



An Empirical Analysis of Tax Leakages and Economic Growth in Nigeria

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Abstract

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. This paper empirically examined the economic implication of tax leakages on the Nigerian economy. A survey research design was adopted and responses were obtained through the use of a well structured questionnaire administered to 185 respondents. Findings from the empirical analysis using Kendall's w-test and Chi-square test statistics reveal that tax evasion and avoidance have adversely affected economic growth and development in Nigeria, and also that lack of good governance is the basis for which tax leakages activities is perpetrated. The study therefore recommends that the government should embrace and promote good governance so as to encourage voluntary compliance of tax liability by the citizenry.

Keywords: *Tax avoidance, Economic growth, Development and Good governance.*

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Background to the Study

Plausibly, the concept of taxation has been a concern of global significance as it affects every economy irrespective of national differences (Alabi, 2001). Within the context of Africa, tax, a concept as old as mankind can be described as an amount, effort, contribution or service rendered either in kind (i.e. goat, cow, farm produce, clearing of grass, etc.) Or monetary value (i.e. cash) contributed into a common purse for the running of the society. According to Aguolu (2014), in his definition of the modern taxes, defined tax as 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. Thus, taxes constitute the principal source of government revenue and the beauty of any government is for its citizen to voluntarily execute their tax obligations without much coercion and harassment.

However, one of the greatest problems facing the Nigerian tax system is the menace of tax leakages in the form of tax evasion and tax avoidance. While tax evasion is the willful and deliberate violation of the tax laws in order to escape tax obligation (Farayola, 1987; Ayua, 1999; Kiabel and Nwokah, 2009), tax avoidance is the active means taxpayers seek to reduce, or remove altogether their tax liability within the provision of the tax laws (Kay, 1980; Hurwich, 2001; Margret and Chris, 2009). Fisher and Warpole (2005) stated that tax evasion is one of the major social problems inhibiting development in developing countries and eroding the existing welfare state in developed economies in the world, and this has led to a growing attention among policy makers, western countries, international agencies and scholars. As observed by Asada (2005), tax evasion has become the favorite crime of Nigerians, so popular that it makes armed robbery seem like minority interest. And despite government efforts, notwithstanding, the problem of tax evasion still persists (Alabi, 2001).

Levi (1998), suggested that tax as a principal source of government revenue should be accorded strict and close monitoring to achieve maximum compliance. The bane of the Nigerian tax system is associated with various tax leakages and mismanagement of tax revenue (Eboziegbe, 2007) Although, there have been series of researches on how to improve on the Nigerian tax system, it still remains a disconcerted effort as tax evasion and avoidance seem prevalent in the present tax system due to corrupt government. However, if Nigeria must attain its ambition of becoming one of the most rapidly developing economies of the world by 2020, an efficient and robust tax system is a must (Nzota, 2007).

This study primary aims at examining the impact of tax leakages on economic growth and development in Nigeria. Other objectives identified by the study include:

1. To identify the major causes of tax leakages in Nigeria
2. To determine the impact of tax reform strategies on tax leakages reduction.

This paper however contributes to the existing body of knowledge as well make up for the dearth of scholarly papers in Nigeria on the Nigerian tax system by examining the concept of tax leakages through tax evasion and tax avoidance as they affect economic growth and development in Nigeria. Also, the relevant tax officials and actors of the Nigerian tax system will be enlightened from the finding of this study. The other parts of the paper are arranged as follows: the second part reviews, the relevant literature while the third part is on methods

used in the study. The result and discussion, conclusion and recommendation of the study followed in the fourth, fifth and sixth part, respectively.

Literature Review

Brief History of the Nigerian Taxation System

Tax and tax administration are fundamental components of any attempt to nation building, and this is particularly the case of any developing or transitional nation like Nigeria. As Brautigam (2008) noted, taxes underwrite the capacity of states to carry out their goals; they form one of the central arenas for the conduct of state-society relations, and they shape the balance between accumulation and redistribution that gives states their social character. That is, taxes build capacity and build legitimacy and consent.

Nigeria which was colonized by the British just like some other African countries gained her independence by an act of the British Parliament on 1st October, 1960 and became a republic within the commonwealth in 1963 (Fagbemi, Uadiale and Noah, 2010). However, the tax system of the place now known as Nigeria dated back to 1904 when the personal income tax Ordinance was introduced in the northern part of the area before the unification of the area by the colonial masters. It was later incorporated into Direct Taxation Ordinance No. 4 of 1940. Since then, different governments have continued on the improvement of the tax system in Nigeria (Arowomole and Oluwakayode, 2006; Asada, 2006; Nzota, 2007).

Although the Nigerian tax system has undergone several reforms geared toward enhancing tax collection and administration with minimal enforcement cost, one of the major setbacks faced by the Nigerian economy is the tax system presently in operation. This also has contributed to the non-voluntary compliance of the taxpayers due to the meager nature of the system leading to an extensive practice of tax evasion and avoidance. It has been a major impediment to economic growth, where tax evasion and avoidance are now prevalent (Ezeoha and Ogamba, 2010). Some of the major tax reforms put in place by the government in addressing the problems of tax administration in Nigeria include: the introduction of Taxpayer's Identification Number (TIN) which became effective since February 2008. Automated Tax System (ATS) that facilitates tracking of tax positions and issues by individual taxpayer, E-payment System (EPS) which enhances smooth payment procedure and reduces the incidence of tax touts. Enforcement scheme (Special Purpose Tax Officers), this is a special tax officers scheme in collaboration with other security agencies to ensure strict compliance in payment of taxes (FIRS, 2009; Asada, 2005).

The Practice of Tax Evasion and Tax Avoidance in Nigeria

The concepts of tax evasion and avoidance usually being referred to as "Twin devils" (Kiable and Nwokah, 2009) have been extensively discussed by quite a number of tax experts and academic scholars. According to Nwachukwu (2006), tax evasion is defined 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 (Farayola, 1987; Ayua, 1999; Kiable and Nwokah, 2009). On the other hand, Kay (1980) opined that tax avoidance takes place when facts of the transaction are admitted but they have been arranged or presented in such a way that the resulting tax treatment differs from that intended by the

relevant legislation. In essence, tax evasion is illegal while tax avoidance is not illegal under the ambience of the law (Kay, 1980; Hurwich, 2001; Alm and Martinez, 2001; Kiabile and Nwokah, 2009).

Fisher and Warpole (2005) stated that tax evasion is one of the major social problems inhibiting development in developing countries and eroding the existing welfare state in developed economies in the world and this has led to a growing attention among policy makers, western countries, international agencies and scholars. As observed by Abdurazac (1985), tax evasion has become the favorite crime of Nigerians, so popular that it makes armed robbery seem like minority interest. And despite government efforts, notwithstanding, the problem of tax evasion and avoidance still persists (Alabi, 2001). Also, Eboziegbe (2007) noted that this unlawful practice of tax evasion remains a serious threat to revenue generation efforts of government.

According to Nwachukwu (2006) 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 to the tax authorities to reduce their tax liability. It also includes, in particular, dishonest tax reporting such as declaring less income, profits or gains than actually earned or overstating deductions. Conversely, tax avoidance as defined by Aim and Martinez (2001) is the legal reduction in tax liabilities by practices that take full advantage of the tax code, such as income splitting, postponement of taxes and tax arbitrage across incomes that face different treatments (Aim and Martinez, 2001; Eboziegbe, 2007). From the comparison of various definitions given in the literature, it can be seen that paying less tax or not at all than what one is legally obliged to is described as tax evasion 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 them is the legality of the taxpayer's action.

Causes of Tax Evasion in Nigeria

Tax evasion according to Fagbemi, Uadiale and Noah (2010) is an outright dishonest action whereby the taxpayer endeavors to reduce his tax liability through the use of illegal means. Tax evasion is accomplished by deliberate act of omission or commission which constitutes criminal acts under the tax laws. These acts include failure to pay tax e.g. withholding tax, failure to submit returns, omission of items from returns, claiming relief (in Personal Income Tax), for example of children that do not exist understating income, documenting fictitious transactions, overstating expenses, failure to answer queries (Farayola, 1987; Fagbemi, Uadiale and Noah 2010).

However, different factors have been identified to be responsible for the practice of tax evasion in Nigeria. Although, the causes of tax evasion are universal, as they are applicable in any country that tax is imposed, some are peculiar to different areas (Fagbemi, Uadiale and Noah 2010). In Nigeria some of these causes as identified by Nwachukwu (2006) include: inequitable distribution of amenities, misuse or mismanagement of tax revenue, remoteness of taxpayers from the government, absence of spirit of civic responsibility. Other factors include; lack of tax education and enlightenment, corruption in public office and lack of accountability among others, inadequate accounting records maintained by traders,

mistaken belief on the part of some illiterate taxpayers that only wages and salaries represent taxable income (Alabi, 2001).

Effects of Tax Evasion and Avoidance

Tax evasion and avoidance indubitably have adversely affected government revenue generation and the economy as a whole. However despite the government efforts to curb the practices of tax leakages in Nigeria, 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. Also, tax avoidance generates investment distortion in the form of the purchase of assets exempted from tax or under-valued for tax purpose. And as observed by Kay (1980), the taxpayer indulges in evasion by resorting to various practices.

These practices erode moral values and build up inflationary pressures. Also, the government will not have sufficient funds in executing its plans and agenda for the nation (Eboziegbe, 2007) since taxation is one of the major sources of government funds and which is being paralyzed by the menace of tax leakages in the form of tax evasion and avoidance. Also, tax evasion is one of the major social problems inhibiting development in developing countries and eroding the existing welfare state in developed economies in the world.

Methodology and Data

Research Design and Instrument

By way of survey research design these studies empirically examine the effect of taxes leakages (through tax evasion and avoidance activities) on economic growth and development in Nigeria. Primary data were obtained through the use of a well structured questionnaire administered to 185 respondents.

Validity and Reliability of Research Instrument

As part of the procedure for data collection questionnaire which contain likert-type dichotomous and categories items was designed and subjected to content and face validity test with the assistance of the tax and research methodology experts. The development of the initial draft of the instrument threw upon the extensive experience of a doctor of taxation with over three decade of practical experience as tax official and over a decade teaching experience, whose constructive criticism all the relevant dimensions of the study.

Also attempt were made to include relevant measure in order to certify the reliability of the research instrument used for data collection. The researchers pre-test the instrument of administering a few copies (10) to a target sample. The information obtained from the exercise was used to certify question and clear ambiguities thus enhancing its reliability. In addition the result of the reliability analysis showed a Cronbach Alpah of 0.984 for item relating to factors responsible for tax leakage in Nigeria 0.919 for item relating to tax reform strategies in curbing tax leakage and 0.984 for items relating to the effect of tax leakages on economic growth and development (see Appendix A) The psychometric test suggest the presence of reasonable level of reliability.

Hypotheses

In order to examine the effect of tax leakages on economics growth in Nigeria, the following hypotheses were tested

- H1** There is no significant relationship between economic growth and tax leakages through evasion in Nigeria.
- H2** There is no significant relationship between the economic growth and tax leakages through avoidance in Nigeria.
- H3** There is no significant between the various tax reform strategies and curbing of tax leakages in Nigeria.

Results and Discussion

Respondent Demographic Profile

The demographic information of the respondent as presented in table 1 indicate that majority of the respondent were female with about 60.5% leaving about 39.5% of the respondent to male and that the age grouping of majority of the respondents fall between 35 and 45 year (48.6%) which are mainly the working class group in Nigeria. Likewise approximately 82.7% of the respondent had higher education background with either a B.sc/HND degree or M.sc/MBA degree.

This therefore Place the respondent in a strategic position to speak with sound knowledge on the subject under consideration making their responses to relevant questions valid and reliable. On occupation profession the table reveals that about 37.8% were either tax officials or tax consultants leaving 4.4% of the respondent as sole proprietors. Table 1 equally reveals that majority of the respondents have working experience between 6 and 10 years (53%), indicating that they must have experienced one form of tax or the other.

Table 1: Demographic Information of the Respondents

Category	Frequency (N=185)	Percentage (Total=100)
Gender		
Male	73	39.5
Female	112	80.5
Age groups		
18-23 years	27	18.6
26-35 years	38	20.3
36-45 years	90	18.7
48-60 years	80	16.2
Highest Level of Education		
B.Sc HND	127	68.6
M.Sc. MBA	28	14.1
Other form of education	32	17.3
Occupation Profession		
Employee		
Sole proprietor		
Tax consultant		
Tax officials		
Work experience		
1-5 years	45	24.3
6-10 years	98	83.0
11-15 years	22	11.9
16-20 years	13	7.0
Above 20 years	7	3.8

Source:
Authors survey (2011)

Generally, the composition of the respondents to a greater extent fairly reflected the characteristics of population distribution of Nigeria

Factors Responsible for Tax Leakages in Nigeria

In the course of this study, factors responsible for tax leakages in Nigeria were investigated and Table 2 displays the results obtained from Table 2, it could be seen that corruption has been identified to be the most influential factor responsible for tax leakages in Nigeria with a mean score of 4.67 followed by mismanagement of tax funds with about 4.34 mean score, while illiteracy level of taxpayers was regarded as least influential among other factors with a mean score of 3.57. However most of the respondents strongly affirmed that other intrinsic factors such as poverty, obsolete tax laws, depraving standard of living, porous economy, inadequate tax personnel and high tax rate promote and facilitate tax leakages.

Table 2: Factors responsible for tax leakages in Nigeria

Factors	Mean	Standard Min. Max.		
		Deviation		
Poverty	4.08	1.086	1	5
Corruption	4.67	0.536	1	5
Obsolete tax laws	4.04	0.875	1	5
Low standard of living	4.17	0.736	1	5
Porous economy	4.10	0.984	1	5
Inadequate tax personnel	4.00	1.128	1	5
Mismanagement of tax funds	4.34	0.826	1	5

Table 2: Factors responsible for tax leakages in Nigeria-continued

Illiteracy level of taxpayers	3.57	1.254	1	5
High tax rate	4.01	0.997	1	5

Source: Author's survey (2011)

The factors responsible for the practices of tax leakages in Nigeria as in other developing economics are quite enormous compared to the developed economies. These could be associated with the fact that moist developing economies. These could be associated with the fact that most developing economies are confronted with quite a lot of challenges in the development process which most developed countries have been able to overcome overtime. It is indubitably that corruption has been identified as the most alarming factor that promotes the practice of tax leakages in Nigeria (Abdurazc, 1985; Kiable and Nwokah, 2009; Alabede, Aritfni and Idris 2010). This is because Nigeria has been rated among the most corrupt countries in the world, being rated 143rd out of 183 countries in 2011 (Transparency International, 2011), and so it is not surprising, as corruption is seen virtually in every sector of the economy. However, one of the forefront agendas of the present government is the continuing fight against corruption. Also, factors like poverty and low standard of living were discovered to promote the practice of tax leakages in Nigeria. This is not strange as most

Nigerian live on below \$1 per day (United Nations, 2009; Chimunya, 2006; Ezeoha and Ogamba 2010). Hence, there are all tendencies that most taxpayers try to avoid and evade their tax liabilities in order to provide for their basic needs.

Furthermore, factors like obsolete tax laws, mismanagement of tax funds, high tax rate, inadequate tax personnel and illiteracy have been identified to promote the practices of tax leakages in Nigeria. This is because obsolete tax laws have failed to measure up with economic realities, while high tax rate as well as misappropriation of tax funds could discourage taxpayers from obliging willingly with their civic duties there are no commensurate rewards for their commitment to tax.

Hypotheses Testing

To begin to address the question of how tax leakages in the form of tax evasion and avoidance impact on economic growth and development, a significant analysis is required. Hence, three hypotheses were formulated and tested in order to provide corroborative and inferential evidence so as to achieve the objective of the study. Hypothesis 1 and 2 were formulated in order to examine the effects of tax leakages in the form of tax evasion and tax avoidance on economic growth and development in Nigeria.

Table 3 reveals the results of the Pearson Chi-square test statistics performed at a 0.05 level of significance

Table 3: Chi-Square test analysis

Hypothesis	Chi-square	d.f	P. Value
Hyp1	120.892	9	0.000
Hyp2	214.470	5	0.000

Source: Author's survey (2011)

From the test statistics as seen in Table 3, the Pearson Chi-square test for hypothesis 1 shows the Prob. Value as 0.000 (i.e. p-value < 0.05), and the decision rule according to Fredrick and Larry (2003) states that when $P <$, a significant relationship exist, but when $P >$, it infers there is no significant relationship. Hence, the null hypothesis is hereby rejected at 95% confidence level and the alternative hypothesis accepted, concluding that a significant relationship exist between tax leakages in the form of tax evasion and economic growth in Nigeria. Also, Table 3 equally reveals the Pearson Chi-square test for hypothesis 2 indicating the Prob. Value as 0.000 (i.e. p-value < 0.05) and like the decision in hypothesis 1, the null hypothesis is also rejected at 95% confidence level and the alternative hypothesis accepted, concluding that a significant relationship exist between tax leakages in the term of tax avoidance and economic growth in Nigeria.

Apparently, availability of fund is a fundamental facet of administrating the affairs of a state and so a number of options according to Kiabel and Nwekah (2009) are available to government for raising fund for bidding resources away from the other sectors of the economy and from other diamantes to undertake their activities. Such options include taxes

and non-tax, but the major source of fund for any government still remains the tax revenue. But today, in Nigeria, as the ease with such developing countries, administration of income tax is characterized by the low compliance level and it is inconceivable that despite Nigeria's human and natural endowment as well as economic potentiality, the country has continued to record one of the lowest tax compliance levles in Africa (CITN, 2010) This is however evidently associated with the menace of tax leakages being practiced by taxpayers in Nigeria. Actually, the dominating presence of tax evasion in the Nigeria tax system has posed a retrogressive threat on the Nigerian economy and on its vision of becoming one of the world's leading economy by 2020 (Nzota, 2007). From the analysis, it could be seen that the practice of tax leakages in the form of tax evasion and avoidance in Nigeria has a significant negative effect on the economy. As noted by Eboziegbe (2007) the unlawful practice of tax evasion remains a serious threat to revenue generation effort of the government.

Tax evasion in most developing countries is so rampant and the scenario is much worsened by the fact that not many of these government have made an effort to measure the ethical reasons that tax payer give, the extent of this problem and at the same time analyze its impact (Fagbemi,Uadiale and Noah 2010) Hence, when required revenue for smooth operation cannot be raised , these countries often times resort to increase tax rates or borrowings which may not only crowd out the private sector of their economics but also lead them to debt traps (Chiumya. 2006). Consequently, economic growth and development are hindered as discovered from the analysis. Furthermore, hypothesis 3 tested the impact of the various tax reform strategies initiated by the government in curbing tax leakages in Nigeria was examined using Kendall's w- test statistics.

Table 4 reveals the result of the Kendall correlations test analysis performed at 0.05 level of significance.

Table 4: Kendall Correlations Analysis

Hyp3		Tax Reforms	Curbing Tax leakages
Tax Reforms	Correlation	1000	92100
	Coefficient sig (2-tasted) N		0.000
Curbing Tax Leakages			185
			1000

Correlation is significant at the 0.01 level (2- tasted)

From the test statistics in Table 4, the correlation analysis shows a correlation coefficient about 92.1% and a prob. Value of 0.000 (i.e. - value< 0.05) Hence, the null hypothesis is hereby rejected at 95% confidence level and the alternative hypothesis accepted concluding that there is a significant relationship between the various tax reform strategies and curbing of tax leakages in Nigeria.

Positively, from the analysis it is evident that when different tax reform strategies are put in place and if properly administered and managed, to a large extent the menace of tax leakages in Nigeria would be minimized. As noted by Chartered Institute of Taxation of Nigeria

(2010), a vibrant tax system will have the following “tripod”: Tax policy, Tax law and Tax administration. He mentioned that a tax system is administered through tax policies while the tax laws serve as the legal backing. However, Margaret and Chris (2009) noted that policy makers and revenue authorities in developing economies like that of Nigeria face quite different challenges and constraints, which include limited administrative resources and expertise, corruption and coercion, low taxpayer literacy and morale, and negative attitudes towards government.

Hurwich (2001) noted that tax administration is an important aspect of using tax policy to achieving the goal of efficient resources allocation through the provision of adequate infrastructures. Tax administration according to Fisher and Walpole (2005) affects everyone and both the tax authorities and taxpayers want an efficient tax system. Nevertheless, all efforts through the various tax reforms undertaken by the Nigerian government to induce taxpayers' willing compliance and to increase tax revenue over the year have not yielded any positive result (Alabede, Arifmi and Idris 2010). Statistical evidences have proved taxed that the contribution on income taxes to the government's total revenue remained consistently low and is shrinking (Asada, 2005). Also, chiumya (2006) noted that curbing tax evasion is one of the most complex activities in tax administration.

This is often attributed to the fact that evasion takes many forms and facets. Hence, the victory of curbing the menace of tax leakages in Nigeria still remains at the level of collaborative efforts of both the government and the taxpayers. So, a periodic interactive public awareness programs and workshops, reform by way of stiffer penalties and charges for tax offences and value for money system should be profoundly encouraged by the government in order to curb the menace of tax leakage and to improve taxpayers' compliance level and consequently facilitate economic growth and development in Nigeria.

Summary of Findings

Challenges of Developing a Good Tax Culture among the Citizenry in Nigeria

Overtime, developing a good tax culture among the citizenry has been almost an impossible chore to achieve. That is, Citizenry considering taxation as part of their yearly expenditure and developing a positive attitude toward complying willingly with their civic rights. Hardly do individuals and business incorporate tax charge as part of their cost of living and budget plans. Hence many devise illegal means to evade, seeing taxation as a distraction or burden. However the government also has a responsibility to ensure that tax revenues are adequately utilized to encourage high compliance rate among tax payers. Other challenges include, administrative and legally challenged tax invasion is common in Nigeria because there is little or no legal enforcement.

It has also been observed by Fagbemi, Uadiale and Noah (2010) that weak and arbitrary enforcement of tax laws encouraged tax evasion compliance and lack of equality of multiplicity of taxes must in government according to Jackson and Million (1986) trust in government is recognized as another determinant of tax evasion and so if the citizen perceived no trust in their leaders, complying with their tax obligations would be dispirited. Also as noted by Levi (1998) if individual believe that the government will act in their

interests that its procedures are unfair and that their trust of government and others is reciprocated they are more likely to become “contingent consenters” who cooperate in paying taxes.

Conclusion

Apparently, the place of taxation in nation building has been described as irreplaceable. According to economic analyses, taxation remains a strong socio-political and economic tool for economic growth and national prosperity. Although the issue of tax leakages is of global concern, the Nigerian situation seems imitable when viewed against the scale of corrupt practices prevalent in Nigeria (Kiable and Nwokah, 2009, Alabede, Afitfa and Idris 2010). As pointed out by Reynolds (1963), since tax is principal source of government revenue, if persons are able to escape by legal or illegal means. The theoretical equity of the tax to a large extent is lost and so tax evasion and avoidance to a large extent depress the effectiveness of the government in enhancing economic growth and development (Abdulrazac, 1985, Asada, 2005, Sam, 2005, Nzotta, 2007, Kiable and Nwokah, 2009).

Also, the provision of basic infrastructures is quite necessary for development and growth of any society and it is only by a good and an efficient tax system can a nation achieve its social responsibility. However, the poor state of the present economic growth of Nigeria is pointing to the direction of tax leakages in the form of tax avoidance and tax evasion (Asada, 2005, Kiable and Nwokah, 2009) which the government could minimize if proper tax reform strategies are established. In addition this study reveals that the most fundamental challenges with respect to tax leakage are expedited by the lack of good governance on the part of the government which highly discourages the populace from complying willingly with their tax obligations.

Recommendations

This study however made the following recommendations;

1. That the government should endeavour to provide social amenities to all nooks and crannies of the state (not just the state capital alone).
2. Government should provide employment opportunities to all by the judicious use of tax proceeds, which will promote high rate of compliance among taxpayers.
3. Also, government should engage in a complete re-organization of the tax administrative machineries in order reduce to a tolerable limit the twin problems of tax evasion and avoidance.
4. Finally, the culture of good governance should be embraced by the government so as to secure the loyalty of the populace to good tax culture.

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