

**TITLE PAGE**

**CARITAS UNIVERSITY, AMORJI – NIKE  
ENUGU STATE**

**THE ETHICS OF TAX EVASION; PERCEPTUAL EVIDENCE  
FROM NIGERIA  
A CASE STUDY OF SOME SELECTED LOCAL GOVERNMENT AREA  
IN AKWA IBOM STATE**

**BY**

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**APPROVAL PAGE**

We hereby certify that the research work in this report is solely the work of **Bassey-Anwan Archibong Ekpo**, with Registration Number **Acc/2009/520** in partial fulfillment of the requirement for the award of Bachelor of Science (B.Sc) degree.

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## **CERTIFICATION**

This is to certify that, this project have been read and approved by the supervisor.

## **DEDICATION**

This project is dedicated to God Almighty the omnipotent, omnipresent, and Omniscient God and the end of all knowledge for wisdom, understanding and strength in the completion of this project and to beloved mum Mrs. Iniobong Archibong Ekpo, to my loving guidance Mr. & Mrs. Anthony OKure and to my sisters for their encouragement and financial support during my academic pursuit.

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## **ABSTRACT**

The purpose of this study was to investigate the perception of tax evasion to the payment of tax on ethical reasons. A case study of some selected Local Government Area in Akwa Ibom State. Extensive review of the existing literature was made and relevant information was extracted. The Design of the study is descriptive field survey and observation method and the study was conducted at the selected Local Government Area in Akwa Ibom State. The instrument for data collection is structured questionnaire and the source of data used was primary and secondary sources. The data collected were analyzed using Chi-square test ( $X^2$ ). Based on the analysis of this research, the researcher discovered the following as her data findings, that there is widespread ethical support for tax evasion, the study showed varying degree of justification for tax evasion, that tax evasion is ethical sometime and also found that the perceived government corruption can make respondent to evade tax. Therefore, until those underlying cause are addressed, tax evasion may continue to be widespread.



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## **CHAPTER ONE**

### **HISTORICAL BACKGROUND OF THE STUDY**

#### **1.1 INTRODUCTION**

The word tax first appeared in the English language only in the 14<sup>th</sup> century, it is derived from the Latin word taxare, which means to "Assess" before that, English used the related word task derived from old French, for a while task and tax were both in common use, the first requiring labour, and the second money.

In the Stone Age, tax was collected in Nigeria long before the coming of Europeans; it was collected by the local Chief for the purpose of administration and defense. Every one was expected to give part of his or her proceeds from cultivation of land to the state, those who were not cultivating were required to give their human (labour) sources for public work such as clearing the bush, digging the pit latrine, wells etc. for the benefit of the community, as a whole. Failure to render such services usually resulted in loss of property which might be reclaimed after payment. With the coming of the Europeans, taxes were collected from individuals through local chief in 1964; a legislative council was set for the whole country which obliged the regional council with a large

measure of financial responsibility. After independence, state government were to fine out other sources of generating revenue which is today known as pay as you earn (PAYE).

Tax is a levy imposed by the federal board of Inland Revenue (federal government) on the chargeable income generated by individuals, organizations and other corporate bodies for the betterment of the society as a whole.

Taxation is the act of taxing, it is also the amount assessed as a tax, it is revenue raised from taxes. Taxation is the means of progress through which the government generate revenue for national development through the contribution by the citizens.

According to Ogundele (1999) taxation is defined as a process or machinery by which communities or group of persons are made to contribute in some agreed amount of money for the propose of the administration and development of the society. It can be inferred that the payment of tax will in turn be beneficial to the entire community of they pay their tax properly.

Tax constituted an important source of revenue to the government of any country both direct and indirect taxes that are collected by the government inform of income tax, excise duty, import and export duties, purchase and sales tax and so on help the government to generate a lot

of revenue for the smooth administration of a nation. There are two elements in every form of taxation and that is the base and rate element. The tax base is the object which is taxed or a measure of the private sector income or wealth that can be taxed. The tax rate is the percentage of the measured amount taken from the tax base. As earlier stated, taxation is one of the most important and major source of government revenue, in this case the money realized from is used to provide social goods and services so that both the rich and the poor will have equal chance of making use of them through the provision of social amenities such as good roads, electricity, pipe borne water, hospitals welfare organization, schools and so on.

In spite of these benefits from tax, most people still run away from tax indulging themselves in what is called tax evasion and avoidance. Attempt to avoid some portion of inability or not to pay tax will affect the revenue generation of the government and that is the most condition why government frowns at the issue of tax evasion and uses its authority to enforce compliance. But in spite of the frown by the government of Nigeria, there have not been adequate and sincere efforts towards enforcing the tax evaders on the need for them to pay their tax instead, they concentrated on the revenue from oil sector,

while overlooking the taxes on agriculture which is supposed to yield revenue to the country as a whole.

Arowomole and Oluwalayode (2006:39) define tax evasion as a deliberate act on the part of the tax payer to reduce their tax liability through illegal means or an attempt not to pay tax due. While tax avoidance is defined as a legal way by which a taxpayer reduces his or her tax liabilities. Tax evasion is considered as a criminal offence.

## **1.2 STATEMENT OF THE PROBLEM**

The researcher has observed that tax evasion has become rampant in Akwa Ibom state, individuals and firm manover or try to evade paying tax based on their perceptions of tax.

The researcher has through this investigation observed that most people formulate their tax in order to underpay tax while some companies and individuals as well smuggle goods into the country in order to evade tax payment.

Most people see tax paying as government exploiting them while some try to bribe government officials in order that they may evade tax payment. It has been observed to that most people fail to register their company or goods in order to equally avoid tax payment. This is as a result of ignorance or an attempt to cheat the government.

Finally, it has been observed by the researcher that as tax payment is one of the ways government generate revenues, tax evasion would only trigger off lack of revenue for development and tax evasion is detrimental to the government. Hence, the decision of the researcher is to investigate the stated problem, the reason why individuals and firms indulge in tax evasion and to offer suggestion for solving the problem.

### **1.3 OBJECTIVES OF THE STUDY**

- i. To investigate the perception of tax payers to the payment of tax on ethical reasons.
- ii. To identify specific key areas that tax payer link to tax evasion.
- iii. To examine the effect of perceived corruption in government on tax evasion.
- iv. To state the seriousness of tax evasion according to the Nigerian constitution.

### **1.4 RESEARCH QUESTIONS**

- i. Is tax evasion ethically justifiable?
- ii. What are the reasons for tax evasion?
- iii. What is the attitude of tax payer when government is perceived to be corrupt?

- iv. What is the most rampant ethical justification for tax evasion?

### **1.5 RESEARCH HYPOTHESIS**

Because of the above research questions, the following hypothesis was formulated;

- i. Tax evasion is not ethically justifiable  
Tax evasion is ethically justifiable
- ii. There is no reason for tax evasion  
There are reasons for tax evasion
- iii. There is no rampant ethical justification for tax evasion  
There is rampant ethical justification for tax evasion

### **1.6 SIGNIFICANCE OF THE STUDY**

This research work would be referred to various tax authorities, the federal board of Inland Revenue, local government revenue committee as well as their tax officials who are responsible of collecting tax on individuals or corporate bodies, it gives them insight on how to improve the tax administration. The research would also help the professional bodies like the chartered institute of taxation of Nigeria and the institute of chartered accountant of Nigeria as well as the members to see the areas of deficiency on tax collection and call for improvement

in tax revenue. This research would also be relevant to the future researchers and students of economics, business administration, accounting and other social and management sciences as well as the legislations which will also benefit immensely from this research because it will form basis of tax policy formation, implementation and administration.

### **1.7 SCOPE OF THE STUDY**

This research is premised on obtaining evidence on the ethics of tax evasion, by obtaining responses from business owners, professional bodies, tax officials, the federal board of inland revenue, organizations and others in Akwa Ibom state, thus the study was restricted to some selected local governments in Akwa Ibom state.

### **1.8 DEFINITION OF TERMS**

**TAX EVASION:** An illegal practice where a person, organization or corporation intentionally avoid paying his or her true tax liability.

**TAX ETHICS:** It is the rule and regulations governing or guiding the payment of tax.

## **CHAPTER TWO**

### **2.1 EMPIRICAL INVESTIGATION OF TAX EVASION**

Tax evasion can be traced back to the study of Allingham and Sandmo (1972) with the publication of the article "income tax evasion: A theoretical analysis since then, it has been followed by large number of contribution to the literature giving its different directional views. The study observed a positive correlation between tax rate and evasion. This finding is also consistent with the finding of Chipeta (2002) which identified causes of tax evasion. Firstly, he noted that the rate at which taxpayers are being taxed impacts on tax evasion. He observed that the higher the rate, the higher will be the likelihood for the taxpayer to evade as this increase their tax burden and hence lower their disposable income. Secondly, the probability of being detected after evading taxes also influences the decision of a tax payer as whether to evade or not. This is directly linked to the level of how strict tax laws are being enforced (Allingham & Sandmo, 1972, Chipeta, 2002).

Literature also provides a link between tax evasion and corruption. Acconnia et al, (2003) noted that the level of corruption and tax evasion depends on such factors as the wealth of the taxpayer and the wage of

the tax officer. Maclearn (1996) further works on a model which tried to identify the optimal wage at which tax officers should be remunerated. He argued that government face the dilemma of identifying a salary level which will ensure that its tax officers are not enticed to bribery a there is a link between tax evasion and the salary level of tax officers through corruption, (Acconnia et al 2003, Maclearn 1996).

According to Pasher (2005) the failure of the government to provide basic infrastructures which are supposed to be funded by the tax being collected may aggravate tax evasion. Lack of transparency and accountability in the use of public fund has the effect of building public distrust both in the tax system as well as the government. Hence, this is believed to increase the level of tax evasion (Pasher, 2005). Some of the studies, Armstrong & Robinson (1998), Olivia (1998), McGee (19986) Smaliakaler (1998) and McGee & An (2006) have taken different opinion of tax evasion. All these different opinion of tax evasion portrays in their studies. These opinions include philosophical opinion, practitioner's opinion and religion opinion. Some studies also have two opinion combined together. In the study of Morale (1998), tax evasion was discussed from a philosophical point of view by gathering evidence from Mexican workers. His study concluded that Mexican workers have a more important duty to their family than to the state. This point of view

is also believed to have a religious understanding as it has a bearing with the catholic theological literature as identified by Crowe in 1944.

Sikka & Hampton (2005) and Olatunde (2007) stated that tax evasion is one of the major social problems inhibiting development in developing countries and eroding the existing welfare state in developed economics in the world. This has led to a growing attention among policy makers, western countries international agencies and schools. However, little attention has been placed on the ethical issues of tax evasion in Nigeria. Particularly research into the ethics of tax evasion in Nigeria is of little existence. Hence, an enviable society can only be visible when domestic revenue can be mobilized for her social obligation to the citizens Sikka and Hampton, 2005: 325-343 and Olatunde, 2007:1).

## **2.2 OVERVIEW OF TAXATION SYSTEM IN NIGERIA**

Nigeria was colonized by the British just like some other African countries by an act of the British parliament; Nigeria became an Independent country within the common wealth on October 1, 1960. In 1963 Nigeria became a republic within the commonwealth.

In Nigeria, the taxation system dates back to 1904 when the personal income tax was introduced in northern Nigeria before the

unification of the country by the colonial masters. It was later implemented through the native revenue ordinances to the western and eastern regions in 1977 and 1978 respectively. Among other amendment in the 1930, it was later incorporated into direct taxation ordinance No.4 of 1940 (Library of congress, 2008). In essence, the Nigeria tax system has been based on 1948. British tax laws system and has been undergoing a lot of changes. Since then, different governments have continued to improve on Nigeria's taxation system. A vital aspect of the improvement on the nation's tax system in the recent federal inland revenue services (establishment) Act, 2007, companies income tax (Amendment) Act 2007, and the draft national tax policy pending before the National Assembly.

Sanni (2005; 2-5) noted 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 tax law serves as the legal backing. Soyode and Kajola (2005) noted some of the sources of tax laws in Nigeria to include legislation, constitution, court judgement and circulars for example, personal income tax Act (1993) as amended in respect of pay-as-you-earn and direct taxation, and self assessment. It is a typical legislative source of

tax laws in Nigeria. (Sanni, 2005, 2-5; Soyode and Kajola, 2006; 23; PITA1993 as amended).

Availability of fund is a very vital aspect of running a state. Several options according to Asher 2001, and Soyode and Kajola (2006) are available to government for raising fund for bidding resources away from the other sector of the economy and from the other claimants of the economy to undertake their activities. The options include taxes, non-tax revenue such as fees, levies, cost of recovery and user changer, properly and investment income, domestic and foreign borrowing including loans from the multilateral institution, domestic and foreign grants. Thus, a major source of fund for any government is tax revenue. (Asher 2001; 120-140. Soyode and Kajola, 2006).

The World Bank (2000) noted that taxes are a compulsory transfer of resources to the government from the rest of the economy. They may be levied in cash or kind (for example, involving mandatory labour) and they can be explicit or implicit. Other classifications of taxes are direct and indirect taxes, classification by incidence, proportional, progressive and regressive taxes. Classification by burden of distribution, Adeyeye (2004) describes tax as a liability on account of the fact that the taxpayer has on income of a minimum amount and from certain specified source or that he owns certain tangible or intangible property,

or that he is engage in certain economy activities which have been chosen for taxation. Therefore, the individual contribute in some quantum measures to the fund available for use by government in providing necessary infrastructures for the citizens (the World Bank, 2000, Adeyeye 2004;18, Soyode and Kajola, 2006).

Tax, according to Black's law dictionary is a financial charge or other levy imposed on an individual or a legal entity by a state or a functional equivalent of the state (for example, secessionist movement or revolutionary movements. Taxes are also imposed by many sub-national entities, taxes consist of direct tax or indirect tax may be paid in money or as its labour equivalent often but not always unpaid. In essence tax is seen as primary or pecunians burden put upon individuals or property to support the government in its oversight activities of a nation and exacted by legislative authority.

### **2.3 TAXATION AS A TOOL FOR FISCAL POLICY**

Fiscal policy refers to the government plan of action concerning the raising of revenue through taxation and other means and deciding the pattern of expenditure to be applied. The fiscal policies embodies into their respective budget with a view of directing budget with a view to directing their economy activities and raising revenue. As an effective

macro economic policy, fiscal policy is usually designed to achieve certain goals or objectives of a particular economy, such objective on the opinion of Anyade (1995; 221) include price stabilization equitable distribution of wealth, satisfaction of need, proper allocation of resources, provision of all full employment and maintaining favourable balance of payment position for And (2001; 196), other objectives of fiscal policy are regional and balance industrial development, reverse generation, increase production and economic development.

At this point, it has been stated that both taxation and public expenditure are the major tools for fiscal policy. Taxation helps to achieve the objectives; it does this by assisting policy in raising revenue for the government regulating the economy & economic activities and controlling income and employment. Specifically taxation is a tool which the policy under focus uses to fight such economy problems like inflation and unemployment.

Ukaoha (2000; 2-3) to fight inflation using fiscal policy, taxation is increased while expenditure is held constant or reduced. With this situation, people and organization disposal income will reduce and hence, their demand for goods and services will be forced to reduce the price of the goods which they sell and subsequently. The rate of inflation is reduced if not completely wiped out of the economy. On the other

hand, when there is economic problem such as “depression” the expenditure is increase while taxation is held content or reduced, this will help to inject more funds into the economy and therefore economic activities will be boosted ones again. With this, the economic depression is erased. Infact, the adjustment of both taxation and expenditure can fight both inflationary and deflationary periods and this is a better approach to the control of both economic growth and development. In his own contribution, Onyentinonwu (1994; 5) fiscal policy is one of the instrument which the state can employ to direct the economy. Its measure act more directly than monetary policy measures. Such measure is the fiscal policy. Policy measures can be directed to reduce demand for goods and expenditure. This is done by increasing taxes and reducing policy expenditures. This removes purchasing power from the populace and consequences so that their demand for good and services will reduce. But when there is a trade slump, government adopts a fiscal increase by reducing taxes and increasing the public expenditure and hence more money is left in the hand of the populace. Their demand for commodities will now increased and as a result of this, the trade slump is brought under control for fiscal measure to be effective, they must be applied quickly. They are more regulation measure which helps the government to exercise a proper and adequate control of the economy.

## **2.4 PROBLEM OF EFFECTIVE TAX ADMINISTRATION IN AKWA IBOM STATE**

A lot of problems militate against effective tax administration in Akwa Ibom state in particular Nigeria as a whole. Most of such problems are explained below.

Many Akwa Ibom citizens particularly those who are self employed or employed by informally established business organization in the private sector prefer tax evasion to tax payment. In this case they dodge tax payment by under clearing their tax income before tax officials or refusing to declare their income at all. This makes the state government to realize little or no more tax revenue from them and hence, the entire revenue got from taxation is reduced. Also tax officials in the country are not provided with adequate materials which will aid them to effectively discharge their duties. They don't have enough vehicle with which to penetrate the interior area for tax collection as well as other materials which are necessary for such an assignment, when such officials uses their own money and carryout the assignment, they are not readily responded to the government. Therefore with this state of affair, it becomes difficult for the official to go and collect taxes from the

area concerned and thus, the government does not realize adequate revenue from tax and this affect the entire revenue profit of the state.

Another factor is inadequate tax officials. Most of the government establishment at all levels which are in charge of tax assessment and collection, the limited number of staff in all the government bodies cannot efficiently carryout with tax administration. Besides, the state government does not take the prosecution of tax defaulters very serious. In most countries of the world especially the advanced national tax evasion or non-payment of taxes is a serious offence and hence, those involve are properly prosecuted and deserve penalties imposed on them to serve as a deterrent to others.

In Nigeria, the above is not the case. Most taxable individual and organization default in tax payment with all amount of impurity leaving the civil servant and other employed in a formally established organization to be paying their taxes. The consequence of this is that less revenue is being generated by the state from taxation. Apart from factors explained, none or adequate provision of infrastructure facilities as well as contributes to ineffective tax administration. In the state, most taxable individuals in the state mainly privately engage people who do not find it necessary paying their taxes. This is because they felt that their commodities are neglected by the government in the area of non-

extension of infrastructure facilities or social amenities to such commodities obligation which they don't deem it a social obligation which they must of necessity discharge to their father's land. While confirming some of the factor already brightened, Allady (2001:2) said that hatred of tax payment, transportation (Bad roads and maguate vehicles) insufficient staff, for instance non refunding of staff after using their money to collect and un-seriousness on the part of government to prosecute tax defaulters militating against effective tax administration in the country in general and Akwa Ibom state in particular.

In his own contribution, Anyele (1987; 104-105) says that the following factors equally make it difficult for tax collectors in the country to effectively discharge their assignment.

- i. Wrong declaration of income is rampant among the self employed.
- ii. Progressive tax evasion, uses of wives to evade taxes by some men.
- iii. Bribery and corruption mainly in high place just because some people occupy high position, they influence the taxes which they pay and hence, they are under assessed while some tax officials embezzle some of the tax revenue which they have collected.
- iv. Ignorance of the tax laws, for political reason, party members are times elected or appointed, tax assessment committee's member

and being illiterate in tax administration, they commit bundle of blunders and sometimes perpetuate atrocity against their fellow citizen and their state.

## **2.5 TAX ADMINISTRATION BODIES IN NIGERIA**

According to Auyafo (1996; 112), taxation is administered under the following area:

At the federal level by board of Inland Revenue in the case of company's income tax, petroleum profit tax, and the federal board of custom and excise in the case of import, export and excise duties.

At the state level by the state tax board in respect of personal income tax (PIT) capital gain tax on resident casino, vehicles and drivers license, etc.

At the local government level in the case of cattle tax, property tax, community tax etc.

## **2.6 OBJECTIVES OF TAXATION**

Taxes are imposed in order to achieve certain objectives in any given economy. Infact, it is the most important instrument in the control of any particular economy, some of the objectives of taxation according to Andy (2001; 198) are as follows;

- (i) **To cover the cost of administration:** Taxes are imposed on the citizen and corporate organization to enable the government raise fund for general administration of the country.
- (ii) **To pay national debt:** The governments impose taxes so as to service the debt which it owes internally and externally.
- (iii) **To narrow the gap between the poor and rich:** Taxation is one way or method a government can use to close or bridge the gap between the poor and the rich. This is done by the introduction of progressive tax which is a type of tax that increases as income increases.
- (iv) **To promote economic growth and development:** The government can embark on structural transformation of the country to ensure economic growth and development through the imposition taxes.
- (v) **To allocate resources:** Taxation is equally aimed at allocating resources between the private and public goods and between investment and consumption; it can also be used in collecting deficiency in the once mechanism.

At this juncture, it has to be aided that for a tax to be considered good, certain principle will have to be observed or considered while imposing the tax to those concerned. In other words, certain rules

and regulations will have to be adopted before it is finally imposed. The principles are explained here under:-

- (i) **Equality:** This means that those who earn the same income and have the same responsibility should be made to pay the same amount of money to the government as tax.
- (ii) **Certainty:** In this case, tax payer should be well informed of the amount of tax which he or she has to pay as well as the time and method of payment.
- (iii) **Convenience:** This entails that the time and method of payment of taxes should be suitable to the tax payer. In other words, a good tax payer system must be in such a way that the payer finds it easy to pay and also feels comfortable after payment.
- (iv) **Economy:** This means that tax should not be expensive to collect. Infact the cost of collecting taxes should not be high.
- (v) **Neutrality:** In this case of neutrality, a particular tax system should not interfere with the demand and supply of goods and services.
- (vi) **Simplicity:** The tax system or principle should be simple enough for everybody especially the taxpayers to understand.

- (vii) **Flexibility:** A good tax system must be easily changed, here the tax system concerned must be capable of being easily adjusted as occasion warrants.
- (viii) **Impartiality:** In this case, there should not be any partiality in tax assessment. This means that tax official should not discriminate against taxpayers while assessing them for tax payment.

## 2.7 TAX EFFECTS

Depending on the nature of tax, taxation may have either a negative or positive effect on the individual and the society. It may be an incentive or disincentive to work or save, depending on whether that tax is direct or indirect with a high marginal rate of tax. In excess 50% tax will be a disincentive to work while a low marginal rate of tax will be an incentive to work. Hence, when an individual realize that more than 50k of every additional ₦1.00 his earns will go for taxations then he does not have any further incentive to work harder.

The value added tax is an incentive to save while the tax levied on interest earned on bank deposits is a disincentive to save. Taxation may lead to distortions in the consumption pattern of the society especially, if is indirect tax. For instance, high import duty imposed on certain classes

of goods will lead to a shift away from the consumption of such goods to other goods with low import duty.

## **2.8 AGENTS OF TAX ADMINISTRATION**

**Tax inspector:** These are officials/staff of the service, state services duly appointed and authorized to examine the income and expenditure record of the payer and assess such to tax accordingly. This examination could be made on the returns of information supplied by the taxpayer.

**Tax Collectors:** These are officials of FIRS/SIRS dully authorized in writing (certificate of warrant) to take all necessary steps to effect collection of tax due from taxpayer. He is empowered by law to enter during daylight and without damage a house or premises so as to obtain information on payment of or remittance of tax liabilities.

**Tax Consultants:** These are tax professionals that give experts advice to the authority and taxpayer commission, fees are charged for service rendered. The constitution allows the tax authority to use these professionals only for their secondary, re-organization, laws interpretation and the likes.

## **2.9 THREE OPINIONS ON THE ETHIC OF TAX EVASION**

All the opinion found on tax evasion in the literature can be group into three broad areas. These are the unethical opinion, the anarchist opinion and the circumstance opinion.

### **The Unethical Opinion**

The opinion here is that tax evasion is always or almost unethical, Cohn (1998) and Smith & Kimball (1998) noted that there are basically three underlying rationales for this belief, one reason is the belief that individual have a duty to the state to pay whatever taxes the state demands. This view is especially prevalent in democracies, where there is a strong belief that individuals should conform to majority rule. The second rationale for an ethical duty to any taxes is because the individual has a duty to other members of the community. This view holds that individual should not be free loader by taking advantage of the services the state provides while not contributing to the payment of these services. These studies are representation of the religious opinion. Cohn (1998) portrays the Jewish opinion while Smith and Kimball (1998) represent the opinion of the Christian community. However, in a more recent study of Jewish opinion by McGee (2006), tax evasion which was

generally considered to be unethical can be justified in certain cases (Cohn, 1998; Smith & Kimball, 1998; McGee, 2006).

### **The Anarchist Opinion**

According to Block (1989) (1993), the opinion here is that there is never any duty to pay taxes because the state is illegitimate, a mere thief that has no moral authority to take anything from anyone. The government is seen as a mafia. The anarchist literature does not address the ethic of tax evasion directly but rather discuss the relationship of the individual to the state. In essence, taxation is seen as theft by this group of people, Block (1989; 1993).

### **Circumstance Opinion**

People who have this opinion often have a reason to either justify tax evasion or condemn it. Some of these people base their tax payment decision on morals, religions, inclination and beliefs of mention but a few. Hence, tax evasion may be ethical under some circumstances and unethical. Under other circumstance, according to Ballas & Tsoukas, (1998) and McGee & Lingle (2005), this view is the prevalent view both in the literature and result of some surveys. (Ballas & Tsoukas, 1998, McGee & Lingle 2005).

Gronbacher (1998) reviewed the Christian literature and take the position that there are limits to the duty that one owes to the states to pay taxes. In the same vein, Pennock (1998) and Schansberg (1998) also hold that Christian also base their duty of paying taxes or circumstance to such as fighting an unjust war. The Islamic position on the ethics of tax evasion is also not different from the Christian position. The study of McGee (19986) conducted that tax evasion might be justified in certain circumstance such as when tax causes prices to increase and where tax is on income, which destroys incentives. (Gronbacher 1998, Pennock 1998, and Schansberg 1998, and McGee 19986).

## **2.10 REASONS FOR TAX EVASION**

There are several reasons that have been cited as the major causes or reasons of tax evasion especially in developing countries among such reasons are:

- i. High tax rate that increase tax burdens
- ii. Inadequate and weak tax law legislation which are coupled by lower level of tax law enforcement
- iii. General dissatisfaction with the public services

- iv. Provision and the presence and extent of the parallel economy in the country

## **2.11 FORMS OF TAX EVASION**

Tax evasion is of different forms, there are as follows:

**Legitimate Evasion:** This is the type of tax evasion when the taxpayer does not pay his tax because the legislative expresses desires that he/she should not pay.

**Bilateral Evasion:** This occurs with the convenience or assistance of a government officials.

**Illegitimate Evasion:** This is the failure of the taxpayer to conform to the provision of the law while trying to pay his tax.

**Over invoicing of import and under invoicing of export:** The implication of these is that the imported and exported goods or items less by the government.

The subject under focus has certain effect in the opinion of the author cited above. It causes a reduction in the revenue of the government in the state (Akwa Ibom State). Income is always distributed in favour of those who evade tax payment. Finally, it may make the patriotic tax payer to involve themselves in the "inwholy" act, since others do it without being prosecuted.

The writer further asserted that tax evasion could be controlled, reduced or stopped entirely by looking at the tax law and also various administrative measures that goes along with enforcing it. It further single out and recommend reviews in the tax law such as:

- (i) The enhancement of penalties and the broadening of transactions that requires tax clearance certificate such as the tendering process
- (ii) A review in the staff capacity and its ability
- (iii) Requiring the tax payer to include an annual inventory of his assets in the tax return
- (iv) Encouraging and helping the self employed such as traders to keep regular & accurate records of their business transaction
- (v) Assessment system
- (vi) Incentive scheme and also tackling of the parallel economy in a bid to bring it into the taxable fold through the analyzing of with holding tax import and export records.
- (vii) Depending on information at source
- (viii) Improving and strengthening the tax enforcement machinery
- (ix) Collecting taxes at source

## **2.12 COMPARISON OF TAX EVASION AND TAX AVOIDANCE**

Tax evasion has been defined by researcher in a number of ways, one of which is in contrast to tax avoidance Soyode and Kojola (2006) defined tax evasion as the deliberate and willful practice of act disclosing full taxable income in order to pay less tax. It is a violation of taxes, whereby the tax due by a taxable person is unpaid after the minimum specified period.

Likewise, tax evasion is evident to situation where tax liability is fraudulently reduced or false claims are filled on the revenue tax form. 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 by the law. (Soyode & Kajola, 2006; 60, Kay, 1980:142-145).

Eboziegbe (2007) noted that this unlawful practice of tax evasion remains a serious threat to revenue generation effort of government. According to Nwachukwu (2006) tax evasion is the general term for efforts by individuals, firms, trust and other entities to evade tax by illegal means. Tax evasions usually entail taxpayers deliberately misrepresenting or concealing the true state of their affairs to the tax

authority and reduce their tax liability. It also includes, in particular, dishonest tax reporting such as declaring less income, profit or gains than actually earned or overstating deductions. Conversely, tax avoidance as defined by Alm and Martins (2001) is the legal reduction of tax liability 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 treatment (Eboziegbe 2007, Wikipedia; Nwachukwu, 2006; also and Martirus 2001).

From the comparison of various definitions given in the literature, it can be seen that paying less tax or not all that what one is legally obliged to pay 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 different between them is the legality of the taxpayer actions.

### **2.13 DIFFERENT BETWEEN TAX AVOIDANCE AND TAX EVASION**

Tax avoidance is generally the legal exploitation of the tax regime to one's own advantage to attempt to reduce the amount of tax that is payable by means that are within the law whilst making full disclosure of the material information to the tax authorities. Examples of tax avoidance involve using tax deduction, changing one's business

structure through incorporation or blushing and offshore company in the tax haven.

By contrast, tax evasion is the general term for effort by individual's firms, trust and other entities to evade the payment of tax by illegal means. Tax evasion usually entails taxpayer's deliberately misrepresenting or concealing the true state of their affairs to the tax authorities to reduce their tax liability and these include the particular, dishonest tax reporting such as under declaring income, profit or gain or overstating deductions.

Tax avoidance may be considered as either the moral dogging of one's duties to society, part of a strategy of not supporting violent government activities or just the right of every citizen to find all the legal ways to avoid paying too much tax. Tax evasion on the other hand, is a crime in almost all countries and subjects the guilty party to fines or even imprisonment. Switzer land is one notable exception, tax fraud (foregoing document) for e.g is considered as a crime, tax evasion like under declaiming asset is not.

Some tax evaders see their effort to evade taxation as base upon novel legal theories. These individuals and group are sometimes called tax protester. Tax protester is an example of this kind of approach to tax evasion that has generally ended in failure for those making such claims.

Tax resistance is the refusal to pay the tax for conscientious reasons, because they do not want to support the government or some of its activities, sometimes breaking the law to do so. Some donate their unpaid taxes creative "deduction" such as not paying a percentage of tax equal to the defense budget as either case, they typically do not take the position that the tax laws are themselves illegal or do not apply to them as tax protester do and they are more concerned with not paying for what they opposed than they are motivated by the desire to keep more of their money. Some people have suggested to term tax avoidance for people who adopt the technique of tax avoidance in the service of tax resistance, thereby doing tax resistance legally. In the UK, there is no general anti-avoidance rule (GAAR) but certain provisions of the tax legislation known as anti-avoidance provision apply to prevent tax avoidance where the main object or purpose or one of the main object or purpose of transaction is to enable tax advantage to be obtained. Judicial doctrine relying on a purposive construction of tax legislation are being evolved to prevent tax evasion and avoidance involving creation, self-concealing transaction or where step with no commercial purpose other than the avoidance of tax are inserted into a transaction. Controversially, in 2004 budget, it was announced that

promoters and users of certain tax avoidance schemes would be required to disclose details of the scheme to the Inland Revenue.

The UK authorities use the term tax mitigation to refer to acceptable tax planning minimizing tax liability to way expressly endorsed by parliament as set out above. On this view, tax avoidance flouts the spirit of the law while following the letter and therefore thought by some to be unacceptable. Upholding a difference between mitigation and avoidance relies on a purposive reading of legislation and commentator disagrees as to the extent to which this is permissible.

In the United State, thieves are required to report their stolen money as income when they file for taxes but they usually do not do so because doing so would serve as a confession of theft. For this reason, suspected thieves are sometimes charged with tax evasion when there is insufficient evidence to try them for theft.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

Here the procedure of data collection and analysis are specified, also state the sources of data for the research venture. Research methodology embraces at the process involved in obtaining and analyzing, observation or information relevant to the study. Infact for any study to be reliable and veritable, it must be backed up with data systematically to this end. This chapter sets out explain the nature and rules observed in carrying out the study.

#### **3.1 RESEARCH DESIGN**

According to Levia (1979:166), research design is concerned with the judgment question of how the study subject will be brought into scope of the research and how they will be employed within the research setting to yield the required data.

Beridam (1989: 44) opines that research design could be seen as a framework or plan that is used as a guide in collecting and analyzing the data of the study. The research design for the research work tested on the survey and observation for the research investigations data collection was done through questionnaires and oral literature.

### **3.2 SOURCES OF DATA**

In the process of this research, two sources of data were used. They are primary source of data and secondary source of data.

#### **Primary source of data**

The primary data for this research work was collected by using a utilizing two components or survey research which are response from the questionnaire and personal interaction with the tax officials.

#### **Secondary source of data**

The secondary data are those which are already been collected by some persons and already computed data from the records provided by the tax officials including literature publication like seminar papers, text books, and journals which were used for relevant literature review.

### **3.3 AREA OF THE STUDY**

The study area includes Etinan local government, Abak local government, Oron local government and Ikot Abasi local government area in Akwa Ibom state.

### **3.4 POPULATION OF THE STUDY**

By population, I mean all elements under investigation i.e., it is the collection of all members of a well defined organization, people, object or firm under this analytical framework.

The population was derived from those four selected local government areas in Akwa Ibom State. The entire population of the study is 2200; the population distribution is as follows:

<b>No. of Local Government</b>	<b>No. of population</b>	<b>Percentage</b>
Etinan local government	550	25%
Abak local government	550	25%
Oron local government	600	27%
Ikot Abasi local government	500	23%
<b>Total</b>	<b>2200</b>	<b>100%</b>

Sources: Field survey, 2013

### **3.5 SAMPLING SIZE DETERMINATION AND SAMPLING TECHNIQUE**

The sample size for the study was determined through simple percentage. In this case, the researcher decided to study 20 percent of the population. Hence, the size was determined through the following procedure.

Formula

$$n = \frac{P}{100} \times N$$

Where: N = sample size

p = percentage of the population i. e. (20%)

N – Population size

$$\therefore n = \frac{20}{100} \times \frac{2200}{1}$$

$$n = 440$$

### **SAMPLING PROCEDURE**

Etinan local Government

$$= \frac{550 \times 440}{2200} = 110$$

Abak local government

$$= \frac{550 \times 440}{2200} = 110$$

Oron local government

$$= \frac{600 \times 440}{2200} = 120$$

Ikot Abasi Local Government

$$= \frac{500 \times 440}{2200} = 100$$

The grand total = 440

### **3.6 RELIABILITY TEST**

The research instrument administered to population were reliable because the respondents were consistent in answering the question, that is the results obtained were consistent, respondent gave the same answer to many of the research questions.

### **3.7 VALIDITY TEST**

The questionnaire is designed to elicit response on the ethics of tax evasion; perceptual evidence from Nigeria. The measuring instrument (questionnaire) is valid because the researcher succeeded in achieving the objective which is to test whether the research design is capable of eliciting the required response from the respondents.

### **3.8 METHOD OF DATA ANALYSIS**

The quantitative as well as the qualitative method are used here, the data collected are expressed in simple percentage using table.

According to Ikpebu (2001;85) table embraces the efficient use of numerical data and give visibility of attribute of data. The analyses were based on the response of the questionnaire which was in turn used to answer the original question. In analyzing the data, the information obtained was first edited in order to eliminate errors in the raw data after edition. The data were subjected to some statistical test to make them useful.

The major techniques used to analyze data was the use of chi-square ( $\chi^2$ ) statistical analysis aimed at establishing any significant difference that might exist among respondents frequencies. Chi-square

is a non-parametric test tool that fit the test of the relationship of the dependent variable.

Chi-square formula is presented below:

$$x^2 = \frac{\sum (F_o - F_e)^2}{F_e}$$

**Where:-**

F<sub>o</sub> = observed frequency

F<sub>e</sub> = expected frequency

∑ = Summation

x<sup>2</sup> = computed chi-square

To get the expected frequency F<sub>e</sub>

$$F_e = \frac{TR \times TC}{GT}$$

**Where:-**

TR = total number of rows

TC = total number of column

GT= Grand total

The level of significance = 0.005 i.e 5%

Degree of freedom (DF) = (r-c)

R – row

C = column

### 3.9 DECISION CRITERION FOR VALIDATION OF HYPOTHESIS

This is based on comparing between the calculated chi-square  $x^2$  and the tabulated value. If the chi-square ( $x^2$ ) is greater than the tabulated value in the table, the null hypothesis ( $H_0$ ) is rejected while the alternative hypothesis ( $H_1$ ) is accepted but if the reverse is the case, the null hypothesis ( $H_0$ ) will be accepted and the alternative hypothesis ( $H_1$ ) will be rejected therefore:-

If  $X^2 = X^2_{er}$ , reject  $H_0$  and accept  $H_1$

If  $X^2 = X^2_{er}$ , accept the  $H_0$  and reject  $H_1$

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

This chapter deals with data presentation, analysis and interpretation. This will be done using tables, frequency and respondent through questionnaires administered, but out of 440 questionnaire administered, only 400 were retrieved. Hypothetical test were also done to ensure the validity and reliability of the findings.

**Table 4.1** shows questionnaire administered

<b>Responses</b>	<b>No. response</b>	<b>Percentage</b>
Response	400	91%
No. response	40	9%
Total	440	100%

Sources: Field survey, 2013

### **INTERPRETATION**

The above table shows a breakdown of completed, returned and unreturned questionnaire from the different respondents. It can be seen that 440 questionnaires were administered; only 400 which represent 91% were returned while 40 representing 9% were not returned.

**Table 4.2** Question 1: Sex respondents

Table 4.2: Analysis of sex respondents

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Sex	290	73%
Female	110	27%
Total	400	100%

Sources: Field survey, 2013

**INTERPRETATION**

The above table shows that 290 which represent 73% are male while 110 representing 27% are female.

**Question 6:-** Do you maintain tax department in your local government area?

**Table 4.3:** Analysis to know if local government really maintain tax department?

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	340	85%
No	60	15%
Total	400	100%

Sources:- Field survey 2013.

### **INTERPRETATION**

From the above table, 340 respondent representing 85% agreed that they maintain tax department in their local government while 60 respondent representing 15% disagreed.

## QUESTION 7

**Table 4.4:-** Analysis to know, if the management uses tax funds for decision making in their local government area.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	300	75%
No	160	25%
Total	400	100%

Sources:- Field survey 2013

## INTERPRETATION

The table above shows that 300 respondent representing 75% agree that management uses tax funds for decision making while 100 respondent representing 25% disagreed that management does not use tax fund for decision making.

## QUESTION 8

**Table 4.5:-** Analysis to know whether people agree to pay tax in their local government or not.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agreed	150	37.5%
Agreed	110	27.5%
Disagree	95	24%
Strongly Disagree	45	11%
Total	400	100%

Sources:- Field survey 2013

## INTERPRETATION

The table indicates that 150 respondents which represent 37.5% strongly agreed that people paid their taxes in local government, while 110 which represent 27.5% agreed that people paid their tax in the local government.

95 respondents which represent 24% disagree while 45 respondent representing 11% strongly disagreed that people does not pay their tax.

## QUESTION 9

**Table 4.6:-** Analysis to show how often do people pay tax in their local government.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
All the time	80	20%
Some of the time	170	42.5%
Rarely	150	37.5%
Total	400	100%

Sources:- Field survey 2013.

## INTERPRETATION

The above table shows that 80 respondents representing 20% agreed that they pay their tax all the time, while 170 respondents representing 42.5% agreed that they pay their tax some time and 150 which represent 37.5% agreed that they rarely paid tax.

## QUESTION 11

**Table 4.7:-** Analysis to show whether tax evasion is ethically justifiable in their local government area?

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	120	30%
No	280	70%
Total	400	100%

Sources:- Field survey 2013

## INTERPRETATION

The above table indicates that 129 respondents, which represent 30%, accept that tax evasion is ethically justifiable, while 280 respondents representing 70% disagreed that tax evasion is not ethically justifiable.

## QUESTION 15

**Table 4.8:-** Analysis to show whether government is really making use of the tax paid by the tax payer for development?

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agreed	125	31.2%
Agreed	110	27.5%
Disagreed	65	16.3%
Strongly Disagreed	100	25%
Total	400	100%

Sources:- Field survey 2913.

## INTERPRETATION

The above table shows that 125 respondent which represent 31.2% strongly agreed that government is really making use of the tax paid by the tax payer while 110 respondents which represent 27.5% agreed that government is making use of the tax money for development.

65 respondents which represent 16.3% disagreed that government is not making use of the tax fund for development while 100 respondent representing 25% strongly disagreed that government does not make use of the tax money for development.

### QUESTION 13

**Table 4.9:** Analysis to show whether governments take actions on people that are practicing tax evasion.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	270	67%
No	130	33%
Total	400	100%

Sources:- Field survey 2013.

### INTERPRETATION

In the above table, 270 respondents which represent 67% agreed that government do take action on tax evaders while the remaining 130 respondents representing 33% disagreed that government does not take action on tax evaders.

## QUESTION 14

**Table 4.10:-** Analysis to know what people think is the main reason for tax evasion in their local government.

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
High tax rate	290	73%
Unemployment	110	27%
Total	400	100%

Sources:- Field survey 2013.

## INTERPRETATION

In the above table, 290 respondents representing 73% agreed that high tax rate is responsible for tax evasion while 110 representing 27% agreed that unemployment is the main reason for tax evasion.

**QUESTION 15**

**Table 4.11:-** Analysis to show whether their local government keep proper tax record?

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Properly kept	190	47%
Not Properly kept	200	50%
None of the above	10	3%
Total	400	100%

Sources:- Field survey 2013.

In the above table, 190 respondents which represent 47% agreed that tax record is properly kept while 200 respondents representing 50% disagreed that tax record is not properly kept and 10 respondents, representing 3% disagreed that there is no tax record in their department or local government.

## USING THE DATA TO TEST HYPOTHESIS STATED

### TEST OF HYPOTHESIS

For the purpose of testing the three hypothesis stated in chapter one, we shall relate each of the items in questionnaire to the relevant hypothesis to be tested and finally use the chi-square ( $\chi^2$ ) technique to test for reliability and validity.

#### Hypothesis I

**H<sub>0</sub>:** Tax evasion is not ethically justifiable

**H<sub>1</sub>:** Tax evasion is ethically justifiable

**4.11a:** Question 7 and 11 in the questionnaire will be used to test for the hypothesis stated above

Question	Q 7	Q 11	TOTAL
Yes	300	120	420
NO	100	280	380
Total	400	400	800

**Step I:** Determination of degree of frequency degree of freedom  $D_F$

$$(R-1) (C-1)$$

$$= (2-1) (2-1)$$

$$= 1 \times 1$$

$$= 1$$

**Step II:** Determine the level of significance  $5\% = 0.05$

Critical table value = 3.841

**Step III:** Compare the chi-square with the calculated chi-square value

$$\text{calculated } X^2 = \frac{\sum(O-E)^2}{\Sigma}$$

Where  $X^2 = \text{chi - square}$

O = observed frequency

E = expected frequency

$\Sigma = \text{summation}$

The expected frequency is calculated using

$$E = \frac{\text{row total} \times \text{column total}}{\text{Grand total}}$$

Substituting the formular thus:

$$F1:1 \quad \frac{420 \times 400}{800} = 210$$

$$F1:2 \quad \frac{420 \times 400}{800} = 201$$

$$F2:1 \quad \frac{380 \times 400}{800} = 190$$

$$F2:2 \quad \frac{380 \times 400}{800} = 190$$

**Table 4.11b:** Table showing computed value of  $X^2$  hypothesis I

CELL	O	$\Sigma$	O- $\Sigma$	(O- $\Sigma$ ) <sup>2</sup>	(O- $\Sigma$ ) <sup>2</sup> / $\Sigma$
1.1	300	210	90	8100	38.57
1.2	120	210	- 90	- 8100	38.57
2.1	100	190	- 90	- 8100	42.63
2.2	280	190	90	8100	42.63
Total					162.4

Computed value = 162.4

Table value = 3.841

### Decision Rule

The computed value  $X^2$  162.4 is greater than the table value 3.841. It therefore means that the null hypothesis will be rejected and the alternative hypothesis accepted.

### Conclusion

We can conclude that tax evasion is ethically justifiable.

## HYPOTHESIS II

$H_0$ :- There is no reason for tax evasion

$H_1$ :- There are reasons for tax evasion

Question 13 and Question 16 in the questionnaire will be used to test for the hypothesis stated above.

**Table 12a**

Question	Q 13	Q 16	TOTAL
Yes	270	290	560
No	130	110	240
Total	400	400	800

### Step I

Determination of degree of freedom

$$\begin{aligned}
 D_f &= (R-1) (C-1) \\
 &= (2-1) (2-1) \\
 &= 1 \times 1 \\
 &= 1
 \end{aligned}$$

### Step II

Determine the level of significance 5% = 0.05.

Table value = 3.841

### Step III

Compare the chi-square with the calculated value  $X^2$

$$\text{Calculated } X^2 = \frac{\sum(O-E)^2}{\sum E}$$

Where  $X^2$  = chi-square

O = observed frequency

E = expected frequency

$\Sigma$  = summation

The expected frequency is calculated using

$$E = \frac{\text{row total} \times \text{column total}}{\text{Grand total}}$$

Substituting the formula thus:

$$F1:1 \quad \frac{560 \times 400}{800} = 280$$

$$F1:2 \quad \frac{560 \times 400}{800} = 280$$

$$F2:1 \quad \frac{240 \times 400}{800} = 120$$

$$F2:2 \quad \frac{240 \times 400}{800} = 120$$

**Table 4.12b:** Table showing computed value of  $X^2$  hypothesis III

CELL	O	$\Sigma$	O- $\Sigma$	(O- $\Sigma$ ) <sup>2</sup>	(O- $\Sigma$ ) <sup>2</sup> / $\Sigma$
1.1	270	280	- 10	- 100	3.571
1.2	290	280	10	100	3.571
2.1	130	120	10	100	8.333
2.2	110	120	- 10	- 100	8.333
$\Sigma$					23.808

Computed value = 23.808

Table value = 3.841

### Decision Rule

The computed value of  $X^2$  23.808 is greater than the table value 3.841. It therefore means that the null hypothesis will be rejected and the alternative hypothesis accepted.

### Conclusion

We can conclude that there are reasons for tax evasion.

### **HYPOTHESIS III**

$H_0$ :- There is no rampant ethical justification for tax evasion.

$H_1$ :- There is rampant ethical justification for tax

**Table 13a:** Question 8 and question 15 in the questionnaire will be used to test for the hypothesis stated above.

<b>Responses</b>	<b>Q 8</b>	<b>Q 15</b>	<b>TOTAL</b>
Strongly agreed	150	125	275
Agreed	110	110	220
Disagreed	95	65	160
Strongly disagreed	45	100	145
Total	400	400	800

#### **Step I**

Determination of degree of frequency

$$\begin{aligned}
 D_F &= (R-1) (C-1) \\
 &= (2-1) (2-1) \\
 &= (2-1) (2-1) \\
 &= 1 \times 1 \\
 &= 1
 \end{aligned}$$

#### **Step II**

Determine the level of significance

$$5\% = 0.05$$

Table value = 3.841

**Step III**

Compare the chi-square with the calculated chi-square value.

$$\text{Calculated } X^2 = \frac{\sum(O-E)^2}{\Sigma}$$

Where  $X^2$  = chi-square

O = observed frequency

E = expected frequency

$\Sigma$  = summation

The expected frequency is calculated using

$$\Sigma = \frac{\text{row total} \times \text{column total}}{\text{Grand total}}$$

Substituting the formular thus:

$$\text{F1:1 } \frac{275 \times 400}{800} = 136$$

$$\text{F1:2 } \frac{275 \times 400}{800} = 136$$

$$\text{F2:1 } \frac{220 \times 400}{800} = 110$$

$$\text{F2:2 } \frac{220 \times 400}{800} = 110$$

$$\text{F3:1 } \frac{160 \times 400}{800} = 80$$

$$\text{F3:2 } \frac{160 \times 400}{800} = 80$$

$$\text{F4:1 } \frac{145 \times 400}{800} = 73$$

$$\text{F4:2 } \frac{145 \times 400}{800} = 73$$

**Table 13b**

CELL	O	$\Sigma$	O- $\Sigma$	$(O- \Sigma)^2$	$(O- \Sigma)^2 / \Sigma$
1.1	150	136	14	196	1.441
1.2	125	136	14	196	1.441
2.1	110	110	0	0.00	0.000
2.2	110	110	0	0.00	0.000
3.1	95	80	15	225	2.8125
3.2	65	80	- 15	- 225	2.8125
4.1	45	73	- 28	- 784	10.739
4.2	10	73	- 63	- 3967	54.288
$\Sigma$					73.534

Computed value  $X^2 = 73.534$

Table value = 3.841

### **Decision Rule**

The computed value  $X^2$  73.534 is greater than the table value  $X^2$  3.841. It therefore means that the null hypothesis will be rejected and the alternative hypothesis accepted.

### **Conclusion**

We can conclude that there is rampant ethical justification for tax evasion.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 SUMMARY**

In the course of this research, a number of findings have been made based on factual data collected and analyzed on the ethics of tax evasion, perceptual evidence from Nigeria. However, based on the data collected using the different method of data collection, the findings analyzed in chapter four could be summarized as follows.

To confirm the questions that were used, the researcher found that 340 out of 400 respondents agreed that they do maintain tax department in their local government while 60 persons do not agree. This means that proper tax department is being kept in their local government.

To confirm the question two, the researcher found out how far the management uses tax fund for decision making in their local government. The researcher noticed that out of 400 respondents, 300 agreed while 100 disagreed. This means that management is making progress out of the fund paid by tax payers.

With this, and the questionnaire, it can be summarized that there is widespread ethical support for tax evasion, also showed varying

degrees of justification for tax evasion. The respondents also believe that tax evasion is ethical sometime.

Furthermore, the study also found that the perceived government corruption can make respondent to evade tax. Therefore until those underlying causes are addressed, tax evasion may continue to be widespread.

## **5.2 CONCLUSION**

The ethics of tax evasion, perpetual evidence from Nigeria, in line with the examination of economic situation tax system, the tax payer and the economic situation at large, the study concludes that tax evasion has a lot of negative impact to the economy. The study revealed that the behaviour of people towards tax evasion is not really their desire to warrant them to indulge in such acts and this may range from high cost of living, lack of employment and corruption on the part of tax officers or government. Therefore, the effects of tax evasion are not accord by the people but by the deteriorating economy.

## **5.3 RECOMMENDATIONS**

Based on the findings of this research and as a result of the observation, the following measures are recommended with the hope

that if implemented, the problem of tax evasion in Akwa Ibom state and Nigeria as a whole will be eradicated.

- (i) The government of Akwa Ibom state should strive at ensuring that they are accountable and transparent in the administration of the society.
- (ii) The government of Akwa Ibom state should also pay particular attention to the tax system by ensuring that it is fair to all citizens. A good way to start this is by giving adequate consideration to the national tax policy pending before the national assembly.
- (iii) Effort should be made at sensitizing the populace on the seriousness of tax evasion and the penalties attached.
- (iv) There should be elimination of all forms of corruption practices and ensure that tax officials do not collude with tax payers to engage in any act which leads to unduly reduce, withhold or delay the payment as tax.
- (v) The government of Akwa Ibom state and Nigeria as a whole should make sure that the money or tax paid by the tax payer is use effectively in the provision and development of their society.

This study may be replicated in a number of ways; other states within Nigeria may be captured. The opinion of theology students and business student in Nigeria may be an interesting area to explore in order to see the influence of education and religion on tax evasion. The opinion of law student may also be sought since they are likely to be stringent rule observer owing to their training.

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**APPENDIX A**

Department of Accounting  
Caritas University  
Amorji – Nike,  
Enugu State  
24<sup>th</sup> July, 2013.

Dear Sir/Madam

**REQUEST FOR COMPLETION OF QUESTIONNAIRES**

I am a final year student of the above mentioned department undertaking a research on “The ethics of tax evasion, perpetual evidence from Nigeria”, in partial fulfillment of the requirement for the award of Bachelor of Science (B.sc) degree in Accountancy.

I will appreciate your response as all information will be treated with utmost confidence and will be used for the purpose of this study

Thank you for your co-operation.

Yours faithfully,

**Bassey-anwan A. Ekpo**

## APPENDIX B

For a study on the ethics of tax evasion perpetual evidence from Nigeria.

### SECTION A (PERSONAL DATA/INTERPRETATION)

**Instruction:** Please carefully read the questions below before ticking (✓) whichever is applicable.

1. **Sex:** Male  Female
2. **Age:** 20-24years  25-30years  46-55years
3. **Academic qualification:** FSLC  O' level  NCE/ND   
HND/B.sc  other qualifications please specify.....  
.....

### SECTION B

4. What is the name of your local government area?
5. Does your local government keep proper tax record?  
Properly keep   
Not properly kept   
None of the above
6. Do you operate tax department in your local government area?  
Yes  No
7. Does management uses tax fund for decision making? Yes  No
8. Does your people agree to pay tax in your local government area?  
Strongly agree   
Agree   
Disagree   
Strongly disagree

9. How often do you pay tax in your local government?  
All the time  some of the time  rarely
10. How will you access the use of tax in your local government area?  
Good   
Poor
11. Is tax evasion ethically justifiable in your local government area?  
Yes   
No
12. Is Government really making use of the tax paid by the payer to your area for development?  
Strongly agree   
Agree   
Disagree   
Strongly disagree
13. Do government take action on people that are practical tax evasion?  
Yes   
No
14. What do you think is the main reason for tax evasion in your local government? .....
15. What type of tax does your local government area collect?  
Import tax   
Levies tax   
Export tax   
Personal Income
16. What type of business are you into in your local government area?  
Civil servant   
Trader   
Self employed   
Other qualification please specify.....

