# Factors Influencing Tax Avoidance and Tax Evasion in Nigeria: A Case Study of Wukari, Taraba State

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**Abstract**

**Objective** – The goal of this study is to assess several factors that influence tax avoidance and evasion in Nigeria, with a focus on Wukari, Taraba State. Particularly this study is aimed to ascertain the influence of corruption on individual tax avoidance and evasion in Nigeria, whether lack of transparency and accountability in public institutions influences individual tax avoidance and evasion in Nigeria, to examine the influence of tax system injustice on individual tax avoidance and evasion in Nigeria, and to evaluate the impact of tax system complexity on individual tax avoidance and evasion in Nigeria.

**Design/methodology** – This study adopts a survey research design with a sample size of 308 questionnaires administered and 230 questionnaires were collected which represents 75% response rate. Descriptive statistics like mean, standard deviation and percentages, inferential statistics like multiple regressions were used.

**Results** – It was found that corruption, lack of transparency and accountability, tax system injustice and tax system complexity all have a substantial impact on tax avoidance and evasion in Nigeria. Urgent step should be taken by public office holders in particular and government representatives in general to live above board when it comes to transparency and accountability. In addition, there should be zero tolerance for corruption within and outside the tax system; anyone found guilty of corruption should be made to face the wrath of the law. Conclusively, Nigeria government should make deliberate efforts to ensure the nation's financial statement is published depicting our revenue as well as expenditure incurred regularly (monthly basis, quarterly or annually).

**Limitation/Suggestion** – This study concentrated on only four factors identified to have an influence on tax avoidance and evasion in Nigeria. It is also constrained to Wukari, Taraba State which is just one amongst the sixteen local governments in the State and as such may not be applicable to other local governments within and outside the State.

**Keywords:** Tax Avoidance, Tax Evasion, Corruption, Transparency, Accountability, Tax System Complexity

## 1. Introduction

Taxes have been described in a variety of ways in the literature. A tax is a fee levied by the government on property, individuals, or transactions in order to raise funds for public purposes (Akinyomi & Tasie, 2011; Enahoro & Olabisi, 2012). However, tax evasion and avoidance is one of the most serious problems confronting the Nigerian tax system, as well as Africa as a whole. Tax evasion is the willful and unlawful failure to pay one's taxes. In contrast, Tax avoidance is the deliberate act of lowering one's taxes using legal means (Bhuiyan, 2012). Between actual and projected revenue, these "Twin devils" have produced a huge gap. Tax evasion and avoidance undoubtedly deny any government the revenue it is owed, resulting in a disparity between prospective and actual tax revenues. This prevailing condition of affairs at various levels of government in the country obstructs the creation of money necessary for the government to properly and efficiently carryout all the developmental projects outlined in their budgets. Furthermore, successive Nigerian governments have failed to make sufficient and intentional attempts to alert tax evaders and avoiders about the need to pay taxes.

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All attention has been focused on oil revenue, but areas such as taxation and agriculture, which are supposed to provide a lot of revenue, have received little attention.

According to Simser (2008), tax evasion occurs when people or companies knowingly fail to comply with their tax obligations. Tax evasion and avoidance are not new phenomena; they have existed for a long time. However, in recent years, they have taken on a new dimension (Eschborn, 2010). According to Asada (2010), tax evasion and avoidance are two of the most confusing issues confronting the Nigerian economy. Individuals and businesses try to avoid paying taxes wherever and whenever authorities decide to impose them. Meanwhile, taxing is one of the ways the government generates revenue to meet its resident's needs Wherever and whenever authorities decide to levy taxes, individuals and firms try to avoid making payments. Meanwhile, taxation is one of the means of revenue generation to meet the need of its citizens (Abiola & Asiweh, 2012). The consequent tax revenue loss could have a major impact on the public sector's ability to pay public spending (Chiumya, 2006). As a result, it is critical to identify some specific elements that influence tax evasion and avoidance in order to design measures to counteract them.

People anticipate some type of service or profit in exchange for the taxes they pay. People will not be prepared to pay taxes if the government fails or falls to provide basic public goods and services, and tax fraud and avoidance may result (Bräutigam, Fjeldstad, & Moore, 2008; Everest-Phillips, 2008; Lieberman, 2002; Pasher, 2005). Because of the corrupt practices of government revenue and tax collectors, tax payers will engage in either tax evasion or avoidance in order to avoid paying tax. There is a lack of openness and responsibility from the government, tax collectors, and taxpaying citizens, which may lead to tax evasion and avoidance. Tax evasion and avoidance may be aided by the complexity of the tax system and tax injustice. Furthermore, tax collector's corruption, and lack of openness and accountability may all influence tax payer's decision to engage in tax evasion and avoidance. In most developing countries, such as Nigeria, corruption has become the standard. Corruption affects both tax collectors and taxpayers. Tax collectors are corrupt because they either siphon off the money collected or assist taxpayers to evade taxes. Tax collectors have been known to collect less than what is owed to them from taxpayers and to pilfer the money collected. Furthermore, taxpayers in one state may refuse to reveal information required by taxpayers in order to be assessed for tax purposes. Tax evasion is permissible if done in the shadows of the law (U M Tanko,2020), however it may be influenced by corruption. When a company's management uses tax evasion to benefit itself rather than the owners, it can lead to corruption and conflict of interest. In this sense, tax evasion and avoidance are influenced by tax payers and tax collectors. Similarly, public suspicion in both the tax system and government is fueled by lack of openness (transparency) and accountability in the use of public monies. In reality, this enhances the possibility of avoiding taxes(Erich Kirchler, Muehlbacher, Kastlunger, & Wahl, 2010).Peoples ability to pay diminishes when they are unsure whether their taxes are used to fund public goods and services due to high level of corruption, and their tax responsibilities are more likely to be evaded. A taxpayer may contemplate avoiding taxes if the expense of bribing a tax auditor is less than the potential reward for tax avoidance (Popoola, 2009).

According to certain studies, the complexity of the tax system and tax inequity, such as high tax rates, encourages tax evasion. High tax rates, it is assumed, increase the tax burden and this reduce the taxpayer's discretionary income (Chipeta, 2002). However, the tax rate itself may not be the only element influencing people's decision to pay taxes. In reality, the whole structure of the tax system has an impact. If, for example, the corporate income tax rate is low but people pay a high personal income tax rate, their personal tax burden may be seen as excessive, and they may choose to disclose only a fraction of their income. Similarly, large firms can more easily exploit tax loopholes, adding to the system's perceived unfairness. As a result, tax rates and the overall structure of the tax system have a significant impact on tax evasion and avoidance.

Taraba's recent designation as one of Nigeria's impoverished states shows that the state has low internally generated revenue, which may have boosted the state's economy (Udisifan Michael Tanko & Shishi, 2020). However, tax avoidance and evasion may be the result of corruption among public officials, tax collectors, and taxpayers, lack of government openness and accountability, and the complexity and unfairness of the tax system. It's more likely that it's due to lack of openness and responsibility on the part of both taxpayers and tax collectors. It could be due to the tax system complexity. Given the constraints of insufficient revenue to support numerous developmental programs in Taraba State as a result of growing tax evasion and avoidance. In light of this, the purpose of this study is to assess some of the factors that influence tax avoidance and evasion in Nigeria.

## 2. Literature Review

Individuals and businesses engage in tax evasion when they attempt to reduce their tax liabilities in an illegal manner. A purposeful and willful practice of not revealing all taxable income in order to pay less tax, according to James Alm & Martinez-Vazquez (2007). This means that evading taxes is criminal in the eyes of the law. It entails taxpayers intentionally misrepresenting and concealing income, profits, or deductions that are not normally earned. Tax evasion according to Kiabel & Nwokah (2009), is the deceptive, dishonest, and intentional hiding of facts and statistics in order to minimize or lower tax liability.

Tax avoidance involves an active means to reduce or remove altogether the payment of tax (Soyode & Kajola, 2006). It is usually done through taking advantage of loopholes in the tax laws without actually breaking it. It is also the legal utilization of the tax regime to one's own advantage so as to reduce the amount of tax that is payable using means that are acceptable by the law. According to Kiabel & Nwokah (2009)It is a term that refers to a variety of strategies used to save money on taxes and thereby protect a tax payer's earnings from a larger liability that would otherwise be imposed. Essentially, it entails going over the tax rules and exploiting them to the fullest extent possible for the benefit of the tax payer, such as when a taxpayer invests in qualifying expenditure to qualify for capital allowances.

Neck, Wächter, & Schneider (2012) looked at how the responsibility of tax evasion influences the level of tax evasion and, as a result, the shadow economy. The study found that the complexity of the tax system had a detrimental impact on participation in the shadow economy, based on comparative statistics. In addition, the study found that lowering the maximum allowable working hours in the official sector boosts labor supply in the shadow economy. Similarly, Abiola & Asiweh (2012) conducted a survey on Nigeria tax administration which found that the country's management and organizational approach to tax policy execution is lacking. The employment of inferior tools, insufficient personnel of the tax collecting organization, low financial support, a lousy access road to the heart of rural communities, and poor enlightenment are factors that contribute to these flaws. The findings also supported the notion that tax payers are unaware of the importance of meeting their financial commitments. This suggests that tax evasion and avoidance is because tax payers are unable to receive their tax dividends. Individual tax payer's attitudes and compliance behavior in Nigeria were explored by Alabede, Ariffin, and Idris (2011). According to the report, a number of variables may be to blame for Nigeria's low compliance with income tax administration. However, one factor that has been identified as having a significant impact on tax compliance behavior is the attitude of tax payers. The study's data was gathered through a survey of individual taxpayer's opinions, with moderated multiple regression being used to analyze the results. The study's findings revealed that a taxpayer's attitude on tax evasion is linked to compliance behavior. In addition, the study found that taxpayer's risk preferences have a considerable negative moderating influence on the connection between tax evasion attitudes and compliance behavior.

According to certain studies, high tax rates encourage tax evasion. High tax rates, it is assumed, increase the tax burden and, as a result, reduce the taxpayers discretionary income (Chipeta, 2002). However, the tax rate may not be the sole element impacting people's decisions on whether or not to pay taxes. In reality, the whole structure of the tax system has an impact. Individuals may regard their personal income tax burden as unjust and prefer to declare only a portion of their personal income because profits are relatively low, but they face a high tax rate on their personal income. Similarly, large corporations may typically take advantage of tax loopholes more easily, contributing to the system 's perceived unfairness. As a result, tax rates and the overall structure of the tax system have a considerable impact on the desire to evade and avoid paying taxes.

According to Pasher (2005) the government's failure to deliver essential infrastructures that are intended to be funded by tax revenue may exacerbate tax evasion. Public suspicion of both the tax system and the government grows as a result of lack of transparency and accountability in the use of public funds. As a result, tax avoidance is thought to be on the rise (Pasher, 2005). Tax evasion and corruption have also been linked in the literature. According to Acconcia, D'Amato, & Martina (2003), the extent of corruption and tax evasion is determined by factors such as the taxpayer's wealth and the tax officer's wage. An empirical investigation of tax evasion found a positive relationship between tax rates and evasion (Allingham & Sandmo, 1972). This finding is in line with Soyode & Kajola's (2006) findings which separated the reasons of tax evasion. For starters, he pointed out that the tax rates at which taxpayers are normally taxed have an impact on tax evasion. He discovered that the higher the tax rate, the more likely taxpayers are to avoid because it increases their discretionary income. Apart from the risk of being caught after evading taxes, there are other factors that influence a taxpayer's decision, such as the severity with which laws are enforced (Soyode & Kajola, 2006).

## 3. Theoretical Framework and Hypotheses Development

According to Eftekhari, Zoellner, & Vigil (2009) taxation has always been an issue for the government and taxpayers from the early years of civilization. The issue of taxation has generated a lot of controversy and severe political conflicts over time. According to its importance, several economic theories have been proposed to run an effective tax system. Taxes are generally classified on the basis of three (3) different theories which includes 1) Ability to pay principle, 2) Benefit approach, and 3) Equal distribution principle.

However, this research is centered on equity theory. This theory focuses on determining whether the distribution of resources is fair to both parties. Equity is measured by comparing the ratio of contributions (costs) and benefits (rewards) for each person. Equity theory was first developed in 1996 by J. Stacy Adams, a behavioral psychologist, who asserted that employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others (Adams, 1965). Equity entails that each taxpayer should contribute his/her "fair share" to the cost of government. Equity involves two (2) aspects, the treatment of people in like and unlike circumstances.

- **Horizontal Equity:** This implies a case of treatment of similarly placed persons similarly. It allows for equal treatment of equals. Horizontal equity is the concept that individuals with identical abilities to pay should be assigned identical tax burdens.
- **Vertical Equity:** The treatment of unlike circumstances implies that people in dissimilar circumstances should be subjected to dissimilar treatment. That is persons who are better-off should pay more than others. It is in a sense une-

qual treatment of unequal's. For realization of vertical equity, same objective scale should be evolved according to which the wellbeing of different persons might be measured. Hence, the problem of vertical entity is one stage more complex to realize. The basis of the concept of vertical entity is that tax burdens should rise with ability to pay. However, the concept of equity in tax burden distribution is very difficult to implement and not easy to administer. Although income appears to be a useful yardstick for comparison of differences in ability to pay taxpayers, it becomes even difficult, when two individuals have identical incomes.

Based on the reviewed literature and the theoretical framework above, below is depicted the conceptual framework followed by the formulation of hypotheses.

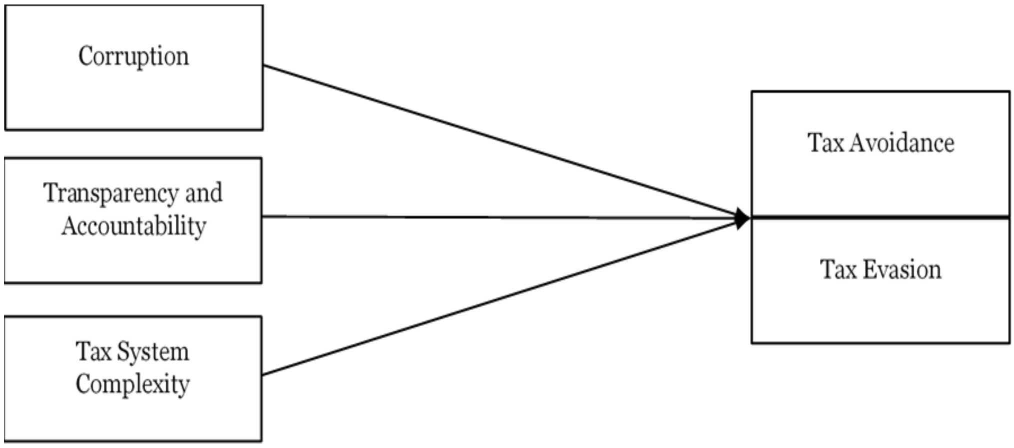


**Figure 1.** Conceptual Framework

*Hypothesis Development*

H01a: Corruption does not significantly affect tax evasion.
H01b: Corruption does not have significant effect on tax avoidance.
H02a: Transparency and accountability does not have significant impact on tax evasion.
H02b: Transparency and accountability does not have significant effect on tax avoidance.
H03a: Tax system complexity does not significantly influence tax evasion.
H03b: Tax system does not have significant effect on tax avoidance.
H01a: Tax unfairness does not significantly affect tax evasion.
H01b: Tax unfairness does not have significant effect on tax avoidance.

## 4. Research Method

The study adopts a survey research design. Four (4) point rating scaled questionnaire ranging from Strongly Agree (SA), Agree (A) Disagree (D) and Strongly Disagree (SD) was used to collect data from a sample size of 308 questionnaires administered. However, 230 or 75% were returned while 78 or 25% were not returned. The data analysis was carried out using the Statistical Package for Social Sciences (SPSS). Hypothetical test was also done to ensure the validity and reliability of findings

*Models Specification*

$$TE_{it} = \beta_0 + \beta_1 CORR_{it} + \beta_2 TRAPACC_{it} + \beta_3 TSCOM_{it} + \beta_4 TAXUF_{it} + \varepsilon_{it} \quad 1$$
$$TA_{it} = \beta_0 + \beta_1 CORR_{it} + \beta_2 TRAPACC_{it} + \beta_3 TSCOM_{it} + \beta_4 TAXUF_{it} + \varepsilon_{it} \quad 2$$

Where TE is Tax evasion, TA is Tax avoidance, CORR is Corruption, TRAPACC is Transparency and accountability, TSCOM is Tax system complexity, TAXUF is Tax unfairness, β0 is the intercept, β 1-4 is the slope coefficient of explanatory variables, it represents time, and ε is Term error.

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**Table 1.** Distribution of Questionnaires

| Items | No. of Questionnaire | Percentage |
|---|---|---|
| No. returned | 230 | 75% |
| No. unreturned | 78 | 25% |
| Total | 308 | 100% |

## 5. Results and Discussions

The Table 2 below presents information about the background of the respondents which indicates that about 65% of the respondents are male while the others are female. Similarly, about 76% of the respondents are young, 23% are middle age and 1% is old. Similarly, about 45% of the respondents are single, 52% are married and 3% are divorced. Similarly, about 57% of the respondents are civil servants while the others are self-employed. Similarly, about 71% of the respondents obtained qualification from tertiary institutions, about 16% are other qualification and 13% are SSCE holders. Finally, about 62% of the respondents are average income earners, about 32% are low-income earners and about 6% are high income earners.

**Table 2.** Profile of Respondents (n=230)

| | Respondents | Percentage |
|---|---|---|
| Sex: | | |
| Male | 149 | 64.8% |
| Female | 81 | 35.2% |
| Age: | | |
| Young age | 174 | 75.7% |
| Middle age | 53 | 23.0% |
| Old age | 3 | 1.3% |
| Marital status: | | |
| Single | 103 | 44.8% |
| Married | 119 | 51.7% |
| Divorced | 8 | 3.5% |
| Occupation: | | |
| Civil servant | 131 | 57.0% |
| Self-employed | 99 | 43.0% |
| Academic qualification: | | |
| SSCE | 30 | 13.0% |
| Tertiary institution | 163 | 70.9% |
| Other qualification | 37 | 16.1% |
| Monthly income: | | |
| Low-income earners | 74 | 32.1% |
| Average income earners | 143 | 62.2% |
| High income earners | 13 | 5.7% |

Note: Young age (20-40years), Middle age (41-60years), Old age (Above 60years)
Low-income earners (below N50k), Middle income earners (N50k- N150k), High income earners (above N150k)

*Data Analysis*

This would depict the result of the analysis of the data collected from various respondents through the questionnaire administered to them, the data was analyzed with the use of the Statistical Package for Social Sciences (SPSS). From the response in Table 3 below, 31% strongly agree, 21% agree while 16% disagree and 32% agree with the research question. From the field survey it was found that tax avoidance is not caused by multiple tax laws. Similarly, 16% strongly agree, 34% agree while 38% disagree and 13% strongly disagree with the research question 2. From the field survey, it was found that inequality in tax does not result to tax avoidance. Similarly, 16% strongly agree, 23% agree while 38% disagree and 23% disagree with the research question 3. From the survey, it was found that most of the respondents disagree with the research question that no one can be blamed for avoiding taxes. Finally, 11% strongly agree, 27% agree while 33% disagree and 29% strongly disagree with the research question 4. It was found that most of the respondents disagree with the research question that punishments are not given to those that avoid taxes.

**Table 3.** Descriptive Statistics for Tax Avoidance

| S/N | Items | SA | A | D | SD | Mean | Std. Dev. |
|---|---|---|---|---|---|---|---|
| 1 | Tax avoidance is caused by multiple tax laws. | 71 (31) | 48 (21) | 37 (16) | 74 (32) | 2.50 | 1.23 |
| 2 | Inequality in tax results to tax avoidance. | 36 (16) | 78 (34) | 87 (38) | 29 (13) | 2.52 | 0.90 |
| 3 | No one can be blamed for avoiding taxes. | 37 (16) | 52 (23) | 88 (38) | 53 (23) | 2.32 | 1.00 |
| 4 | Punishments are not given to those that avoid taxes | 25 (11) | 63 (27) | 76 (33) | 66 (29) | 2.20 | 0.98 |

Note: The figures in parenthesis are in percentage.
SD =Strongly Agree, A=Agree, D=Disagree, SD=Strongly Disagree.

From the response in Table 4, 29% strongly agree, 22% agree while 35% disagree and 14% strongly disagree with the research question 5. From the field survey, it was found that most of the respondents disagree with the research question that taxpayers evade taxes because there is no visible evidence of good governance. Similarly, 10% strongly agree, 32% agree while 34% disagree and 24% strongly disagree with the research question 6. From the field survey, it was found that most of the respondents disagree with the research question that tax evasion is ethical even if most of the money collected is spent wisely. Similarly, 15% strongly agree, 24% agree while 43% disagree and 18% strongly disagree with the research question 7. It was found that most of the respondents disagree with the research question that tax evasion is ethical if the probability of being caught is low. Finally, 13% strongly agree, 24% agree while 34% disagree and 30% strongly disagree with the research question 8. Most of the respondents disagree with the research question that high tax rates instigate tax evasion.

**Table 4.** Descriptive Statistics for Tax Evasion

| | Items | SA | A | D | SD | Mean | Std. Dev. |
|---|---|---|---|---|---|---|---|
| 5 | Tax payers evade taxes because there is no visible evidence of good governance. | 67 (29) | 51 (22) | 81 (35) | 31 (14) | 2.67 | 1.04 |
| 6 | Tax evasion is ethical even if most of the money collected is spent wisely. | 22 (10) | 73 (32) | 79 (34) | 56 (24) | 2.27 | 0.94 |
| 7 | Tax evasion is ethical if the probability of being caught is low. | 34 (15) | 56 (24) | 98 (43) | 42 (18) | 2.33 6 | 0.95 |
| 8 | High tax rates instigate tax evasion. | 30 (13) | 54 (24) | 78 (34) | 68 (30) | 2.24 | 1.20 |

Note: The figures in parenthesis are in percentage. SD =Strongly Agree, A=Agree, D=Disagree, SD=Strongly Disagree.

From the response in Table 5, 33% strongly agree, 25% agree while 27% disagree and 15% strongly disagree with the research question 9. From the field survey, it was found that most respondents bribe government officials. Similarly, 20% strongly agree, 29% agree while 36% disagree and 15% strongly agree with the research question 10. From the field survey, it was found that corruption has no adverse effect on economic growth. Similarly, 14% strongly agree, 21% agree while 37% disagree and 27% strongly disagree with the research question 11. From the field survey, it was found that corruption is not as a result of monopoly of power vested on public officials. Finally, 7% strongly agree, 28% agree while 39% disagree and 26% strongly disagree. From the field survey, it was found that high wages for bureaucrats does not reduce corruption.

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**Table 5.** Descriptive Statistics for Corruption

| | Items | SA | A | SD | D | Mean | Std Dev. |
|---|---|---|---|---|---|---|---|
| 9 | Most people bribe government officials. | 77 (33) | 57 (25) | 62 (27) | 34 (15) | 2.90 | 2.32 |
| 10 | Corruption adversely affects economic growth. | 46 (20) | 66 (29) | 84 (36) | 34 (15) | 2.54 | 0.97 |
| 11 | Corruption is as a result of monopoly of power vested on public officials. | 33 (14) | 48 (21) | 86 (37) | 63 (27) | 2.22 | 1.00 |
| 12 | High wages for bureaucrats reduce corruption. | 15 (7) | 64 (28) | 89 (39) | 62 (26) | 2.14 | 0.89 |

From the response in Table 6, 19% strongly agree, 30% agree while 33% disagree and 18% strongly disagree with question 13. From the field survey, it was found that most respondents disagree that Nigeria government publishes financial report regularly. Similarly, 19% strongly agree, 29% agree while 36% disagree and 16% strongly disagree with the research question 14. From the field survey, it was found that most respondents disagree that transparency and accountability is required in public spending. Similarly, 15% strongly agree, 25% strongly disagree while 33% disagree and 27% strongly disagree with the research question 15. From the field survey, it was found that most people disagree that tax authorities are answerable to the general public. Conclusively, 10% strongly agree, 17% agree while 40% disagree and 33% strongly disagree with the research question 16. From the field survey, it was found that most.

**Table 6.** Descriptive Statistics for Transparency and Accountability

| S/N | Items | SA | A | SD | D | Mean | Std Dev. |
|---|---|---|---|---|---|---|---|
| 13 | Nigeria government publishes financial report regularly. | 43 (19) | 70 (30) | 75 (33) | 42 (18) | 2.50 | 0.99 |
| 14 | Transparency and accountability is required in public spending. | 44 (19) | 67 (29) | 83 (36) | 36 (16) | 2.52 | 0.97 |
| 15 | Tax authorities are answerable to the general public. | 34 (15) | 58 (25) | 75 (33) | 63 (27) | 2.27 | 1.02 |
| 16 | Tax officials are transparent | 23 (10) | 38 (17) | 93 (40) | 76 (33) | 2.03 | 0.95 |

Note: The figures in parenthesis are in percentage.
SA=Strongly Agree, A=Agree, D=Disagree, SD=Strongly Disagree.

**Table 7.** Descriptive Statistics for Tax System Complexity

| S/N | Items | SA | A | SD | D | Mean | Std. Dev. |
|---|---|---|---|---|---|---|---|
| 17 | Tax complexity increases the size of tax gap. | 57 (25) | 73 (32) | 67 (29) | 33 (14) | 2.67 | 1.00 |
| 18 | Tax complexity contributes to the public perception that the tax law is unfair. | 24 (10) | 86 (37) | 87 (38) | 33 (14) | 2.44 | 0.86 |
| 19 | Tax complexity increases the cost of tax administration. | 33 (14) | 65 (28) | 84 (37) | 48 (21) | 2.36 | 0.97 |
| 20 | Tax complexity may cause similarly situated taxpayers to pay different amount of tax. | 33 (14) | 73 (32) | 79 (34) | 45 (20) | 2.41 | 0.96 |

Note: The figures in parenthesis are in bracket.
SA=Strongly Agree, A=Agree, D=Disagree, SD=Strongly Disagree.

From the response in Table 7, 25% strongly agree, 32% agree while 29% disagree and 14% strongly agree with the research question 17. From the field survey, it was found that most of the respondents agree that tax system complexity increases the size of tax gap. Similarly, 10% strongly agree, 37% agree while 38% disagree and 14% strongly disagree with the research question 18. From the field survey, it was found that most of the respondents disagree that tax complexity contributes to the public perception that the tax law is unfair. Similarly, 14% strongly agree, 28% agree while

37% disagree and 21% strongly disagree with the research question 19. From the field survey, it was found that most of the respondents disagree that tax complexity increases the cost of tax administration. Finally, 14% strongly agree, 32% agree while 34% disagree and 20% strongly agree with the research question 20. From the field survey, it was found that most of the respondents disagree that tax complexity may cause similarly situated taxpayers to pay different amount of tax.

From the response in Table 8, 22% strongly agree, 31% agree while 30% disagree and 17% strongly disagree with the research question 21. From the field survey, it was found that most of the respondents agree that the present tax system benefits the rich and is unfair to the ordinary working man. Similarly, 17% strongly agree, 26% agree while 39% disagree and 19% strongly disagree with the research question 22. From the field survey, it was found that most of the respondents disagree that fair treatment of taxpayers would enhance voluntary tax compliance. Similarly, 15% strongly agree, 27% agree while 37% disagree and 21% strongly disagree with the research question 23. From the field survey, it was found that most of the respondents disagree that taxes are levied on PAYE basis. Conclusively, 13% strongly agree, 23% agree while 39% disagree and 26% strongly disagree with the research question 24. From the field survey, it was found that most of the respondents disagree that there is a correlation between fair and correct treatment of taxpayers and trust in the revenue body.

**Table 8.** Descriptive Statistics for Tax System Unfairness

| | | **A** | **A** | **D** | **SD** | **Mean** | **Std. Dev.** |
|---|---|---|---|---|---|---|---|
| 21 | The present tax system benefits the rich and is unfair to the ordinary working man. | 51 (22) | 71 (31) | 70 (30) | 38 (17) | 2.59 | 1.01 |
| 22 | Fair treatment of taxpayers would enhance voluntary tax compliance. | 39 (17) | 59 (26) | 89 (39) | 43 (19) | 2.41 | 0.98 |
| 23 | Taxes are levied on PAYE basis. | 34 (15) | 63 (27) | 84 (37) | 49 (21) | 2.36 | 0.98 |
| 24 | There is a correlation between fair and correct treatment of tax payers and trust in the revenue body. | 29 (13) | 52 (23) | 89 (39) | 60 (26) | 2.22 | 0.97 |

Notes: The figures in parenthesis are in percentage.
SD=Strongly Agree, A=Agree, D=Disagree, Strongly Disagree.

*Regression Result*

The result of the regression analysis which was used to determine the strength of the relationship between some selected factors influencing tax avoidance and tax evasion is shown in Table 9 and 10 below. The Table 9 indicates that the model has F ratio 119.32 (P=000) and this indicates that the model has a significant ability to influence tax evasion in Nigeria. The result indicates that corruption has a positive and significant relationship with tax evasion. This entails that the higher the corruption, the higher the rate of tax evasion. The study also provides enough evidence to rejects the hypotheses that states that corruption does not significantly affect tax evasion. Similarly, the lower the level of transparency and accountability; the higher the tax evasion. It means that low level of transparency and accountability has a positive and significant relationship with tax evasion. The study rejects the hypotheses that states that transparency and accountability does not have significant impact on tax evasion. The result also indicates that tax complexity has a positive and significant influence on tax evasion; it implies that the higher the tax complexity, the higher the rate of tax evasion. The study also provides enough evidence to rejects the hypotheses that states that tax system complexity does not have significant effect tax evasion. Conclusively, the higher the tax system unfairness results to a higher rate of tax evasion. The study documented a positive and significant relationship between tax unfairness and tax evasion. It also rejects the null hypotheses that assert that tax unfairness does not have significant impact on tax evasion. Furthermore, the Table 9 shows the model has R2 .680 which is an indication that some of these selected factors combined together accounted for 68% of the variance of the dependent variables. But a conservative e estimates as provided by Adjusted R2 indicates 67.4% of tax evasion.



**Table 9.** Regression Result for Tax Evasion

| Variables | Std. Error | Beta | T | Sig. |
|---|---|---|---|---|
| (Constant) | .110 | .938 | | .349 |
| Corruption | .043 | .158 | 2.984 | .003 |
| Transparency& Account. | .061 | .218 | 3.807 | .000 |
| Tax complexity | .066 | .249 | 3.930 | .000 |
| Tax unfairness | .063 | .320 | 5.134 | .000 |
| R Square | .680 | | | |
| Adjusted R2 | .674 | | | |
| F ratio | 119.32 (P=0.000) | | | |

**Table 10.** Regression Result for Tax Avoidance

| Variables | Std. Error | Beta | T | Sig. |
|---|---|---|---|---|
| (Constant) | .134 | .888 | | .375 |
| Corruption | .053 | .229 | 3.822 | .000 |
| Transparency& Account. | .075 | .208 | 3.202 | .002 |
| Tax complexity | .081 | .227 | 3.163 | .002 |
| Tax unfairness | .077 | .223 | 3.152 | .002 |
| R Square | | .680 | | |
| Adjusted R2 | | .674 | | |
| F ratio | | 119.32(P=000) | | |

The table 10 indicates that the model has F ratio 80.30 (P=000) and this suggest that the model has a significant ability to influence tax avoidance in Nigeria. The result indicates that corruption has a positive and significant relationship with tax avoidance. This entails that the higher the corruption, the higher the rate of tax avoidance. The study revealed enough evidence to rejects the null hypotheses that states that corruption does not significantly affect tax avoidance. Similarly, the lower the level of transparency and accountability; the higher the tax avoidance. It means that low level of transparency and accountability has a positive and significant relationship with tax avoidance. The study rejects the hypotheses which stated that transparency and accountability have not significant influence on tax avoidance. The result also indicates that tax complexity has a significant and positive influence on tax avoidance; it implies that the higher the tax complexity, the higher the rate of tax avoidance. It furthered reject the hypotheses that states that tax system complexity has not significant effect on tax avoidance. Conclusively, the higher the tax system unfairness results to a higher rate of tax avoidance. The study documented positive and significant impact of tax unfairness on tax avoidance. The study also provides enough evidence to rejects the hypotheses that states that tax system unfairness does not significantly affect tax evasion. Furthermore, the Table 10 shows the model has R2 .588 which is an indication that some of these selected factors combined together accounted for 59% of the variance of the dependent variables. But a conservative estimate as provided by Adjusted R2 indicates 58.1% of tax evasion.

From the result of the analysis earlier carried out in this study; corruption, low level of transparency and accountability, tax system unfairness, tax system complexity which were some of the factors identified in the literature are positively significant to tax avoidance and evasion in Nigeria. The results of this study showed that high level of corruption, low level of transparency and accountability of public institutions, perception of unfairness and tax system complexity are some factors that influences tax, in the tax system as well as the government. Hence this is believed to increase the level of tax evasion. With regards to fairness, the result is in line with that of Kirchler & Hoelzl (2006) argue that fair treatment of taxpayers and trustworthiness of tax authorities will enhance voluntarily compliance. Murphy (2004) shows in a study of accused tax avoiders that there is a correlation between fair and correct treatment of the taxpayer and trust in the revenue body.

This result is in line with that of Mauro (1995) that corruption is a major impediment to economic development. Slemrod (2004) emphasizes and provides evidence for the notion that tax evasion is affected by households' distaste for illegal activity and by their perception of government performance. Tax evasion, in turn, influences corruption by limiting the inability to raise funds that may be diverted for private use.

Similarly, that of accountability is in line with that of Government should give stewardship of its affairs. Stakeholders expect the accruing revenue to be expended properly and pragmatically, in a well thought manner as well as in line with the ideals of strategic management (Agundu & Ogbole, 2014). Lack of transparency and accountability in the use of public fund has the effect of building public distrust.

## 6. Conclusions

In the course of this research, a number of findings have been made based on factual data collected and analyzed on some selected factors influencing tax avoidance and evasion in Nigeria, with particular reference to Wukari, Taraba State. This study investigated the factors which influences tax avoidance and evasion in Nigeria. The results of this study revealed that corruption has a significant influence on individual tax avoidance and evasion in Nigeria. Similarly, low level of transparency and accountability in public institutions has significant influence on individual tax avoidance and evasion in Nigeria. Similarly, tax system unfairness has significant influence on individual tax avoidance and evasion in Nigeria. Conclusively, tax system complexity has significant influence on individual tax avoidance and evasion in Nigeria.

Tax avoidance and evasion usually result in revenue loss to government, which may cause serious damage to the proper performance of the public sector, threatening its capability to finance public expenditure. This study examined some selected factors that are influencing tax avoidance and evasion in Nigeria. The results of the analysis revealed that corruption, low level of transparency and accountability, tax system unfairness and tax system complexity significantly influence individual tax avoidance and evasion in Nigeria.

Sequel to the findings of this study, the following are hereby recommended that urgent step should be taken by public office holders in particular and government representatives in general to live above board when it comes to transparency and accountability; there should be zero tolerance for corruption within and outside the tax system; anyone found guilty of corruption should be made to face the wrath of the law; there should be fair treatment of taxpayers and trustworthiness of tax authorities so as to enhance voluntary tax compliance. In addition, Nigeria government should try as much as possible to publish the nation's financial statement showing its revenue and expenditure regularly (monthly basis, quarterly or annually); High wages should be made available to bureaucrats so as to tame the tide of corruption.

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