

General Perception of Self Employed Nigerian on Tax Avoidance and Evasion; A Study of Anambra and Delta State

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ABSTRACT

The aim of this study is to study the range of tactics used by various self-employed Nigerian in tax avoidance and evasion scheme. To achieve these objectives, we examine literature on the aforementioned issues and questionnaire was draft base on the research question and hypothesis formulated. The statistical tools of Spearman Rank Order Correlation was used to estimate the correlations of the sampled groups in two state of the federations, Anambra and Delta, and relationships between tax avoidance and evasion and the independent variables. Results reveal that respondents are of the opinion that tax evasion is ethical sometimes, and that significant relationship exists between the ethical view, mode of tax administration and cultural practices of the self-employed and tax avoidance and evasion. It is therefore recommended that authorities should constantly review tax rates to reflect prevailing economic realities, be accountable, and ensure that necessary assistance is provided at all times to self-employed in terms of incentive.

KEYWORDS: *Self employed, Tax evasion, Tax Avoidance, Perception*

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1. INTRODUCTION

1.1 Background of the study

Taxes, and tax systems, are fundamental components of government revenue generation. There have been series of argument that voluntary tax compliance cum self assessment is the key to any country's revenue growth. These arguments are centered on the belief that the more the taxpayers are willingly to remit more taxes, the more the government will be able to provide basic amenities to the citizens, but this is not likely to be sustainable and realistic in a country where there is major setback due to the high level of corruption and unorganized informal sector. Brautigam (2008) technically asserted that, taxes underwrite the capacity of states to carry out their constitutional obligations and economics duties to the state; they form one of the central arenas for the conduct of state-society relations, and they shape the balance between accumulation and redistribution that gives states their social character and status. Thus, taxes build capacity to provide security, meet basic needs or foster economic development and they build legitimacy and consent helping to create consensual, accountable and representative government.

A key component of any tax system is the manner in which it is administered. Ezu and Okoh quoted Oluoha (2012) that, taxation helps to stabilized the economy, redistribution of of income and allocation of resources

effectively. Unfortunately, in many countries, tax administration is usually weak and characterized by extensive evasion, uncertainty, corruption and coercion. In many cases overall tax compliances levels are low, and large sectors of the informal economy escape the tax net entirely (Brautigani, Fjeltand and Moore, 2008). A nation's tax system is often a reflection of its communal values and the values of those in power (Ross, 2007). Thus, to create a system of taxation, a nation must make choices regarding the distribution of the tax burden and how the taxes collected will be spent judiciously, which will encouraged the tax payer to voluntary pay taxes other than the more accepted perception that, taxes paid are not properly accounted for by the government which hitherto the major factor why the bunch of the informal sector are not reluctant to pay their tax or capture in the tax net. In democratic nations where the public elects those in charge of establishing the tax system like Nigeria, these choices reflect the type of community that the public or government wish to create.

However, taxation has been identified as an alternative to oil revenue and a more reliable source of revenue (Tobi, 2011). The tax policy shall therefore promote and encourage a shift in focus from non-tax revenue to tax revenue by Governments at all levels of the Nigerian

economy (FGN, 2009). Following from the above, the tax policy shall also promote and encourage healthy competition amongst tax and revenue authorities in Nigeria at the Federal and State level to facilitate rapid development of the tax sector in Nigeria that will encourage the informal taxpayer of the need to fulfill their civil obligation. The focus of the competition shall be to maximize tax revenue from the informal sector within the jurisdiction of each Government in line with Constitutional and statutory provisions. It is expected that there would be increased collaboration with the organized informal sector as a result of the need to grow tax revenues by each level of Government.

Onyaka and Nwankwo quote Kiabel and Nwokah (2009) that although tax evasion are problems that face every tax system, the Nigerian situation seems unique when viewed against the scale of corrupt practices prevalent in Nigeria. Under direct personal taxation as practiced in Nigeria, the major problem lies in the collection of the taxes especially from the self-employed such as the businessmen, contractors, professional practitioners like lawyers, doctors, accountants, architects and traders in shops among others. As observed by Ayua (1999) self-employed persons blatantly refuse to pay tax by reporting losses every year and many of them live a lifestyle inconsistent with reported income, which is usually unrealistically low for the nature of their businesses. Civil Servants and other salaried workers are the only class of people that actually pay tax in Nigeria through direct remittance. However, even among the salaried workers, he observed, many have turned the statutory personal allowances and relief into a fertile ground for tax evasion.

They are of the view that tax avoidance and evasion is legal and ethical and they have justification to that effect to avoid and evade tax on the premise that the tax paid are not judiciously utilize, they also felt that they do not benefit for whatever infrastructure provided by the government. They are of the impression that business is to make profit for the owner and else paying tax is a way of diluting their earning as a result of low knowledge of taxation, the incentives and the benefit that accrue to a responsible entity that consistently remit tax. Majority have no or little knowledge of the procedure and channel of filling tax return with the relevant tax authorities.

Almost all Nigerian taxpayer are married with at least four children! Similarly, despite the tax provision meant to plug loopholes through which taxable persons can minimize tax liability the self-employed utilize all kinds of avoidance schemes to minimize or escape tax liability and makes you wonder whether there are still any tax officials working in that capacity. Such scenarios, no doubt, say a lot about tax administration system in Nigeria both in its design and in the disposition of some taxpayers towards taxation.

As noted also by Omer and Yetman (2005), tax avoidance and evasion may differ in their legality, but it is not unreasonable to presume that they would share some common socio-economic roots and that the characteristics of a taxpayer that make him more likely to evade a tax are more likely to be the same characteristics that make him an aggressive tax avoider (Peter O. and Ofiafoh E. 2013). This is why both tax evasion and the seemingly harmless

tax avoidance must be viewed and approached in the same light because ultimately they result in less revenue to the government, and perhaps less development in the society. As a control measure on the part of the authority, various legal framework had been put in place to punish tax evaders, it perhaps raises a question on the efficiency and effectiveness of tax laws and tax administration in Nigeria (Uche and Ugwoke, 2003). Some state governments in an effort towards solving this problem had even gone to the extent of engaging the services of tax consultants. This government effort, notwithstanding, the problem of tax evasion and avoidance still persists (Alabi, 2001). There is no doubt that revenue due any government will be reduced by the unpatriotic act of self employed tax evaders which can be attributed to corruption and perception which in any way cannot be legally justify universally.

Tax avoidance and evasion by self employed as a result of their perception and action, they have waged adverse effect on government revenue. And as observed by Toby (1983) the taxpayer indulges in evasion by resorting to various practices as they want. These practices erode moral values and build up inflationary pressures. This point can be buttressed with the fact that because of the evasion of tax, individuals and companies have a lot of money at their disposal and companies declare higher dividends and individuals have a high take home profit. This increases the quantity of money in circulation but without a corresponding increase in the goods and services, this then build up what is known as inflationary trends where large money chases few goods (Toby, 1983).

However, when there are leakages in tax collection through evasion, no development can take place, because there will be no fund by the government to carry out developmental project, thus in most countries where, there is high rate tax avoidance and evasion, it is usually associated with high unemployment.

Therefore, this study seeks to investigate tax avoidance and evasion perception of self employed Nigerian.

1.2. Statement of Research Problem

A major challenge and perhaps, the biggest contributor to the incidence of tax leakages by self employed citizen in the form of tax avoidance and evasion in Nigeria is the size of the informal sector, which was said to account for 60% of Nigeria's rebased Gross Domestic products (GDP) in 2014 (NBS, 2015). The irregular, unorganized and cash-driven nature of the informal sector, coupled with the paucity of taxpayer data on the part of the tax authorities net has also contributed to tax evasion by its citizen in Nigeria.

With cautious confidence, one could say that most Nigerians are either traders, or business-persons, or professionals. So considering the very large number of these classes of people, who could be described as self-employed, it would not be out of place to expect a large chunk of government revenue coming from their payments. But according to Kiabel and Nwokah (2009), in spite of the fact that the self-employed out-number paid workers and they earn as much as four times that of the formal sector employees, the bulk of Personal Income Tax

(PIT) accrues from employees whose salaries are deducted at source. This confirms the submission of Torgler and Schaltegger (2006) that tax evasion is more pronounced on the part of the self-employed taxpayer.

The impact of tax avoidance and evasion in terms of lost revenue and underdevelopment makes it pertinent for the governments at both federal and states level to identify ways and avenues through which these acts are perpetrated in Nigeria and in response, seek counter measures. A critical review of some of the causes identified above points to lack of technology innovative and credible manpower as a plausible solution in dealing with the issues. However, an important question which must be asked is "to what extent will technology battle the menace of tax evasion?" particularly for developing nation like Nigeria.

The role of taxation in promoting economic growth in Nigeria is not fully felt, and optimal tax is not been realized that can engine economic growth primarily because of its poor administration which have not properly arouse the conscience of self employed Nigeria and the need to be a responsible civil citizen when the government have failed woefully in their duty of accountability as regard to the revenue generation and utilization. Even after some tax policies the tax authority has put in place over the few years such as the E- Payment scheme, Tax Identification Number (TIN), Anti-Tax Avoidance legislation, major tax challenges still exists which include frontiers of professionalism, poor accountability, lack of awareness of the general public on the imperatives and benefits of taxation, corruption of tax officials, tax avoidance and evasion by taxing units, connivance of taxing officials with taxing population, high rate of tax, poor method of tax collection.

This study deems it important to examine the perception behind tax avoidance and evasion in the Nigerian informal sector, as informal sector contributes heavily in the declining of revenue from personal income tax in Nigeria. The specific objective of the study are:

1. To find out if there any relationship between tax knowledge of self employed and tax avoidance and evasion in Nigeria.
2. To discover the legal perception of an average self-employed Nigerian on tax evasion and avoidance and justification of government accountability.
3. To find out factors that discourage potential tax payers from filling returns to the relevant tax authorities.
4. To proffer solution on how government can at least minimize tax evasion among self-employed individuals.

2. Conceptual Review

2.1. Self-Employment

Self-Employment is the state of working for oneself rather than being an employee. Generally, tax authorities will view a person as self-employed if the person chooses to be recognized as such, or is generating income such that the person is required to file a tax return under legislation in the relevant jurisdiction. In the real world, the critical issue for the taxing authorities is not that the person is trading but is whether the person is profitable and hence potentially taxable. In other words, the activity of trading

is likely to be ignored if no profit is present, so occasional and hobby- or enthusiast-based economic activity is generally ignored by authorities. Self-employed people generally find their own work rather than being provided with work by an employer, earning income from a trade or business that they operate.

In some countries governments (the United States and United Kingdom, for example) are placing more emphasis on clarifying whether an individual is self-employed or engaged in disguised employment, often described as the pretense of a contractual intra-business relationship to hide what is otherwise a simple employer-employee relationship.

2.2. Perception and Tax Compliance

Self assessment system is very much depended for tax payer to voluntarily meet their tax obligation. In this case, a positive perception is essential. When developing strategy and tax planning, tax administrator cannot neglect the perception and reaction of the tax payer. This is because their perception about a particular taxing strategy will affect their tax behavior to meet the strategy designed. The same statement was also outlined by Mustafa (1999). According to Mustafa (1999), taxpayer perception towards the existing assessment system (formal assessment system) and self assessment system are important element for policymaker. A newly introduced system can only work smoothly when the tax payer have positive perception towards the system. They can only have positive perception when they are satisfied and convinced beyond doubt that there is justification for paying taxes.

According to Roche (1984), also make contribution that tax administrator should undertake an extra effort to encourage tax payer to meet their tax obligation and in the same time overcome the differences between tax payer and tax administrator views; in a situation where tax payer is trying to avoid paying tax whilst tax administrator is trying to collect taxes from them.

To date, economics expert has conducted various studies pertaining to all sorts of economics aspects of taxation. This cover the level of taxation acceptable by the public, effects of tax on price stability, economy development and job opportunity, and the distribution of tax burden on different classes of tax payer. Looking from a slightly different perspective this study tends to research on the matter of tax payer attitude towards taxation.

The success of self assessment system is very much influenced by tax payer attitude and their confidence on the system itself (Wong 1999; Jeyapalan 1998; Abu Sofian 1997). Hence, the confidence of tax payer on a particular system relate significantly with the tax payer attitude towards it. That is why the main objective of this study is to learn the perception of tax payer towards tax avoidance and evasion in Nigeria.

2.3. Tax avoidances and Tax Evasion in Nigerian Economy

Tax evasion has been defined by Soyode and Kajola (2006) as deliberate and willful practice of not disclosing full taxable income in order to pay less tax. This behavior is portrayed as criminal act of violating the provision of tax

laws which will eventually lead to reduction in total government revenue (Kay, 1980). Hence, in general, paying less tax or not at all than what one is legally obliged to, described the concept of tax evasion. Eboziegbe (2007) posited that the act of tax evasion remained one of the most serious threats to the revenue and indeed entire economy of the Nation. Feld and Frey (2002) asserted that in most cases tax evasion arises in a situation where a taxpayer arranges his financial affairs in a way that would make him not to pay or pay the least possible amount of tax by infringing the legal rules. Faruyola (1987) is of the opinion that tax evasion can be accomplished through deliberate act of omission or commission which might include: Failure to pay tax, failure to submit returns, omission or misstatement of items return intentionally, claiming relief in personal income tax which do not exist, understating income, documenting fictitious transactions, overstating expenses and/or failure to answer queries. Although these acts are more or less ways through which tax evasion are perpetrated but in themselves constitute criminal act under tax laws and of all these failure to render tax returns is the most common form found in Nigeria (Kibiel and Nwankwo, 2009). Different circumstances cause tax evasion, as Kibiel (2001) argued, some businessmen do not see rationale for paying tax irrespective of the huge profit they might have made. They prefer to make up their account in such a way that a loss will be reflected. This is not an exception in Nigeria; Onuigbo (1986) listed some determinants why people may be reluctant to disclose their actual income and pay tax, which include: Inequitable distribution of amenities, Misuse or mismanagement of tax revenue, Inability of government/tax authority to censuses the actual taxpayers and serve them with assessment notice and, Lack of civic-spirit responsibility from the public. Analyst reiterated the problem of tax evasion as a common practice especially amongst self-employed businessmen of Nigeria (Ayua, 1999). This position has been argued within the Nation as it opined that only civil servants, salaried workers and few self-employed constitute class of people that actually pays tax in Nigeria (Ayua, 1999). Indeed, Ayua (1999) argued that even among the salaried workers many have turned the statutory personal allowances and relief into a fertile ground for tax evasion because record has shown that almost all Nigerians are married with at least four children.

2.4. Tax Evasion and weak legal system

Respecting rule of law is one of the obligations of every good citizen of a country. However, governments have a bigger obligation to ensure that those laws are respected and followed. In case of tax collection and administration, authorities are obliged to ensure taxes are properly paid and evaders are bringing to book (Schneider and Enste, 2002 and Brunetti and Wader, 2003). Supporting this view earlier, Kibiel (2001) posited that tax evasion became rampant in Nigeria because there is little or no legal enforcement in place and indeed, weak and arbitrary enforcement of tax laws encourage the evader and fraud starts. Nwachukwu (2006) further stressed that the only way to reduce tax evasion and corruption in developing countries is ensuring strict implementation of rule of law. Not only in Nigeria, tax evasion in most developing countries is so rampant and worsens by day due to the fact that governments have not made required effort to

arresting the situation. Hence required revenue for the governance of the countries cannot be raise, these countries (developing states) often resort to borrowing public debt (both internal and external) which may not only crowd out the private sector including self-employed individuals of their economies but also lead them to debt traps (Chiuma, 2006). In similar vein, Sikka and Hampton (2005) and Olatunde (2007) identified tax evasion as one of the major social problems inhabiting development in developing countries and eroding the existing welfare nature even in developed economies of the world. This has led to a growing attention among policy makers and stakeholder across the globe to call for the intervention of law agencies within individual countries. In summary, governments and tax authorities must resort to enforcing laws for proper implementation of taxes and success of its administration.

2.5. Nigerian Informal Sector and Tax Challenges

Nigerian informal sector is described as any commercial activities from all sector of the economy that operate outside the purview of government regulation (Ekpo and Umoh, 1996). This may be visible, irregular, non-structured, backyard, underground, subterranean, unabsorbed or residual. Informal economic activities in Nigeria entails wide range of small and medium scale activities largely self-employment activities, most of them are traditional occupations and adopt traditional method of production (Boylard and Burckhardt, 2002). Others include financial intermediation and economic endeavors of subsistence nature or retail trade, transport repair services and household or other personal sources. Activities of the informal sector in Nigeria are difficult to measure. This is because they are highly dynamics but contribute substantially to the general growth of the economy. The informal sector contributes significantly to national economy in terms of output and employment. The government must therefore encourage and empower their activities through the provision of conducive environment and policies to enhance their operations (Alm and Martinez, 2008). The informal sector has no tendency to be missed out, it must therefore be sustained for optimal contribution to the growth of the economy. In response to this, the Nigerian government have attempted severally to positively impact on the operation of informal sector like family economic advancement programme (FEAP) in 1997 whose objective is to serve as a catalyst to stimulate and encourage the growth of informal sector, capacity building and credit support through peoples bank. Entrepreneurship development policy has also been implemented in late 80s. This programme through National Directorate of Employment (NDE) has attempted to provide good framework for small and medium enterprises (SMEs) activities. However, there are series of international financial assistance e.g. from African Development Bank (ADB), World Bank and United Nation Development Programme (UNDP) to the activities of SMEs in Nigeria. In 1999, Nigerian government released about 8 Billion Naira through the initiative of the then President Obasanjo; Small and Medium Enterprises Development Agency (SMEDAN) to enhance accessibility of soft facility for smooth running of SME activities (Norman, 1999). In fact, preliminary investigations showed that the Nigerian government continue with these programs and support to the informal sector. Now, what's left for the government is

how to convince people in the informal sector to respect rule of law and pay their tax obligations. It is a known fact that majority of people operating in the informal sector are not elite. This, couple with several reasons given for evading taxes as discussed in this section, as well it raises concern on the possibility of meeting obligations by both authorities and the tax payers. To operationalize these possibilities, the research questions above are developed for the study.

2.6. Factor that contribute to Tax Evasion

There are various reasons for tax avoidance and evasion by self employed person in the informal sector of the economy. In order to develop methods and instruments for fighting tax avoidance and evasion, it is important to foremost establish a broad understanding of the different reasons underlying these problems. These facilitating factors are:

Low tax morale

Self-employed citizen willingness to pay taxes differs widely across the world. It cannot be viewed as simply depending on the tax burden. Rather, empirical research indicates that Self-employed persons throughout the world pay the least taxes than can be explained by even the highest feasible levels of auditing, penalties and risk aversion (Alm. 2007). These low levels of tax compliance result from the tax morale of society that fosters self-enforcement of tax compliance.

Tax morale is, however, not easy to establish. Especially countries without a deep-rooted 'culture' and habit of paying taxes find it difficult to establish tax morale.

Tax system and perception of fairness

Some studies suggest that high tax rates foster evasion. The intuition is that high tax rates increase the tax burden and, hence, lower the profits of the Self-employed citizen (Chipeta, 2002). However, the level of the tax rate may not be the only factor influencing Self-employed persons decision about paying taxes. In fact, the structure of the overall tax system has an impact as well. If, for example, the tax rate on personal income Tax is relatively high, but companies are facing a very low tax rate on their profit, the self employed individuals may perceive their personal tax burden as unfair and choose to declare only a part of their income.

Low transparency and accountability of public institutions

Lack of transparency and accountability in the use of public funds contributes to public distrust both with respect to the tax system as well as the government. This, in turn, increases the willingness to evade taxes (Kirchler 2007).

High level of corruption

If due to high levels of corruption, citizens cannot be certain whether their paid taxes are used to finance public goods and services judiciously, their willingness to pay suffers and it becomes more likely that they evade their tax liabilities. A taxpayer might consider evading taxes if the cost of bribing a tax auditor is lower than the potential benefit from tax evasion.

Lack of rule of law and weak fiscal jurisdiction

Strong fiscal courts are essential to protect individuals rights in the society and safeguard them from arbitrariness. If the legal system does not operate in accordance with the rule of law, individuals and corporate entity have to fear arbitrariness, discrimination, unequal attendance in court, etc. The lack of rule of law reduces transparency of public action and fosters distrust among the citizens. As a result, individuals may not be willing to finance the state through taxes, and decide to evade these liabilities.

Weak enforcement of tax laws

While the preceding section discussed the sources for low voluntary compliance and high regulatory costs of tax compliance, the current section turns to challenges in the enforcement of tax laws. There exist several circumstances that restrain tax administrations from performing their functions properly thereby increasing the possibility of tax evasion. Shortfalls in tax collection procedures as well as weak capacities of tax administrations to detect and prosecute tax violators are both factors that contribute to a low enforcement of tax legislation.

Source: The World Bank, World Development Indicator "Time to prepare and pay tax in hours", 2008.

Addressing weak enforcement at the national level

Tax administration reforms are a crucial part of any effective strategy to strengthen enforcement of at the national level. Measures in this area include different approaches of organizational reform such like the creation of semiautonomous revenue authorities, setting-up of Large Taxpayer Units as well as capacity development such as trainings and courses on selected topics, e.g. specialized courses in the area of detecting illegitimate profit shifting activities or tax fraud, but also restructuring of the wage schedule to offer sufficient incentives in order to attract and recruit capable staff and to minimize the risk of corruptive behavior.

Reforms referring to the organization of the administration are a sensible step to enhance law enforcement. Often, the organizational setup of the tax administration is a reason for the extent and prevalence of inefficiencies. Therefore, public administration reforms should aim at simplifying the organizational body of tax administrations and its working structure. For instance, countries could try to reduce the number of authorities dealing with tax issues and centralize the collection of tax revenues to one single authority.

Strategies to strengthen tax administration should also focus on reducing administrative costs inside the tax administration. For this purpose introducing unique taxpayer identification numbers are considered a useful instrument as they facilitate cross-checking of information between different types of taxes such as VAT and income tax. In addition, monitoring and auditing of tax payments and tax arrears are easier if a unique taxpayer identification number exist.

Complex and often changing tax laws cause confusion and uncertainty among tax officials and taxpayers. Addressing deficiencies in the tax system is therefore probably as important as process orientated reform actions that enhance the user-friendliness and transparency of the

taxation procedure. Particularly small and medium size enterprises (SME) with only limited administrative capacities and private households do not only suffer from the bureaucratic burden of complicated tax procedures but also from the complexity of the tax system itself. Simplifying the (corporate) income tax structure by reducing the number of tax brackets and high statutory tax rates lowers the tax burden and may support voluntary compliance. A comprehensive reform of the tax law might be more advisable than reforming the system step by step, thereby risking a complex financial law as is common in many (developing) countries today.

2.7. Empirical Review

According to the tax legislation, tax non compliance is defined as 'the failure either intentionally or non intentionally of the tax payer to meet their tax obligation (Kinsey 1985). Noncompliance happen from tax payer carelessness i.e. forgetting to pay their tax, human error in calculating their taxes and even more critical is the lack of knowledge and information about taxes. In the other end, tax fraud or tax avoidance is a type of noncompliance done intentionally by the tax payer (Kasipillai & Shamugam 1997). Myth or reality, encouraging voluntary tax compliance among tax payer is a challenging task, but it is certainly the main agenda for many tax administrators throughout the world. Acknowledging this fact, numerous studies had been done to study the factors that could led to the noncompliance and tax avoidance. Past studies have identified a few factors leading to this issue (McKerchar 1995; Seyi 2008; Kamaruzzaman 1995; Alm, Jackson & Mckee 1992; Klepper & Nagin 1989; Smith & Kinsey 1987; White & Woodbury 1985; Vogel 1974; Allingham & Sandmo 1972). One of the factor identified by these studies is perception. Spice and Becker (1980) in their study discovered the relationship between tax avoidance and the perception of tax payer towards the tax system justice. The result indicates that both perception and tax payer attitude had a significant relationship with the decision to avoid tax. The same result was also derived by Steven (1989). According to Steven (1989), tax payers' confidence on the practiced taxing system depend very much on their perception. Negative perception towards the practiced system will cause tax payer to lose their confidence. This eventually will lead to tax avoidance and evasion.

Reckers, Sanders and Roark (1994) observe that individuals are significantly different in so many ways, though with some common characteristics. Reckers et al (1994) opine that the ethical behaviour of a person cannot be predicted based on general ethical standards. Instead, they maintain that ethical behavior and ethical beliefs are situation-specific. In other words, ethical view of an individual on tax matters is a function of different variables. Expectedly, all the studies reviewed here seem to follow the dictate of the foregoing argument. It is observed, for instance, that surveys, experiments, and discussions on the ethical aspect of tax evasion are addressed from different viewpoints and on different basis, such as corruption in government, abuse of power, widespread cases of tax evasion, ability to pay, high tax rate, religion, practitioners, demography, and so on (McGee 2005 and McGee et al 2005).

Research has shown that levels of self-employment in the United States are increasing, and that under certain circumstances this can have positive effects on per capita income and job creation. According to a 2017 study by MBO Partners, the self-employed workforce generates \$1.2 trillion in revenue for the U.S. economy, which is equal to about 6% of national GDP. A 2011 study from the Federal Reserve Bank of Atlanta and Pennsylvania State University looked at U.S. self-employment levels from 1970 to 2000. According to data from the U.S. Bureau of Economic Analysis, the absolute number of people registered as non-farm proprietors (NFPs) or self-employed in metropolitan counties grew by 244% between 1969 and 2006, and by 93% in non-metropolitan counties. In relative terms, the share of self-employed within the labor force grew from 14% in 1969 to 21% in 2006 in metropolitan counties, and from 11% to 19% in non-metropolitan counties.

In non-metropolitan counties, the study found that increased levels of self-employment were associated with strong increases in per capita income and job creation and significant reductions in family poverty levels. In 1969, the average income of non-farm proprietors was \$6,758 compared to \$6,507 earned by salaried employees; by 2006 the difference in earnings widened to \$12,041 in favor of salaried employees. The study notes that the gap could be due to underreporting of income by the self-employed. Alternatively, low-productivity workers could be losing their jobs and are forced to be self-employed. Further, some research shows that higher local unemployment rates lead workers to self-select into self-employment, as does past unemployment experience.

3. Research Methodology

3.1. Research Design

The study will make use of both primary and secondary data collections techniques in carrying out the study. The primary data collection instrument is mainly questionnaires supported with few personal interviews. The questionnaire and interview was conducted with self-employed individuals such as traders, furniture makers, artisan, transporters and other people carrying out menial jobs within the strategy place in the area of concentration. On the other hand, secondary data were collected through content analysis of journals, textbooks, bulletin obtained through library and internet as well as few incomplete records of some businesses covered by the study. Mainly, the target population of this study consists of 5000 self-employed individuals registered with different associations within Delta and Anambra state of Nigeria. According to Olannye 2006, it is difficult to study every object or element of the study population. For simplicity, this population is conveniently divided into four categories in accordance with their business undertakings: trade, transport, provision of portable water on commercial basis and others (which represent occupations not listed above).

Fifty (50) individuals were chosen randomly from each stratum. This sampling technique was chosen as it allows further representativeness in selecting sample from the population (Olannye 2006). Personal interview was then conducted with these respondents in groups and isolation. The schedule of the interview is meant to determine the perception on tax avoidance and evasion and to assess

government accountability and judicious use of fund view of the respondents. The study partly depends on direct interview for two (2) main reasons, firstly, most of the respondents cannot read and interpret a structured questionnaire, and hence information can better be obtained from such respondents through interview. Secondly, due to tight schedule and business engagements of self-employed individuals as opined by Uvima (2009), Results of this research are presented in the next section using simple percentages followed by discussions under each table. Finally Spearman Rank Order Correlation Test was employed to test the presence or absence of relationship between legality of tax avoidance and evasion by self-employed citizen and government accountability of taxpayer fund. Student t-test was later employed to fortify the rho (r) value so as to assess the extent of the relationship if any. Hence one hypothesis was formulated for this purpose:

Ho: legal perception of self employed tax evasion has no significant relationship with government accountability of taxpayer fund.

4. Data analysis and presentation

4.1. Data Presentation

As mentioned earlier in the preceding section, the study partly depends on the interviews (60) and mainly questionnaires administered (340). Hence, results from this survey are presented in tables below and discussions under each table respectively.

Table I. AGE AND GENDER DISTRIBUTION OF THE RESPONDENT

Respondent	Response	%	M	F
Below 20 years	56	14	38	18
20-50	248	62	195	53
Above 50 yrs	96	24	39	57
Total	400	100%	272	128

Researcher Computations

From the above table, it can be deduced that most of the self-employed surveyed from the population are youth between the ages of 20-50years as they formed more than 60 percent of the sample. This clearly shows that they will be more active and ambitions to acquire and gain wealth. This is because that range is a transitional stage from dependent to independent and shouldering responsibilities of others and of the opinion that tax payment is a form of dilution on their earning. The table also shows low level of female participation in comparison to male in Nigerian informal business sector. Of course that 14% of below 20years has implications in an economy indicated in the table below (Educational background) because more than 90% of this 14% who should have been in schools were not fortunate to get at least hold a minimum certificate. Indeed, very few were able to scaled through post primary education. Lastly, 24% of the respondents aged 50 years and above, arguably, this category had the required age in taking a stand on critical issue and the high numbers of female in this category are due to cultural factors.

Table II. Educational background of respondent

	Responses	%
Basic/Secondary	268	67
Graduate	120	30
Post Graduate	12	3
Total	400	100%

Researcher computations

The above table presented the level of education attained by the respondents and it clearly shows high level of illiteracy inherent in the sampled self-employed individuals. Discussion on its implication has started in the previous table. Moreover, these implications have hugely contributed in to their perception of not paying tax at all instead, they resort to tax avoidance tactics and they also lack the requisite knowledge of how to and the procedure of filling taxes with the relevant tax authorities. However, it is important to revealed that all of the 12 respondents in the third category (Postgraduate) are between the age of 20 - 50, while 40 out of that 120 in the second category are above the age of 50 this clearly shows that unwilling, personal factors is also a core contributor that influence the perception of the self employed in the country in tax avoidance and evasion.

Table III. CAPITAL BASE OF THE RESPONDENTS IN FINANCIAL VALUES

Responses	Respondent	%
Less than N1m	162	81
N1m - N10m	34	17
Above N10m	4	2
Total	200	100%

Source: Researcher computations

Statistics in the above table reveled that a good number of percent (81%) of self employed are those with a capital base of below One Million Naira. They believed that paying much tax dilutes their earning so they resort to tactics of tax evasions and avoidance. And they are also of the opinion that they are no justification from government for the monies paid. This huge percentage of the informal sector are left out of the taxpayer's census, which eventually leads to decline in the total revenue generated more specifically from personal income tax.

Table IV. HAVE YOU EVER PAID TAX?

Responses	Respondent	%
Yes	48	12
No	320	80
Cannot say/ I do not know	32	8
Total	400	100

Source: Researcher computations.

The results in the above table show that 80% of the respondents have never paid tax despite the huge income or capital put in business which is statutorily taxable. This may be as a result of lack of seriousness and effort from the tax authority to identify, assess and collect taxes from such millionaires. On the hand, it is likely; people have not seen any essence of paying tax because governments may not tangibly accounts for the money it generates from other means of revenue. Only 12% agreed that they have actually pay tax for some reason which are due to obtaining tax clearance certificate and for other needs

while, a few of 8% do not fall into any of the category may be due to ignorance of what constitute tax.

Table V. WHY ARE YOU NOT PAYING TAXES, DO YOU CONSIDER IT LEGAL?

Responses	Respondent	%
Legal	320	80
Illegal	12	3
I dnt know	68	17
Total	400	100%

Source: Researcher computations

It can be understood from the above table that almost all the respondents agreed that, it is legal to pay tax and they shun it because the monies are being embezzle by those in government with exception of 17% whose views were denied. It's assumed that most likely they are afraid to say is illegal or they believed that it is legal but they shun it and it is not enforceable. While a partly of 3% asserted it its illegal as the government cannot account for the money. Therefore, a huge gap in the literature and indeed, for the relevant authorities to find out is why people refuse or evade paying taxes?

Table VI. WHAT BENEFIT HAVE YOU ENJOYED FROM GOVERNMENT EXPENDITURE?

Response	Respondent	%
Loan	17	4.25
Amenities	35	8.75
None at all	348	87
Total	400	75

Researcher computations

Results in the above table showed that most of the respondents, 87%, bitterly complained that government is not doing enough tangibly for the masses talk less of specific benefits. Some of the respondents posited that government functionaries are just sharing the revenues for personal use. This might have resulted in the peoples' avoiding taxes and breaking laws and regulations governing the practices. The 4.25% respondent claims that they only obtain the microcredit loan with strict conditions from the state government as a way of increasing investment drive in their respective state. While 8.75% respondent claims they only enjoy little benefit in form of amenities from the government such of ante-natal care, free medical outreach, relief and security. A good number lament that the government have fail woefully in their accountability of tax payer money.

Table VII. WHY ARE YOU NOT PAYING TAX AND YOU AGREED IS LEGAL?

Response	Respondent	%
Bad governance factor	276	69
Economic factors (Profit Maximization)	105	26.25
Socio-cultural factors	19	4.75
Total	400	100%

Researcher computations

It is well understood from the conversation with participants and presented in the table above that even though paying tax is believed to have been legal but still individuals (Surveyed) are not paying, in fact 69%

attributes that to non-performance by the government in all sector. This is to say, people are not convince even if they pay taxes the money will be use judiciously and accordingly. Hence, significant part of the participants asserted that the bad governance resulted from mismanagement of accrued fund and corruption within the departments. Economic factor of profit maximization is also one of the reason participants attributed to peoples' attitude of evading tax which account for 26.25% as paying tax will reduce their take net profit. Lastly, 15% attributed socio-cultural reasons for their refusal to meet tax obligations.

TABLE VIII. HOW DO YOU MANAGE IN SOME DEALINGS WITHOUT TAX CLEARANCE CERTIFICATE?

Respondent	Response	%
Fake issues	182	45.5
On request	58	14.5
Bribery	40	10
It has no usage	120	30
Total	400	100%

Source: Researcher computations

Seen from the above table, 45.5% of respondents indicated the extent of dishonest staff existing within tax authorities, as participants reported that fake certificate is issued by the tax administrators in return of money collected on negotiations. This is a big indicative of extent of corruption both from the tax payers and tax collectors. In fact, additional 10% participants indicated that they offered bribery in place of tax clearance certificate and that government officials compromise the legal requirements and aid them to evade their tax obligations. 14.5% say that they only need it on request and this category consists of the 45.5% of respondent who deals dishonestly with tax authority to collect or manipulate fake clearance certificate. Nonetheless, the remaining 30% of the respondents asserted that they do not enter into any business dealings with official requirements.

4.2. Hypothesis and Hypothesis Testing

Using the null hypothesis previously formulated, Spearman Rank Order Correlation analysis could be employed to test the relationship between legal perception of an average self employed Nigeria on tax avoidance and evasion and justification of government accountability of taxpayer fund.

Ho: There is no significant relationship between legal perception of self employed tax avoidance and evasion and government accountability of taxpayer fund.

Table IX: Response for testing hypothesis 1

Responses	X = legal perception of tax evasions and avoidance	Y=Government accountability
Traders	125	39
Transporters	48	20
Portable water producers	52	90
Bricklayers	164	70
Carpenters	28	140
Food vendors	60	73
Mechanics	73	95

$$1- \frac{6 \sum R(X)-R(Y)^2}{n(n^2-1)}$$

Table X: Hypothesis 1 analysis

X	Y	R(X ₁)	R(Y ₁)	R(X ₁)- R(Y ₁)	D ²
125	40	2	3	1	1
48	70	6	4	2	4
28	39	7	5	2	4
164	73	1	6	5	25
52	20	5	7	4	4
60	95	4	2	2	4
73	140	3	1	2	4
					46

Source: Researcher Computations

$$\begin{aligned}
 1- \frac{6 \sum R(X)-R(Y)^2}{n(n^2-1)} \\
 = 1- \frac{6(46)}{7(49-1)} \\
 = 1- \frac{276}{336} \\
 = 1- 0.821 \\
 = 0.179
 \end{aligned}$$

The null hypothesis (Ho) There is no significant relationship between legal perception of self employed tax evasion and government accountability of taxpayer fund. Is rejected therefore, This shows a significance relationship (correlation) between legal perception of tax evasion and accountability of government on tax payer fund. Let us now examine the strength of this positive correlation by converting the rho value of 0.179 to t - scores

$$\begin{aligned}
 t &= \frac{\sqrt{n-2}}{1-R^2} \\
 &= \frac{\sqrt{7-2}}{1-0.179^2} \\
 &= \frac{\sqrt{5}}{1-0.032041} \\
 &= \frac{\sqrt{5}}{0.967959} \\
 &= \sqrt{5.1655} \\
 &= 2.27
 \end{aligned}$$

Using Degree of Freedom of 2 (n- 2-, 4 - 2) At the critical value of α = 10 % i.e. 95 level of significance is 6.965 Decision = Reject Ho at 0.10 and accept H1

H1: legal perception of self employed tax evasion has significant relationship with government accountability of taxpayer fund.

5. Summary, Conclusion and Recommendation

5.1. Summary

From the forgoing, it can be concluded from all the arguments of different research as reviewed in the second

section of this article, analyses and discussions of the results in the preceding section with the help of the statistical tools employed, it appears that there is a significant (positive) relationship between the perception of self-employed individuals on why they evade tax and lack of government accountability, thus, respondents agreed that legally, it is good to pay tax but they remained noncontributory population to the national development and further argued that, mismanagement of public fund, corruption and malpractices that amounted to bad governance resulted their actions and persistent tax evading attitude. They are believed that tax clearance certificate have no use and if required, they connive with tax official to manipulate fake certificate.

5.2. Conclusion

Hence, the findings of the study are summarized in the following sentences: 1. Although it is legal to pay tax but individual refuse to, due to bad governance and other factors (economic, political and socio cultural). 2. There is a high level of illiteracy in the informal sector. 3. Most of the self-employed individuals do not even file returns to relevant tax authorities as a result of poor enlightenment and knowledge of the tax system and procedure. 4. Existence of dishonest tax administrators within the system contributed in tax evading. 5. There are fake tax clearances certificate in circulation issued by relevant authorities. 6. Individuals in the informal sector enjoyed less from the government entrepreneurial development policies (e.g. Loan. Capacity Building etc.). 7. Self-employed individuals spend most of their times in business. Having seen the afore-discussed findings of the study,

5.3. Recommendation

It is recommended the future research relating to tax issues should look into general economic sector of Delta and Anambra State instead of limiting the scope to only formal sector. This will help in making suggestions and recommendations to policymakers as well as the state government in general. Indeed, it will give an opportunity to a wide range of stakeholder groups to contribute or participate in the study. Others recommendations are;

1. Tax administration should undertake an extra effort to encourage tax payer to meet their obligation and also to encourage them through soft loan and incentive.
2. The Nigeria tax system should be reformed to give room to modern tax system and innovation to curb tax evasion and avoidance
3. The Nigeria tax authorities should partner the Nigeria Identity Management and financial institution in order to have a database of self employed Nigerian for easy identification of loopholes
4. The federal government should make it a point of duty to publish the monies collected from taxes and how its judiciously utilized for the benefit of the masses to win the trust of the masses.
5. The present administration corruption eradication drive should be intensify and corruption politicians and officers should be adequately punish across board to serve as deterrent to others

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