entities through composite claims of inter-related entities are of this type. The use of offshore bank accounts in tax haven countries to hide unreported income, which can later be accessed through credit cards to finance personal consumption at home. For transaction that are clearly outside the tax law, the only question for tax gap measurement is the ability to find and identify them.
2. **Psiagencies and Dodging of Customs Duty:** Customs duties are the important source of tax revenue in the developing countries. It is often alleged that tax payers and chartered accountants help taxpayers including firms and companies in evading taxes. In the same vein, the C and F (clearing and forwarding) agents help in evasion of customs duties. The importers content to evade customers duty by under invoicing and misstatement of quantity and product- description. Under-pricing is used for reduced tax base to avoid import duty. Prevalent misstatement of quantity is often used to avoid specific duty (Chowdhiny, 2006). Production description is changed to match and H. S. code commensurate with a lower rate of duty. Pre-shipment Agencies (PSI) like SGS, COTECNA etc. are employed to prevent evasion of customs duty through under invoicing and misstatement. However, in the recent times, allegations have been lodged that PSI agencies have actively cooperated with the importers in evading customs duties.
3. **Underground Trafficking:** An importation or exportation of illegal products through unauthorized way. This act is resorted to for total evasion of taxable revenues as well as for importation of contraband (smuggled goods) items. A purported trafficker does not have to pay any customs duty since the products are not routed through an authorized or notified customer's port and therefore, not subjected to declaration and payment of duties and taxes (Chowduhury, 2006).

4. **Elusive VAT and Turnover Taxes:** VAT is the most talked about and latest issue of the time of modern taxation age. This indirect form of taxation basically inherits an extended form of turnover or sales taxes. An ultimate consumer who bears the real burden of this taxation has little scope to evade, but producers or distributors who collect VAT from the consumers may evade tax by under-reporting the amount of sales (Islam, 1999).
5. **Dishonesty of Tax Officials and Hissing of Paying Taxes to Respective Order:** That sleaze tax officials cooperate with the tax payers who intent to evade taxes is an open-secret matter in most developing countries. When the detect an instance of evasion, they refrain from reporting in return for illegal gratification or bribe. Hence, corruption by tax officials is a serious problem for the tax administration in a large number of underdeveloped countries.

Methods of Evasion Control

Tax evasion has to be fought by making the enforcement machinery stronger and strike in its administration and by the levy of deterrent punishment whenever a tax evader is caught. However, in the process of tracing cases of evasion, some inconvenience is caused to the accesses, but it is inevitable under the present circumstances.

However, the dishonest should not be allowed to escape, but the department should, at the same time, so conduct itself as not to create an impression in the minds of honest assesses that their words are not believed and that they are subjected to needless harassment. Besides, the existing law government taxes on income should be amended so as to plug the various loopholes. However, in view of the deterrent effects, the names of all persons in whose cases penalties have been imposed for 5,000 naira or more for the concealment of income, wealth, expenditure etc. Should be published by the commissioners, in the gazette as well as in the press, giving details of their names, addresses and the type of penalties. If the assesses concerned are a company or firm; the names of all the directors of the company or partners of the firm, as the case may be, should be published. However, the following measures have been advocated to fight the problem of tax evasion

1. **Reduction in Tax Rates:** It has been pointed out that prevalence of high tax rates is the first and foremost reason for tax evasion in any country. This makes the tax evasion profitable and attractive in spite of the attendant risks. The high rates of taxation create a psychological barrier to greater effort, and undermine the capacity and will to save and invest. Hence, it is suggested that there should be reduction in the present tax rates.
2. It is also suggested that there should be minimization of controls and licenses in the economy. To this end, a committee of experts should be appointed to enquire into the utility of existing controls, licensing and permit systems and suggest elimination of some of these as they are no longer considered necessary.
3. The practice of being too meticulous in small cases, where no worthwhile revenue is involved, has done much to damage the image of the department in the public eye. It is therefore suggested that confidence be created among small tax payers. It means that the small tax payers should not be harassed unnecessarily.
4. **Changes in penal provisions:** Penalty serves its purpose only so long as it is within reasonable limit. A penalty based on income instead of tax highs the smaller tax-payer harshly. Hence, it is suggested that there should be changes in the penal provisions in different countries. It is also recommended that the minimum penalty impossible for

- concealment of income should be the amount of tax sought to be evaded and the maximum penalty impossible should be fixed at twice the said amount.
5. **Public opinion:** It is suggested that public conscience is to be aroused against tax evasion and the evaders should be ostracized by the society. But it is possible only when the public is convinced that tax evasion is anti-social.
 6. **Vigorous Prosecution:** It is also suggested that the department should completely re-orient itself to a more vigorous prosecution itself to a more vigorous prosecution policy in order to instill a wholesome respect for the tax laws in the minds of the tax-payer. Further, where there is a reasonable chance for securing a conviction, the tax dodger should in variably be prosecuted.
 7. People should be educated with regard to the real object of the collection of direct taxes through press, radio and films.

Theory of Taxation

Several theories have been advanced from time to time for achieving the principles of justice in taxation. Eftekhari, (2009) noted that taxation has always been an issue for the government and tax payers alike from the early years of civilization. The issue of taxation has generated a lot of controversy and severe political conflicts over time. According to its importance, several economic theories have been generally classified under three different theories as given; Ability to pay principle, benefit approach and equal distribution. Some of the theories are given as follows:

Ability-to-pay- Principle: As the name suggests it says that the taxation should be levied according to an individual's ability to pay. It says that public expenditure should come from "him that hath" instead of "him that hath not". The principle originated from the sixteenth century, the ability-to-pay principle was scientifically extended by the Swiss philosopher Jean Jacques Rousseau (1712-1778), the French political economist Jean-Baptiste say (1767-1873). This is indeed the basis of "progressive tax" as the tax rate increase by the increase of the taxable amount. This principle is indeed the most equitable tax system, and has been widely used in industrialized economics.

The usual and most supported justification of ability to pay is on grounds of sacrifice. The payment of taxes is viewed as a deprivation to the taxpayer because he surrendered money to the government which he would have used for his own personal use. However, there is no solid approach for the measurement of the equity of sacrifice in this theory as it can be measured in absolute, proportional or marginal terms.

Benefit Received Theory

According to the benefits principle of taxation, the burden of taxation should be divided among the people in proportion to the benefits received from the state. The benefit principle is very much similar to the cost of service principle. Here also, the government acts just like a businessman. People pay to the businessman according to the amount of commodities purchased from him. Similarly, they should pay the government according to the goods and services received. The person receiving equal benefits from the state should pay equal amount of taxes, and those who receive greater benefits should pay more as taxes than those getting less benefits. The benefit approach to taxation was accepted widely among the political theoreticians

of seventeenth century. Taxation as a price for services rendered seemed to be a natural complement to the contract theory of state. But throughout, the notion of control benefit remained the basis of organized society, and protection appeared as a major objective of contract. Taxes accordingly were considered as a price to be paid for protection to life and property by the members of the organized society.

METHODOLOGY

The researcher adopted survey research design while carrying out the study. This study used secondary sources of data collection were used. For an in-depth analysis of the issue involved in the effects of tax evasion on Revenue generation in Nigeria. The researcher carried out a survey which is aimed at revenue generation. In this study mixed methods research design (both quantitative and qualitative methods) were used by mixing both quantitative and qualitative data in a single study (Germils and Airasn, 2006). The quantitative method makes it possible to effectively utilize a large sample size that would produce statistical data with an improved ability to generalize such across the country.

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Population of the Study

The focus of this research work is on the eligible individual taxpayers and organizations in the society. This includes workers in both the formal and informal sector. Those in the formal sectors are all civil servants and or officers with their different salary level and proportionate tax rates e.g. the police teachers, doctors, soldiers, all the ministries workers whether a the federal, state or local government level. The informal sector forms a larger percentage of the working or taxable population of Nigeria. Put simply they dominate the economy of Nigeria. They include all the self-employed and their employees and or agents. Survey method has the advantages of collecting a large volume of data from a very large population at a relatively low cost. Volumes of data can easily be generated and analysed to give result that can represent the population of study. This makes the use of this method most appropriate in this study.

Sample Size Determination

The study adopts the judgmental sampling whereby selection is based on individual taxpayers and corporate organization. It is most appropriate or preferred by the researcher. They are preferred by the researcher because data on them are readily available and they are the most popular as sources of revenue to the Government. This study will cover both self-employed and salary earners for the period of 1999-2015.

Description of Model Variables

Hypothesis 1

H₀: There is no relationship between tax evasion and revenue generation in Nigeria.

H₁: There is a relationship between tax evasion and revenue generation in Nigeria.

$$GSP = \beta_0 + \beta_{\text{TEA}} \text{ - - - - - model objective 1}$$

Where: GDP represent revenue generation. It is the dependent variable while TEA represents Tax Evasion. It is the independent variable.

β_0 is a constant

β_{TEA} represent rate of change TEA

Hypothesis 2

H₀: Tax evasion has no significant effect on revenue generation in Nigeria

H₁: Tax evasion has a significant effect on revenue generation in Nigeria

$$GSP = \beta_0 + \beta_{\text{TA}} \text{ - - - - - model objective 2}$$

Where GDP represent revenue generation in Nigeria. It is the dependent variable.

While TEA represent tax evasion. It is the independent variable.

β_0 is a constant

β_{TA} represent rate of change

Techniques of Data Analyses

In analyzing the data gathered regressions model was employed to establish the relationship between dependent and independent variables. The study made use of economy approach in estimating the relationship between tax evasion and Revenue generation in Nigeria. The ordinary least square (OLS) techniques were employed in obtaining the numerical estimates of the coefficient in different equation. The hypotheses earlier formulated for the study were tested using inferential statistical technique known Peason correlation and regression analysis with the aid of statistical package for social sciences (SPSS) version 23.

Data analysis and Results

Hypothesis one

H₁: There is a significant positive relationship between tax evasion on revenue generation in Nigeria

H₀: There is no significant positive relationship between tax evasion on revenue generation in Nigeria

Correlations

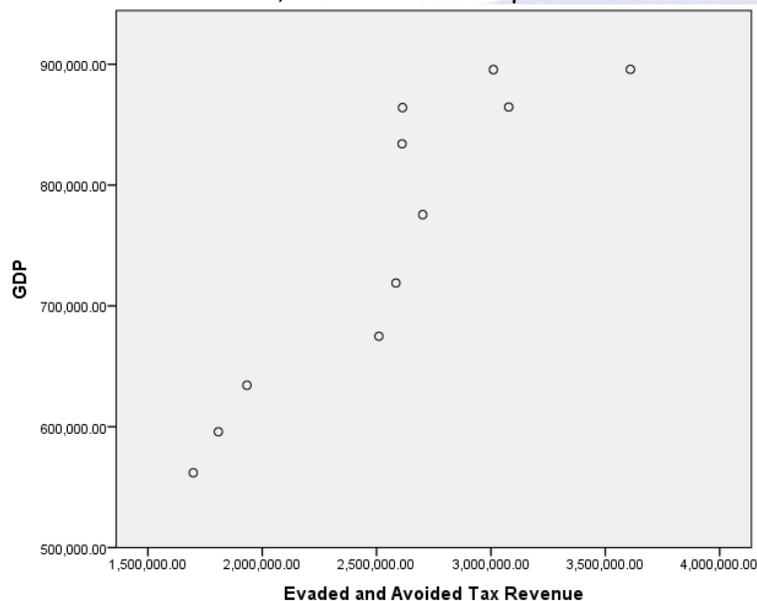
		Tax evaded and avoided (N)m	GDP (N)M
Tax evaded (N)m	Pearson Correlation	1	.103
	Sig. (2-tailed)		.694
	N	17	17
GDP (N)M	Pearson Correlation	.103	1
	Sig. (2-tailed)	.694	
	N	17	17

Source: SPSS version 23

** Correlation is significant at the 0.01 level (2-tailed).

From the correlation table above, row 1 column 2 (Tax evaded (N)m) is cross compared with row 2 column 3 (DP (N)M) and it gives the same figure for Pearson correlation, 1 which must be constant and it is. While their respective sizes (N) was 17 for both tax evaded and revenue generation. Row 1 Column 3 is compared with Row 2 Column 2 that is, comparing GDP against tax evaded. This gives a Pearson correlation (r) figure of .103.

To visualize the above, we use a scatter plot



The scatter plot graph also shows that tax evasion and tax avoidance has a significant relationship with economic growth as indicated by the scattered dots.

Decision Rule

Reject H_0 if it shows a positive correlation coefficient. Do not reject if otherwise.

Decision

Since the correlation value (r) is positive, 0.879, we reject the null hypothesis (H_0) and accept the alternate hypothesis (H_1) which states that there is a significant positive relationship between tax evasion and avoidance on revenue generation and the economic growth in Nigeria

Hypothesis two

H_1 : Tax evasion has a significant positive effect on revenue generation in Nigeria

H_0 : Tax evasion has no significant positive effect on revenue generation in Nigeria

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.494 ^a	.244	.136	20064409.21555	1.4704

Source: SPSS version 23

a. Predictors: (Constant), Tax evaded and avoided (N)m, Actual tax revenue (N)m

b. Dependent Variable: GDP (N)M

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1816076894283302.200	2	908038447141651.100	2.256	.142 ^b
	Residual	5636127240364719.000	14	402580517168908.500		
	Total	7452204134648021.000	16			

Source: SPSS version 23

a. Dependent Variable: GDP (N)M

b. Predictors: (Constant), Tax evaded and avoided (N)m, Actual tax revenue (N)m

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-16254484.789	12176879.779		-1.335	.203
	Actual tax revenue (N)m	19.490	9.383	.539	2.077	.057
	Tax evaded (N)m	-1.751	3.319	-.137	-.527	.606

Source: SPSS version 23

a. Dependent Variable: GDP (N)M

Result Summary

R = .494^a; R² = .244; F = 2.256; T = -1.335; DW = 1.470

Interpretation of the Result

A linear regression analysis was conducted to examine the effect of tax evasion on revenue generation in Nigeria. The result shows that there is a negative relationship between tax evasion and revenue generation (R- coefficient = .494^a). The R square, the coefficient of determination, shows that only 24.4% of the variation in revenue generation can be explained by tax evasion with no autocorrelation as Durbin-Watson (1.470) is less than 2. With the linear regression model, the error of estimate is low, with a value of about 20.22. The regression sum of the square 18.16 is less than the residual sum of the square 56.000 indicating that the variation is not due to chance. The F-statistics = 2.256 shows that the model is not significant. The extent to which tax evasion influence revenue generation with .494 value indicates a negative significance between tax evasion and revenue generation which is statistically insignificant (with t = -1.335) and p = .142 > 0.05. Therefore, the null hypothesis which states that tax evasion has no significant positive effect on revenue generation in Nigeria is accepted.

Conclusion

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 negatively affects revenue generation. From the findings of this research, tax evasion may not be completely eliminated, rather it could be reduced. It was also revealed that tax evasion have led to decline in the fiscal revenue of the country, this has adversely affected the allocation of resources. Also the attitude of the government and tax authority towards the welfare of her citizen has encouraged evasion tax in Nigeria because there is little or nothing to show for the ones paid.

Recommendation

In order to reduce tax evasion and improve the revenue generation in Nigeria, the researcher among other things recommended the followings:

- ❖ Government should review some of the fiscal policies that create loopholes for tax evasion and make amendments
- ❖ Monitoring team that will be charged with the responsibility of overseeing the activities of the tax officials should be established.
- ❖ Government should embark on more tax education/awareness, so that the tax payers will in no doubt appreciate the need for tax payment.
- ❖ Government should introduce a threatening penalty to be mated on those found guilty of tax evasion and avoidance.
- ❖ Tax offices should be decentralized and located nearer to the tax payers for easy accessibility in line with the principle of convenience.

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