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Imbrogilio of Tax Evasion and Revenue Generation in Anambra State Government System

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Abstract: *Tax is the system of imposing a compulsory levy on all income, goods, services and properties of individuals, partnership, trustees, executorships and companies by the government. The purpose of this study was therefore to examine the impact of tax evasion and revenue generation in the local government system. Idemili South Local Government Area of Anambra State was used as a case study. The researcher adopted quantitative methodology from which some findings were made. The researcher recommended amongst others that all state governments should clearly state the basic objectives of its tax system and the relationship between these objectives, business knowledge through training and well-equipped database on tax payers should be established by the federal, state and local governments. The researcher proposed that further studies should be conducted with a view to ascertaining the problems as well as the survival strategies of tax evasion and revenue generation of local government system.*

Keywords: Local Government System, Revenue Generation, Tax Evasion, Tax Payment

Introduction

Tax is not a new word in Nigeria or the world as a whole. In Nigeria, taxation has been in existence even before the coming of the colonial men or the British. Tax can be defined as the system of imposing a compulsory levy on all income, goods, services and properties of individuals, partnership, trustees, executorships and companies by the government. Income tax is one of the major sources of revenue to all government. In Nigeria, it is a factor to be reckoned with in Federal Government's budget the taxes so collected come back to the taxpayer in form of services. This has over the years encouraged or discouraged some activities in the private sector; though, this depends on whether the policy of the government is towards discouraging or encouraging such companies. Taxation is recognized as a very important tool for national development and growth in most societies. It has viewed as a major vehicle forlong term development of infrastructures of the state. Tax evasion is one of the major social problems hindering revenue generation in developing state and eroding the existing welfare in Idemili SouthAnambrastate (Akintoye*et al.* 2013). This has led to a growing attention among policy makers and scholars. However, little attention has been placed on the issues of tax evasion in Idemili South Anambra state. Hence, an enviable society can only be visible when internally generated revenue can be mobilized for her social obligations to the citizens. Tax evasion, in most developing states is so rampant, and the scenario is much worsened by the fact that, not only government of Idemili SouthAnambra state has made an effort to measure the reasons that tax payers give. The extents of this problem at the same time analyze its effects on revenue generation. Hence, when required revenue for smooth operation cannot be raised, state will resort to increase tax rates or borrowings which may not only crowd out the private sector but also leads to debt traps as. On the other hand, tax evasion has the effect of distorting the principle of perfect market resource allocation and income redistribution. This leads to economic growth stagnation and socio-economic repercussions in Idemili South Anambra state (Oyebanji, 2014).

Revenue that accrues to local government is derived from two broad sources, which are the external sources and the internal sources. The increasing cost of running government coupled with dwindling revenue has left various local governments in Nigeria with formulating strategies to improve the revenue base. More so, the near collapse of the national economy has created serious financial stress for all tiers of government. As a result of fall in the international price of oil and the collapse of the national economy, the direct allocation from federation account to the states has fallen. Despite the numerous sources of revenue available to the various tiers of government as specified in the Nigeria 1999 Constitution, since the 1970s till now, over 80% of the annual revenue of the 3 tiers of government come from petroleum. However, the serious decline in the price of oil in recent years has led to a decrease in the funds available for distribution to the states. The need for state and state governments to generate adequate revenue from internal sources has therefore become a matter of extreme urgency and importance (Raji, 2015). This urgent need for improvement in revenue generation has underscored the reason why revenue from tax has been the focus of Idemili South local government in improving the revenue generation. The importance of taxation as a source of revenue to any government cannot be overemphasized. The study of the teachings of Christianity, Islamic and other prominent religions in the world shows that tax is a religious duty based on social and civil responsibilities. The world over, taxes is one major source of government revenue, however, not every national government has been able to effectively exploit this great opportunity of revenue generation. This can be attributed to a number of reasons including the system of taxation; tax legislation; tax administration and policy issues; over reliance on other sources of revenue (such as foreign aid and grants); corrupt practices in the system – especially as it relates to the system of tax collection and behaviour of citizens towards tax payment; and ease of tax payment (Akintoye*et al.* 2013). Nigeria is richly endowed with natural resources chief of which is oil and gas. This oil and gas dominate the country's economy as it accounts for over 80% of the country's revenue thereby making government to lose its sense of reasoning in exploring other revenue sources. The overdependence on oil and gas has led to low GDP and economic retardation. According to Oyebanji, (2014) taxes are the major tools required to overcome such and also to control other market imperfection, and achieve social justice by wealth redistribution. Due to the over reliance on oil, little effort has been made to generate sufficient revenue from taxation. Nigeria tax administration and practice be structured towards economic goal achievement since government budget for the year centres on the oil sector while decrying the low productivity of the Nigerian tax system. According to Jhingan, (2015) to meet up with their numerous commitments and live up to their responsibilities, governments thus, require a substantial amount of funds; such funds are usually raised from various sources such as issuing of public debt, creation of money or levying of various types of taxes, fees, fines and specific charge. Nigeria's overdependence on oil revenue to the total neglect of other revenue sources was encouraged by the oil boom. This was unsustainable due to frequent negative fluctuation in the price of oil in the world market; this fluctuation has led to low revenue from oil and resulting in budget deficit.

Financial resources are needed for the developmental goals of any successive and successful government to be achieved. Such goals may include provision of infrastructure, security of life and properties and maintenance of law and order. Government needs money to execute their social obligations which include provision of infrastructure and social services. Taxation to be the process or machinery by which communities or groups of persons are made to contribute some agreed amount of money for the purpose of administration and development of society. Adebisi, (2013) states that though taxation may not be the most important source of revenue to the government in terms of the magnitude of revenue derivable from taxation. However, taxation is the most important source of revenue to the government from the point of view of certainty and consistency of taxation. If the tax administration is seen to be honest, fair, informative and helpful, acting as a service institution and thus treating tax payers as partners and not inferiors in a hierarchical relationship, tax payer have stronger incentive to pay taxes with honesty.

Objectives of the Study

The following objectives will guide this study:

i. To ascertain the relationship between the tax evasion and revenue generation in Idemili South Local Government Area of Anambra State.

ii. To find out the effect of tax evasion and revenue generation in Idemili South Local Government Area of Anambra State.

iii. To examine the extent tax evasion impacted onrevenue generation in Idemili South Local Government Area performance.

Conceptual Clarification

Tax Evasion

Tax evasion is centred on the implementation and enforcement of tax legislation and regulations. These activities include identification and registration of taxpayers, processing of tax returns and third-party information, examination of the completeness and correctness of tax returns, assessment of tax obligations (enforced) collection of taxes and provision of services to taxpayers. Tax evasion operate in societies that are rapidly changing and have to fulfil increasing demands and growing expectations from their stakeholders, including new demands from taxpayers for sophisticated government services. Tax evasion must develop a contemporary vision. Rapid economic developments and ever-higher expectations on the part of taxpayers make it necessary for a Tax evasion to redefine its strategic course. Its relationship with taxpayers must be laid down in a system of rights and obligations (Agbetunde, 2010).

Tax avoidance is a practice of using legal means to pay the least amount of tax possible. This is different to tax evasion which is the practice of using illegal methods to avoid paying tax. There is also a difference between avoidance and tax planning as paying minimal tax is not necessarily a sign of avoidance. Tax avoidance is using the tax law to obtain a tax advantage that the government never intended. It frequently involves contrived, artificial transactions that serve no purpose other than to reduce tax liability. Tax planning involves using tax reliefs for the purpose for which they were intended. Essentially, the difference between avoidance and evasion is legality. Tax avoidance is legally exploiting the tax system to reduce current or future tax liabilities by means not intended by parliament. It often involves artificial transactions that are contrived to produce a tax advantage. Tax planning is conduct which reduces tax liabilities without going against Parliament, for instance, through gifts to charity or investments in certain assets which qualify for tax relief. Other examples of mitigation include saving in a tax-free ISA or paying into a pension scheme (Okoi*et al.* 2014).

Tax evasion is to escape paying taxes illegally. This is usually when a person misrepresents or conceals the true state of their affairs to tax authorities, for example dishonest tax reporting.

Meaning and Classification of Taxation

Taxation is not a new word in Nigeria or the world as a whole. In Nigeria, taxation has been in existence even before the coming of the colonial men or the British. Taxation can be defined as the system of imposing a compulsory levy on all income, goods, services and properties of individuals, partnership, trustees, executorships and companies by the government. Fatoki, (2014) defined taxation as a compulsory payment made by individuals and organization to relevant Inland Revenue authorities at the federal, state or local government level. Taxation is a levy imposed by the government against the income, profit or wealth of the individual, partnership, corporate organization. Ogundele, (2016) defined taxation as compulsory levy imposed on a subject or upon his property by the government to provide security, social amenities and create conditions for the economic well-being of the society. A precise definition of taxation is that taxation is one of the sources of income for government, such income as used to finance or run public utilities and perform other social responsibilities. According toJhingan, (2015) taxation is the most important source of revenue for modern governments, typically accounting for ninety percent or more of their income.

Taxes are classified into direct and indirect. Direct taxes as taxes levied on the income of individual, group of individuals, and business firms and are paid directly by the person or persons on which it is legally imposed by the tax authority. Direct taxes can be classified into Personal Income tax, Company Income tax, Capital Gain tax, Petroleum Profit tax, and Capital Transfer tax. Indirect taxes are taxes levied on expenditure that is, goods and services. These taxes are paid as part of payment for goods and services purchased by the ultimate users or consumers. The incidences of this type of taxes are usually borne by the third party. Indirect taxes can be classified into the following: Import duties, Export duties and Value Added tax (Naiyeju, 2010).

Income Tax in Nigeria: Nature and History

Income tax is one of the major sources of revenue to all government. In Nigeria, it is a factor to be reckoned with in Federal Government's budget the taxes so collected come back to the tax has over the years encouraged or discouraged some activities in the private sector; though, this depends on whether the policy of the government is towards discouraging or encouraging such companies (Adebisi*et al.* 2013). The history of taxation in Nigeria can be dated back to the era of Sahara trade and the introduction of Islamic religion in Nigeria between 800AD and 1400AD. The rulers in the Northern Nigeria were known as "Safawa", Kings, who grew rich due to gifts and levies paid to them by their subordinates as taxes on cattle and agricultural crops. The Islamic religion later introduced various forms of taxes namely: Zakat, KurdinKasa, ShukkaShukka, Jangalia, Kharant etc. The Zakat was imposed on educational and charitable purposes. In the south, the Obas and Ezes relied on tributes, arbitrary levies, specialcontributions at special festivals or events, fees, present, all collected through the head of families as it system oftaxation. The first legal backing of taxation was in 1904 when Sir Frederick Lugard introduced the Native Revenue Proclamation. This proclamation was further enhanced in 1906. After independence in 1960, the government enacted three major tax laws, namely: Federal Income Tax Act (FITA), 1961; Income Tax Management Act (ITMA), 1961 and Companies Income Tax Act (CITA), 1961. The companies Income Tax Act (CITA) 1961 was applied to companies in Nigeria. It was later repealed and replaced with the companies Income Tax Act (CITA) 1979 with amendment in 1993 up to 1999. The Act is contained in chapter 60, Laws of the Federation of Nigeria (LFN) 1990. It is the sole responsibility of the Federal government to administer corporate Income taxes in Nigeria.

The Principles of Taxation

Soyode*et al.* (2017) maintained in his book "The Wealth of Nations" gave the most important set of principles, which are also known as the "cannon of taxation" which are still accepted generally by tax administrators all over the world. The principles of taxation are outlined below*:*

i. *Equity/Equality of Sacrifices:* Adam Smith maintained in these principles that each tax payer should contribute to the support of government also referred to as "state" as nearly as possible in proportion to his ability to pay. For example 10 to 20 percent of all income above a certain figure, since there are some citizens whose incomes were so low that they were obviously to pay any taxes. Similarly, the principles of equity is equal proportion of taxation on every income that is; in principle everyone should pay the same proportion of his income as tax. This means proportional taxation or some percentage on all incomes and therefore rejected progressive taxation i.e (higher tax rates on higher incomes). It also means equal taxation of earned and investment incomes, existing private wealth and capital are exempted, taxation is limited to income only. It is obviouslymuch easier to run a system under which everybody pays say ten pounds per head than one which the amountdue varies according to economic circumstance.

ii. The Principle of Certainty: This principle asserts that the taxpayer should know how much tax he has to pay, and when it is to be paid. Such information should be adequately accurate and clearly stated by the tax regulations. Thus, neither the amount nor the time of payment should be the subject of arbitrary decisions by the tax officials.

iii. The Principle of Convenience: Taxes should be collected at a time convenient for the taxpayers. For example, the Pay as You Earn income tax on salaries and wages deducted weekly or monthly as the case may be as income is received, is a good example of

the principle of convenience. Convenience as a principle of taxation has to do with the enforcement of tax and administration. A good tax should not impose taxes that are impossible to enforce even when people comply to tax laws voluntary, the government should verify the tax payments, if not the tax becomes an invitation to break the law. Every tax ought to be levied at the time or in the manner in which it is likely to be convenient for the contributor to pay it. Using this principle as an example, one can argue that the convenient time for payment of tax for West African farmers is during the harvest time.
iv. The Principle of Economy: The principle emphasizes that the cost of assessing and collecting a tax should be small in relation to the revenue so collected i.e. economy should be the yardstick so that the cost of collecting tax should not be excessive. For example, if the expenses incurred in the course of collecting a tax exceed even 50 percent of the yield, then such taxes do not conform to the principle of economy.

Objectives of Taxation

Although the tax structure in the various developing countries differs widely, the objectives of taxation in these countries are virtually the same. Unfortunately however, the objectives of the tax system and the relationship between these objectives are hardly clearly stated (Agbetunde,2010). This does not only makes tax administration difficult but also give room for tax evasion with the attendant effects on economic development. Agbetunde, (2010) therefore, state that a brief discussion on the objectives of taxation as outline below would be a gainful exercise.
i. Raising of Revenue: The classical function of a tax system is the raising of the revenue required to meet government expenditure. This income is required to meet the expenditure which is either the provision of goods and services which members of the public cannot provide such as defence law and order to the provision of goods and services which the federal and state governments feel are better provided by itself such as health services and education.
ii. Wealth Redistribution: In modern times, great emphasis has come to be placed on the objective of redistribution of wealth. This has two quite distinct forms. The first is the doctrine that taxation should be based on ability to pay and is summarized by the saying that "the greatest burdens should be borne by the broadest backs." The second form presupposes that the present distribution is unjust and concludes that this should therefore be undone. This second principle sees confiscation as a legitimate objective of taxation.
iii. Economic Price Stability: It has been said that the most fundamental reason a government has for taxing its citizens is to provide a reasonable degree of price stability within the nation. Most spending by the public and private sectors without taxes generates high demand, which is inflationary. In such a situation, the basic function of taxation is to reduce private expenditure in order to allow government to spend without causing inflation. Thus, taxation is basically a deflationary measure. On the other hand, when aggregate demand is lower than the deserved level, government has two options which are to increase government spending with increasing taxes or to reduce taxes while leaving government spending stable.
iv. Economic Growth and Development: The overall control or management of the economy rests on the central government and taxation plays an important role in this direction. In addition to maintaining reasonable price stability, governments are determined to promote the near-full employment of all the resources of the country (including human resources i.e. labour) and ensure a satisfactory rate of economic growth. Economic growth and development programmes are geared towards raising the standard of living of the masses of a country through the improvement of their economic and social conditions. Taxation in one way discourages, postpones or reduces consumption and encourages saving for private investments.
This is only possible when the basic necessities of life including security, law and order, education and communication are provided by government, hence, the national development plans of developing countries are considered to be important. This objective will be of great assistance to Nigeria where there is mass unemployment of labour force and economic resources.
The responsibilities or objectives of government using taxation are as follows:
(a) *Revenue Generation:* The primary objective of a modern tax system is generation of revenue to help the government to finance ever-increasing public sector expenditure.
(b) Provision of "Merit Goods": An important objective of tax system is the promotion of social, economic and good governance through provision of merit goods. Examples of merit goods are health and education. These must not be left entirely to private hands though, private participation should be encouraged. Private enterprises will push the cost of providing education and health services beyond the reach of common people if left entirely in their hands.
(c) *Provision of "Public Goods":* Provision of commonly consumed goods and services for which an individual cannot be levied the cost of the goods or services consumed are one of the functions of government. Examples of public goods include: Internal security through maintenance of law and order by police and other security agencies; External security through defence against external aggression by Army, Navy and Air Forces, and Provision of street lights and roads.
(d) Discouraging consumption of "Demerit Goods": Tax can be used to discourage consumption of demerit or harmful goods like alcohol and cigarette. This is done to reduce external costs to the society. These external costs include health risks and pollution.
(e) Redistribution of Income and Wealth: Tax system is a means of ensuring the redistribution of income and wealth in order to reduce poverty and promote social welfare. For example, taxation can be used as economic regulator for promotion of economic stability and sustainable growth through fiscal policy. Government also has responsibility for fighting inflation, unemployment and creating a sound infrastructure for business. A tax system is one of the means of achieving this.

(f) Harmonization of Economic Objective: Harmonization of diverse trade or economic objectives of different countries is one of the modern objectives of tax systems. For example, tax system can be used to achieve the philosophy of the single market in ECOWAS or Africa so as to provide for the free movement of goods/services capital and people between members states.

Nigeria's Major Taxes

In order to avoid multiple collections of taxes from the same taxpayer, at least in theory, taxes of each tier of government in Nigeria have been clearly defined by the Joint Tax Board (JTB) as follows:

(a) *Federal Taxes:* Federal Taxes includes: Companies Income Tax, Custom and Excise Duties, Value Added Tax, Education Tax. Personal Income Tax in respect of: Armed Forces, Police, Non-resident individuals and companies, Staff of Nigeria Foreign Service and Individuals resident in the Federal Capital Territory.

(b) *State Taxes:* Personal Income Tax, Road Taxes, Pools betting and lotteries, Business premises registration, Development Levy, Naming of street registration in state capitals, Right of occupancy on land owned by state, and Market taxes on state financed taxes.

(c) *Local Government Taxes:* Shops and Kiosks rates, Tenement rates, On and off liquor license fee, Slaughter slab fees, Marriage, Birth and death Registration Fees (Rural Areas), Right of Occupancy on land in rural areas, Market Taxes and Levies, Motor Park Levies, Domestic Annual License Fees, Bicycle, Truck, Canoe, Wheelbarrow, and Cart Fees, Cattle tax payable by cattle farmers only, Merriment and Road Closure Levy, Radio and Television License Fees (other than radio and television transmitter), Vehicle Radio License (Local Government Registration of the vehicle), Wrong Parking Charges, Public Convenience and Refuse Disposal, Customary burial ground permit fees, Religious Place Establishments Permit Fees and Signboard and Advertisement Permit Fees.

Problems of Tax Administration in Nigeria

Problems of tax administration in Nigeria are as follows:

(1) Tax Evasion: Tax evasion is a deliberate and wilful practice of not disclosing full taxable income so as to pay less tax. In other words, it is a contravention of tax laws whereby a taxable person neglects to pay the tax due or reduces tax liability by making fraudulent or untrue claims on the income tax form. Tax is evaded through different methods some of which include the following: Refusing to register with the relevant tax authority; Failure to furnish a return, statement or information or keep records required; Making an incorrect return by omitting 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; A taxpayer hides away totally without making any tax return at all and entering into artificial transactions.

(2) Tax Avoidance: Tax avoidance has been defined as the arrangement of tax payers' affairs using the taxshelters in the tax law, and avoiding tax traps in the tax laws, so as to pay less tax than he or she would otherwisepay. That is, a person pays less tax than he ought to pay by taking advantage of loopholes in a tax levy. Tax can be avoided in various ways: Incorporating the tax payer's sole proprietor or partnership into a limited liability company; the ability to claim allowances and reliefs that are available in tax laws in other to reduce the amount of income or profit to be charged to tax. Minimizing the incidence of high taxation by the acquisition of a business concern which has sustained heavy loss so as to set off the loss against future profits; Minimizing tax liability by investing in capital asset (for instance through the new form of corporate financing by equipment leasing), and thus sheltering some of the tax payers income from taxation through capital allowance claims; Sheltering part of the company's taxable income from income tax by capitalizing profit through the issue of bonus shares to the existing members at the (deductible) expenses to the company; Creation of a trust settlement for the benefit of children or other relation in order to manipulate the martinet tax rate such that a high income bracket tax payer reduces his tax liability; Converting what would ordinarily accrue to the tax payer (employee) as income into capital gain (i.e Compensation for loss of office) the advantage of the employer and employee; Manipulation of charitable organizations whose affairs are controlled and dominated by its founders thus taking advantage of income tax exemption; Buying and article manufactured in Nigeria thereby avoiding import duty on imported articles; Avoiding the consumption of the articles with indirect taxes incorporated in their prices e.g. tobacco.

Reasons for Tax Evasion

Different reasons are the causal that encourage and make taxpayers acting toward evasion has been identified by various studies and authors; Sabian*et al.* (2015) stated that, the reasons for tax evasion can be categorized into two. The first category comprises factors that negatively affect taxpayers' compliance with tax legislation. These factors can be subsumed either contributing to a low willingness to pay taxes (low tax morale, tax system and perception of fairness, low transparency and accountability of public institutions) or high costs to comply with tax laws. The second category contains the reasons for the low ability of tax administration and fiscal courts to enforce tax liabilities (Akintoye*et al.* 2013). These factors can be summarized as resulting from insufficiencies in the administration and collection of taxes as well as weak capacity in auditing and monitoring tax payments which limit the possibility to detect and prosecute violators. Other reasons that given rises to tax evasion includes: corruption in public office, inadequate tax education and awareness, misappropriation of taxes collected, ignorance of the tax authority, lack of adequate enforcement for default, proliferation of taxes, loopholes in the tax laws, inequitable distribution of income, absence of 'Quid Pro

Quo' i.e. something of value given in return (by the government) for taxes paid, high level of illiteracy and high tax rates. Mungaya*et al.* (2012) suggested the following as reasons of tax evasion in many countries such as, unfair distribution of facilities (amenities), poor management and misuse of tax collected as well as lack of essence of civic responsibility.

Effects of Tax Evasion

Tax evasion has had a variety of fiscal effects and there are at least three reasons responsible for this, in the first place, revenue losses from noncompliance and corruption become significant at a time of substantial budget deficit. Second, horizontal and vertical equity suffer because the effective tax rates faced by individuals may differ because of different opportunities for tax evasion (Okoi*et al.* 2014). Again, an important adverse effect of tax evasion is perhaps on equity. There is horizontal and vertical inequity where in both forms of inequity, the higher-taxed person pays for the lower-taxed person since, had there been no tax evasion; the tax rates would have been lower under the premise of revenue neutrality. Third, there is a growing concern about the expanding underground economic activities, and how these activities affect economic policies. Acts of corruption by tax collectors often play arole in promoting or sustaining underground economic activities and in facilitating tax evasion. Tax evasion and fiscal corruption thus contribute to undermining the legitimacy of government. Furthermore, citizens' disrespect for the tax laws may expand disrespect for other laws. Naiyeju, (2010) affirmed that, tax evasion has undoubtedly affected adversely the government revenue generation capability and the economy as a whole and observed that, 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 chases few goods. In Italy, one of the effects of tax evasion is loss of revenue to the government. Lack of compliance with tax laws are likely to alter the distortion and costs of raising a given level of government revenue and may affect the distributional consequences of a given tax policy. In addition to, resources spent evading taxes represent a deadweight loss to the economy.

Another effect of tax evasion is that, tax evasion raises significant issues from the point of view of efficiency. Fatoki, (2014) added that tax evasion distorts economic efficiency. In sectors that are less subject to the administrator's scrutiny as in the informal economy, there will be more investment. Inefficiency leads to lower revenue intake for government, its functional capacity, efficiency and effectiveness suffer because of tax evasion. Capacity suffers due to lower availability of resources. Efficiency declines since important functions may have to be given less priority than others. It is noted that, effectiveness declines as compliant taxpayers realize that government is unable or unwilling to take corrective action, and, therefore, feel increasingly comfortable in joining the rest in the act of tax evasion.

Causes of Tax Evasion

Different factors are the causal that encourage and make taxpayer acting toward evasion has been identified by various studies and authors. As the problems of tax evasion cut across many countries developed and developing the causes also seems to be unanimously universal. This is because tax is levied on the citizen and corporate entities as a contribution toward the redistribution of limited resources and taking care of public expenditure. Therefore, taxpayers share unique attitude in minimizing their tax liability through all the available and possible means to maximize their selfish interest. Adebisi*et al.* (2013) suggested the following as causes of tax evasion in many countries were taxes are levied:

i. Unfair distribution of facilities (amenities)
ii. Poor management and misuse of tax collected
iii. Lack of essence of civic responsibility
iv. Taxpayer inaccessibility to government services

Unfair distribution of amenities provided with the tax revenue by government make some taxpayers filling self of not belongings and isolated from the society. This situation may create grudges and misunderstanding between the taxpayer and tax authorities. The taxpayer may see that no reason any longer for him to pay any more taxes because the benefit expected from paying the tax is to get back services provided by the government. Mismanagement and misuse of collected taxes would create a suspicious situation between the tax stakeholders and the essence of continue paying. Whenever collected proceed of tax are not properly utilized it result in mistrust between tax authorities and people, which finally led to evasion activities. Lack of essence or interest to pay tax may arise from illiteracy and act of unpatriotic by the citizens. People are reluctant to pay their civic responsibility simply because of personal interest and ignorance. Proper awareness and enlightenment would change the situation and encourage compliance. Taxpayer inaccessibility to benefit from the services provided by government change his view for paying tax. In this situation they see no reason for paying tax while the services provided by government they are not enjoying any more. This may happened where people are living in a remote areas and hence hardly to be reach by government infrastructure and services. This all led to evasion behaviors and to curb the situation right measures need to be considered at a right time. Similar with slide different to Adebisi*et al.* (2013) identified five reasons for tax revenue losses (evasion) as follows:

i. The domestic shadow economy,
ii. Foreign asset held by domestic residents,

iii. Income shifting by multinational firms over transfer pricing,
iv. Tax competition among countries which drives up tax rates, and
v. Non-payment of taxes which are due but which are not collected for few reasons like e.g. shortcomings of the tax administration.

Other important factors that cause tax evasion from the literature are inflation rate, income level, unemployment, tax rate, poor tax system, the size of the government and weaknesses of tax policies, regulations and trade openness. Furthermore, Fagbemi*et al.*(2010) while deliberating on tax evasion; they conclude that the following are among the main causes of tax evasion in many countries particularly developing one. These are: high tax rate that make evasion more attractive, encouraging and economical, absolute ignorance of tax laws, lack of physical benefits accruing to the taxpayer and lack of confidence and trust in government for effective management of the tax. Others are, reluctant and unwillingness to pay the tax by the taxpayer for personal interest, in ability to detect the evaders by tax authority, bribery and corruption in the tax system and administration and lastly ridiculous low penalty set by the law for the late payment of due taxes. Therefore from the afore discussion about the factors that encourage and causes tax evasion seem to be interrelated and all are either default from tax laws, tax administration and even from the government. Most of the identified causes are due to taxpayer dissatisfaction with the management and effectiveness of tax usefulness. Very few problems were identified from taxpayer attitudes and behaviour such as self-interest as a causal of tax evasion.

Mechanism to curb Tax Evasion

Raji, (2015) summed up the modalities in order to keep tax evasion in check, the tax administration must: (i) incorporate genuine threat of penalty but ensure due process; in order to do this, of course the tax administration should be adequately financed and structured; (ii) computerize as many administrative processes as possible to minimize the interface between taxpayer and tax official; and (iii) not remain aloof from tax policy but assist in every way possible to help design, in reflection of its field experience, a simple tax structure and its commensurate tax law. Jhingan, (2015) also simplified how to control tax evasion in his research on the topic 'What Is Wrong with Tax Evasion?' stating that, there are presumably many potential fixes for the state of affairs and they are:

a) Simplify the tax code, making clearer the distinction between lawful and unlawful behavior; and distinguish more clearly between what constitute criminal and civil violations of the code;

b) Change our political rhetoric, attempting to educate people about the importance of tax revenues; and modify priorities for government spending

c) Make the Code more equitable, from both a vertical and horizontal perspective; and distinguish more clearly between choate and inchoate violations;

d) Rethink the requirements of *mensrea* (criminal intent; the thoughts and intentions behind a wrongful act (including knowledge that the act is illegal); and increase enforcement and make the level of enforcement more uniform.

Oyebanji, (2014), stated the possible solutions to tax evasion in Nigeria among are; Taxpayers should be educated about their civil responsibility; Strengthen taxpayer recruitment; Bureaucratic documentation should be reduced to avoid forgery; The activities of tax officials should be monitored to minimise the incidence of fund embezzlement; Establishment of Revenue Court; Tax policies and tax laws in Nigeria should be made consistent as well as stiff penalty for contravening any section of the law. Also, the following strategies employed by tax revenue authority officials in reducing tax evasion problem in Oyo states include: Enforcement of penalties; Door to door visit in all areas, Priority on tax education, Introduction of taxpayer identification number, Computerization of tax administration; Prosecution and penalty and enhance taxpayer registration and de-registration.

Overview of Nigeria Tax System

Nigeria Tax System is a system that is characterized with tax policies, tax laws and as well as tax administration. These coupled of policies and laws are expected to work together in concord with one another in order to achieve the overall objective for economic growth of the country. However, with reference to the presidential committee set on National tax policy in (2008), the overall focus and primary objectives of Nigeria tax system is to provide and contribute to the social and economic wellbeing of Nigerian. This is to be done either directly by improving existing and formulating new tax policies, and indirectly to appropriately make optimum utilization of tax generated from revenue for the benefit and development of the citizen. In order to achieve these objectives through the revenue generated, therefore, the tax system was expected to minimize the economy distortion in the country. Some other expectations of the tax system of Nigeria in line with the presidential committee on National tax policy (2008) are as follows:

i. To pursue equity distribution and fairness in the country;
ii. To provide economic growth and development evenly;
iii. To provide economic stabilization to the public;
iv. To correct market failure and other imperfections thereof; and
v. To generate stable revenue and other resources required by government to accomplish public project and make beneficent investment for the public.

In an attempt to achieve the blue print of this high expectation, the system is assumed to be in compliance with the taxation principles, which are serving as lubricant or engine oil for the real effective tax system. Nigerian tax system has been surrounded by what is called multiplicity of tax and collecting bodies at the three tiers of government levels federal, state and local governments. The main problem associated with tax system is the little precision about the jurisdiction capabilities that many view that if the country is truly observing the fiscal federalism system of government. The following are some of the frequent resolutions propose toward improving the tax regime in the country.

i. Minimizing of tax evasion to the lowest level;
ii. Uniform, fair and unbiased administration of related tax laws;
iii. Encouraging voluntary compliance through effective tax system and;
iv. Inculcating public assurance in the truthfulness of the tax system.

However, it is well known that failure of the incumbent tax regime in the country can be measured with present of high rate of evasion from the corporate and private entities taxpayers (Aguolu, 2014). Although many Nigerian citizens and often, corporate entities do not even value and respect the tax system of the country. Thus, government failure to provide fundamental amenities may be held responsible and the tax system too is ineffective and inefficient. In order to reinforce the country tax system, it has been recommended that the Federal Inland Revenue Service (FIRS), the relevant tax collecting assistance of the Federal Government must consider some five strategic areas, namely;

i. Enforcement activities of tax laws and tax compliance;
ii. Staff development and capacity-building;
iii. Improved tax collection indicators and parameters;
iv. Establishing measures to limit bribery and corruption between tax officials.

In Nigeria, some of the tax collectors often have a reputation for corruption. Therefore, by establishing computerized systems and boosting tax authorities to reward honesty and transparency would be accommodating and helpful. Also, the public should be encouraged to report dishonest tax collectors to their supervisors or prosecuting attorney for punishment and prosecution. The higher management of tax assistances in the country would engage in constant reviews and performance appraisal of field staff/officers ((Aguolu, 2014).

According to National tax policy of Nigeria (2008) the country tax system is associated with some inherent problems such as:

i. Inadequate information accessible to taxpayers concerning tax compliance necessities that result in losses/problems to the tax system;
ii. Lack of tax revenue accountability for and its expenditure;
iii. Problems of multiple taxation at all levels Government, which discourage investment in the country;
iv. Lack of transparency on taxation powers at all level of Government / encroachment;
v. Applying of aggressive and unconventional methods for tax collection;
vi. Lack of trained manpower and insufficient funding, which result to the system high cost of tax compliance;
vii. Increased demand by the government to raise more internally generated revenue;
viii. Lack of an efficient system and funds non-refund to tax payers due to excess taxes;
ix. Obsolete tax laws and non-review of tax legislation which do not represent country current tax realities; and
x. Lack of unambiguous directional policy for tax matters in the country and the absence of put down practical guidelines for the process of the various tax authorities.

These and some other problems are the most common issues to Nigeria's tax system which are not been sufficiently handle for many years. One and only the possible reasons for this was due to substantial reliance on revenues resultant from oil to the Government's, which in turn pay little or no attention for other sources of revenue especially taxation. But now the central government want to diversify the economy due to global challenges in oil market by considering more to non-oil tax revenue for the building sustainable and stable sources of revenue to shoulder capital project.

Tax Policy

The Nigerian Tax policy provides a set of rules, modus operandi and guidance, to which all the stakeholders in the tax system must subscribe (Presidential committee on National Tax policy report 2008). Formulation of tax policy in Nigeria is the duty and responsibility of the federal inland revenue services (FIRS), Nigeria customs, Nigeria national petroleum commission (NNPC), nation population commission (NPC), and other related agencies and parastatals but under the monitoring of the national assembly. That is the supreme Nigerian law making body. James & Moses (2012), it is enough to say that if there must be any actual application of Nigerian tax system or attainment of its goal, the use of the national tax policy manuscript remains indispensable. Nigerian needs a tax system that does not only designate the set of guiding rules and principle, but also provide a constant point of position for all the stakeholders in the country and upon which they can believe accountable (Presidential committee on National tax policy, 2008). The incompetence of tax policy to meet up with efficacy and equity measures it is against the way it was judge thereof. It was further noted that, tax policy is repeatedly exposed to pressure and changes which most of the time does not pledge outcome that are in line with the overall goal.

Contrary to what is expected, policy changes mostly in Nigeria are not adequately considering the taxpayers, administrative alignment and the cost incurred plus other current taxes. This make it in one way of the other contributed to the hindrance of effective implementation and goal congruence of the country tax system. Soyode, (2017), the most appropriate method to refreshing taxes is one that takes into account taxation theory, empirical evidence, political and administrative actualities. In addition mixture them with a good dose of home grown knowledge and a sound evaluation of existing macroeconomic and international condition to produce a viable set of draft, adequately gorgeous to be implemented and suitably forceful to withstand inspiring time with reasons and still produce a positive outcome.

Tax Laws

The Nigerian tax laws are collections of rules and regulations concerning the revenue generation and other forms of tax related matters in the country. These rules and regulations are made by legislative arm of the government. The laws are subject to amendment periodically, but no doubt that the amendment is frequently a manifestation about inconsistencies that hinders the achievement of the set objectives. Mungaya*et al.*(2012) outline some of the prevailing tax laws as follows:

i. Personal Income Tax Act 1993 (PITA);
ii. Company Income Tax Act 1990 (CITA);
iii. Petroleum Profit Tax Act 2007 (PPTA);
iv. Value Added Tax (VAT) Act 1993 No 102 LFN;
v. Capital Gain Tax Act 1990 Cap 42 LFN;
vi. Stamp Duty Act 1990 Cap 411 LFN;
vii. Education tax Act 1993 No 7 LFN (Now Tertiary Education trust Fund Act 2011).

These are the main laws underpinning Nigerian tax and from time to time amendment and adjustment are establish to comply with the actual situation and condition at the prevailing material time. Moreover, new was to be formulated and those that are not suitable and became unproductive are abolished in order to upgrade and having effective tax system.

Driving Institutions to Tax Administration and Tax Policy in Nigeria

In Nigeria, certain institutions are responsible for initiating the driving tax policies and administration in the country. They are part-taking the task under the context of and aims for construction tax culture and educating the respective taxpayers. Also serve as overseers in administering and enforcing the tax policies as well as related tax laws. These institutions according to National Tax Policy (2008) are as follows:

i. Ministries of Finance
ii. Revenue Authorities
iii. Educational Institutions/ Academia
iv. Tax Consultants
v. National/State Assembly
vi. Office of the Auditor General of the Federation

This are the leading figures and institutions that have the obligation for instigating, enacting, adjusting and enforcing tax policies and administration in the Nigerian federation.

Summary of Findings

Taxation as earlier discussed in this paper, taxes are the essential instrument use by various nation from ancient life of human being in developing the community and redistribution of wealth within the country. However, this wealth redistribution is been hindered by some constraint like evasion by un-patriotic citizens. Tax evasion is an illicit and intentional fraudulence of not reporting true and fair statement of income by taxpayer to evade paying the tax. The problem is well spread from developed to developing economy in the contemporary countries of the world. Several studies have been documented in the literature about the determinant factors and causes of the phenomenon and why it continues to be in existent. However, this paper tries to review and looked into Nigerian tax system, tax policies and tax laws. The paper presented some important concept underpinning the country's tax system and furthermore some point worthy to be acknowledging about the tax. Nigeria is among the few countries in the contemporary world where evading taxes is became a fashion by taxpayers. Various institutions in the country which are necessary to work collectively to make tax evasion hard by taxpayer are not accurately coordinated. For example, it is possible for a company not to register with tax authorities (FIRS) after registered with the Corporate Affairs Commission (CAC) while it is same condition for registering process of the companies. Therefore, tax compliance enforcement (on all taxpayers including corporate entities) should be assumed adequate consideration and different government agencies must work together and share information to ease tax evasion. Moreover, Federal Inland Revenue Service (FIRS) should tired less collaborate with Corporate Affairs Commission (CAC) and share information about the taxpayers and registered corporate institution in the country. This would hold in minimizing the noncompliance and discouraging evasion thus, revenue generation would increase.

Conclusion

This study identified and examined various sources of revenue generation as well as the problems of revenue generation in Nigeria. The study revealed that local government in Nigeria are confronted with several problems which include corruption on the part of revenue collectors, lack of bye-laws on revenue tariff, farming out of revenue base on political patronage and so on. It has become obvious that Corruption is the major issue in the developmental study of the local government councils in Nigeria. It is therefore believed that the local governments could do better in internally generated revenue if council officials honestly and aggressively do their job. But more often, these officials are involved in corrupt practices by short changing the council either by printing their own personal receipt booklets or misappropriate council funds. The fact that such culprits are not decisively dealt with accordance with extant rules and regulations have encourage other to be the same line of corruption, resulting in the ever more dwindling internal revenue profile of the council.

Recommendations

The following recommendations are made to improve the revenue generation in Nigeria in general and for effective utilization of such fund for meaningful development.

i. There is an urgent need for all state governments to clearly state the basic objectives of its tax system and the relationship between these objectives. This will assist to give the tax administrators a sense of direction and make the tax payer see clearly the reasons he should pay his/her tax as at when due.
ii. Well-equipped database on tax payers should be established by the federal, state and local governments with the aim of identifying all possible sources of income of tax payers for tax purpose. It is possible to track down those who are evading tax with the establishment of the well-equipped database.
iii. Tax officials must be adequately trained, well equipped with operational vehicles and telephones in the tax offices and well-motivated to carry out their jobs effectively.
iv. Judicious use of tax payers' money should be made and be seen to have been properly utilized; this will encourage tax payers to continue to pay taxes.
v. Stringent penalties should be meted to people who evade and avoid tax payments, this will discourage tax evasion and tax avoidance.
vi. Effort should be made by the Federal, State and Local governments to diversify the main revenue source from oil to other sectors of the economy such as agriculture, extractive industries in order to attract direct and indirect taxes.

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