**TAX EVASION: CAUSES AND IMPLICATION ON ENUGU STATE GOVERNMENT REVENUE**

**(A STUDY OF ENUGU STATE BOARD OF INTERNAL REVENUE)**

**BY**

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**DEPARTMENT OF ACCOUNTING AND FINANCE**

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**JULY, 2018**

**TITLE PAGE**

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**BEING A PROJECT REPORT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE, FACULTY OF MANAGEMENT AND SOCIAL SCIENCES, GODFREY OKOYE UNIVERSITY, UGWUOMU –NIKE, ENUGU STATE IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF BACHELOR OF SCIENCE DEGREE (B.Sc.) IN ACCOUNTING .**

 **SUPERVISOR: DR. J.I. UGWU**

**JULY, 2018**

**DECLARATION**

I UZUBUAKU IJEOMA JENNIFER, with the registration number U14/Mss/Acc/054, is a bonafide student in the Department of Accounting and Finance under the faculty of Management and Social Sciences in Godfrey Okoye University. I would like to declare that the work entitled Tax evasion: Causes and Implication on Enugu State Government Revenue submitted by me in partial fulfillment of the requirement for the award of Bachelor of Science (B.Sc.) in Accounting is my original work and has not been submitted either in part or full for any other degree or diploma either in this or any other tertiary institution.

……………………… ………………………

UZUBUAKU IJEOMA .J. Date

U14/MSS/ACC/054

RESEARCHER

**CERTIFICATION**

This is to certify that this research entitled “Tax evasion: Causes and Implication on Enugu state government revenue (A study of Enugu state Board of Internal Revenue) was written by Uzubuaku Ijeoma .J. with registration number U14/MSS/ACC/054 presented to the Department of Accounting and Finance of Godfrey Okoye University, Enugu has been assessed and approved for oral examination/defense by the department of Accounting/Finance, Godfrey Okoye University, Enugu.

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**DEDICATION**

This work is dedicated to Almighty God whose love upon me is immeasurable.

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**ABSTRACT**

*A widely views has it that taxable adults in Enugu state evade tax payment, thereby depriving government of revenue. For this reason, this study focused on tax evasion: causes and implication on Enugu state government revenue so as to understand the importance of taxation towards improving internally generated revenue in Enugu state to enable government of the state provide her citizens with adequate amenities without hoping on statutory allocation. In the light of this study, two specific objectives, two research questions and two hypotheses were listed, asked and tested. The study adopted survey research design with a population of 3070 and a sample size of 354. The sample size was derived statistically by using Taro Yamane statistical technique. Simple random sampling technique was adopted and questionnaire was used for data collection. The questionnaire was administered by the researcher coupled by her sister’s assistance to the respondents which the questionnaire were not collected immediately so as to elicit clear response. Hypotheses were tested using Chi-Square with the aid of statistical package for social sciences (SPSS). One of the findings shows that tax evasion has implication on Enugu state government revenue. Since tax evasion has implication on Enugu state government revenue this clearly implies that tax evasion reduces revenue generated by government of the state. The researcher concludes that tax evasion reduces revenue generated by state government which leads to debt accumulation as well as budget deficit. Hence the researcher recommended that government and other relevant agencies should promote the effort made towards preventing tax evasion in the state so as to enhance increase in government generated revenue.*

**CHAPTER ONE**

**INTRODUCTION**

**1.1 Background to the study**

It is a universal truth that taxes contribute to the development of every nation. Nigeria being a developing nation in West Africa, with respect to Enugu state, is not left out from the benefits derived from taxes. The revenue derived from taxes helps government of Enugu state to finance its expenses such as: provision of infrastructure, protection of lives and properties through the security agencies against foreign or local aggression, provision of health care facilities, funding the education sector and many others. It is an imperative factor in economic planning and development of the state, and it is a crucial agent of social change.

Taxes help to improve efficiency, reduce waste and loss of human life. This is usually associated when negative externality is perceived in the state. The intake of cigarette causes harm both to the cigarette taker and the people around him. In other to curb this unhealthy behavior, taxation plays a vital role when more of such harmful goods are taxed. In a country like Nigeria and Enugu state in particular where we face problems of chronic unemployment and regional disparities, tax policy should be adopted to alleviate the issue. This is done with the view that poverty should be eliminated from the state and government needs to play active role in fulfilling this task. It is noted that the problem of growth, by itself, covers numerous aspects and tax system may be designed to help in more than one ways. Taxation can help to reduce the problem of insufficient savings and accumulated capital arising from borrowing. Tax holiday can be given to companies to boost production and fill both supply and demand gap.

According to Chaudhry and Munir (2010), Tax as a source of government revenue consists of direct and indirect tax. Direct tax is a form of tax that is levied on the income of individuals both civil servants and self-employed persons. The burden of direct tax is borne by the person on whom it is imposed. The concept of direct tax is not restricted to individuals’ income alone. It extends to profits of corporate bodies whose burden cannot be shifted. On the other hand, indirect tax is a type of tax that is levied on goods and services. Unlike direct tax, the burden of indirect tax can be shifted e.g. value added tax, import duties e.t.c.

According to Onyema (2000), tax is a compulsory payment which government levies on individuals and on the incomes of corporate bodies, to defray the cost of public expenditure. From the definition above, two imperative features differentiate it from other form of payment. One important feature is being recognized as a compulsory payment which nonpayment on demand is punishable by law. Secondly, it is not a quid pro quo exchange. This implies that government need not provide services or give explanation to the taxpayer.

Tax is an instrument of fiscal policy, which plays an important role in every organized nation irrespective of the political structure. This is buttressed by the undeniable role of taxation in reducing inflation in the country. When inflation is noticed in the nation, income of individuals is greatly tax in other to reduce their purchasing power.

Tax is considered the most important source of government revenue since the level of government expenditure is to a large extent dependent on the ability of the tax system to generate the required revenue needed for economic development.

The undue reliance on the federal government for allocation of fund from federation account for carrying out needed activities in Enugu state has become a setback for carrying out needed activities required in the state. As a result of this quagmire, Enugu state is required to intensify their internally generated revenue to boost up allocation from the federation account.

Considering the vital role of tax in Enugu state, taxation becomes an important area of study. But because of the inefficiency of the tax system in ensuring equitable distribution of income, proper regulation of the state, and gathering of resources to government for carrying out needed duty in the state, it is strongly believed that the rate of tax evasion in Enugu state is very high.

As observed from tax administration in Enugu state, the tax system is considered questionable because of its inefficiency. A good tax system should be able to recognize that the taxpayer has some basic rights. He is expected to pay his taxes but not undergo harassment. With this view, tax laws should be simple in language and the tax liability should be determined with certainty. The mode and timings of payment should suit the convenience of the tax payer to the extent possible. A good tax system should be equitable between different tax payers. It should be progressive so as to levy an equitable burden on all.

On several occasions, government aim of financing its expenditure often becomes a dilemma as a result of insufficient fund to carry out the task. This has resulted to people going for self help projects in the state. From discoveries made, the number of self help projects in Enugu state has outnumbered those provided by the government. One would ask, what is the cause of this insufficiency? Does government keep the money for themselves? Was the revenue stolen by criminals? Are individuals not been patriotic by not paying their tax when they are meant to? From all the possible causes of reduction in government revenue, emphasis has been laid on tax evasion.

 Lekan and Kajola (2006), said that tax evasion is a deliberate practice of not disclosing full taxable income so as to pay less tax. This behavior is seen as a criminal act of disobeying the provision of tax laws. They also pointed out methods by which people evade tax:

By failing to furnish correct return, statement or information or keep records required.

Making false return by a way of omitting or understating income liable to tax.

Presenting large amount of expenses in other to reduce taxable income.

Hiding away totally without making any tax payment.

 Salawu (2005) opined that tax evasion is a crime that impedes government fiscal policy. This means that tax evasion makes government aim of regulating the economy to be effete. Hitherto, overall increase of tax evasion in Enugu state has disclosed that taxpayers do not make a fair presentation of their tax base to foster revenue. Since no man is above the law, obedience to set laws of a country is one of the obligations of every citizen of the country. Moreover, government has much obligation in ensuring that the set rules are obeyed. In line with tax collection and administration, tax authorities in Enugu state are to ensure that income tax is properly paid and evaders are seriously punished. Tax evasion became rampant in the state because there is little or no legal enforcement in the state to deal with growing issues of tax evasion. Sani (2005) described a tax evader as one who for a number of reasons refuses to fulfill his civic responsibilities under the law. He is for all intents and purposes a criminal. Adegbie and Fakile, (2011) opined that tax evasion can be partial or total and its degree varies from place to place and between occupational groups. There is partial evasion when a taxpayer under declares his income for tax purposes and total evasion of income tax occurs when a taxpayer who is already qualified to pay tax refuses to get the name registered in the tax roll. (Sani, 2005) gave many ways in which the act of tax evasion is encouraged which are :unbearable high tax rates which make evasion more attractive and economical, lack of faith in the ability of the government to use the money judiciously, total ignorance of the law, absence of any visible benefit accruing to the taxpayer, inefficiency of tax administration which gives room for tax evasion, ridiculously low penalties prescribed in the tax laws for late payment or non- payment, outright unwillingness to contribute towards the upkeep of one’s society.

**1.2 Statement of problem**

It is not a doubt that tax contributes largely to government revenue. Revenue gotten from taxation helps in carrying out state project. As a result of tax evasion, total revenue which would have been used to finance core projects in Enugu state remains on the decline. This would result in government proposed expenditure exceeding its total revenue. When such situation occurs, government sorts out ways of financing such expenditures either by borrowing externally or internally which eventually accumulates state’s debt.

 Also, collaboration of tax authorities with affluent business men in Enugu state contributes immensely to tax evasion. It therefore brings about income inequality in the state because income of business moguls are not been subjected to tax or if being subjected to tax, less amount is taxed. Coupled by the ineffectiveness of the tax system, other taxpayers would opt to be unpatriotic towards tax payment.

Tax evasion has posed a serious problem as to understand the extent in which resources are adequate for the management of Enugu State Board of Internal Revenue. As a result of increase in tax evasion in the state, those engaged in government work will not be paid their salary as at when due. The state board on the other hand won’t be adequately furnished with needed equipments to carry out their job.

Also, if states are to be graded from federal level, there is every possibility that Enugu state will take the least score because of under development. The state government access to fund to bring about development in the state will not be achieved. ‘Keep Enugu state clean’ slogan by many will be a history because Enugu State Management Authority(ESWAMA) officials if haven’t been paid for so long, is bound to be less concerned towards their job. And the following consequences result to living in an unhealthy environment by Enugu state inhabitants.

**1.3 Objectives of the study**

The general objective of this study is to identify the causes and implication of tax evasion on Enugu state government revenue.

The specific objectives are as follows:

1. To examine if high tax rate causes tax evasion.
2. To determine the implication of tax evasion on Enugu state government revenue.

**1.4 Research questions**

The following research questions will guide this study.

1. To what extent does high tax rate cause tax evasion?
2. What implication does tax evasion have on Enugu state government revenue?

**1.5 Research Hypotheses**

The following hypotheses will be tested in the course of this study.

Ho: High tax rate does not significantly cause tax evasion.

H1: High tax rate significantly cause tax evasion.

Ho: Tax evasion has no significant implication on Enugu state government revenue.

H1: Tax evasion has significant implication on Enugu state government revenue.

**1.6 Significance of the Study**

This study has the benefit of ensuring that tax evasion practices are avoided by individual tax payers in Enugu state. This is achieved by creating awareness on the benefits which come from tax revenue. It can also be done by educating individuals, especially those in rural areas about the concept of tax evasion and its consequences.

Furthermore, Enugu state government will benefit from this study as it will to an extent minimize acute reduction in its revenue and they will have fund for developing the state. This will be achieved because this study will reveal factors that contribute to reduction in Enugu state government revenue and find ways of limiting them.

In addition, individuals will also benefit from the study through enjoyment of infrastructures provided by government, paying little or no money in government owned hospitals and schools, living without fear in a country where their lives and properties are protected by security agencies. Civil servants which include those working in Enugu state board will also benefit from the study because government will have income at their disposal to pay for their salary.

The state as a whole will benefit from this study as it will ensure that tax defaulters and corrupt tax authorities are punished according to law as this will serve as a deterrent to others.

**1.7 Scope of the study**

This study is delimited to self employed and those employed in private sectors in the state which include: traders, commercial motorists, business professionals such as accountants, and doctors. Emphasis is placed on these people listed above because civil servants are the only identified persons that actually pay tax in Enugu state with respect to Enugu state Board of internal revenue which is the relevant tax authority for income tax collection and administration in the state. The data collection was restricted to the state board, traders, and individuals within Enugu Urban. Hence, the findings of this study are limited on Enugu state government revenue.

**1.8 Limitations of The study**

During the course of this study the researcher faced some challenges while trying to ensure the success of this work. While carrying out this work, trying to gather materials for this study was not an easy task as emphasis was placed on where to source the right material for the work as different text books and journals were consulted. It also took the researcher time in visiting the state board for data gathering as it contributes to overall concern of the study. The limited time frame is also connected to the researcher’s need to combine this study with her other academic works.

**1.9 Definition of terms**

**Tax payer:** It is someone who is required by law to pay tax. In this study, a taxpayer refers to self-employed and people employed in private sectors.

**Revenue:** This is the income one receives for performing a job or carrying out sales transactions. Revenue in this study refers to income generated by government (Enugu state) from taxation.

**Tax authority:** it is a body authorized by law to collect and assess tax returns which in this study, is the state Board of internal revenue Enugu state.

**CHAPTER TWO**

 **REVIEW OF RELATED LITERATURE**

**2.1 INTRODUCTION**

This chapter reviews related literature under the following sub-headings:

 Conceptual framework

 Empirical Review

 Theoretical framework

**CONCEPTUAL FRAMEWORK**

**2.1.2 DEFINITION OF TAXATION**

Taxation is a burden borne by every citizen to sustain her government in provision of services to the people they governs. The definition of taxation by Farayola (1987) is that taxation is one of the sources of income for the government, such income used to finance government expenditure and improve economic development. Ochiogu (1994) defined tax as a levy imposed by the government against the income, profit or wealth of individuals and corporate organizations.

According to Adams (2001) taxation is the most important source of revenue for modern governments, it typically accounts to ninety percent of government revenue or more. Taxation is seen by Aguolu (2004), as a compulsory levy imposed by the government through its agencies on the income, consumption and capital of its citizens. These levies are made on personal income such as, salaries, business profits, interests, dividends, discounts and royalties. Afuberoh and Okoye (2014), taxation is a civic duty which imposition is expected to yield income which should be utilized in the provision of amenities, both social and security and sustains economic well being of the society.

Tax according to Omotoso (2001) is a compulsory charge imposed by a public authority on the income of individuals and companies as stipulated by the government decrees, acts or case laws irrespective of the exact amount services rendered to the payer in return.

 In the view of Uduimbo (2008), taxation is regarded as the most important source of government revenue. They further stressed that public fund is always regarded as taxpayers money. This is because payment of tax is one of the duties of every citizen.

Ogundele (1999), taxation is a process in which society and communities or group of individuals are contributing into an agreed sum which is important for the resolution, development and administration of the public. Apere (2003) notes that taxation is a macroeconomic and fiscal policy instrument which involves the transfer of resources from the private to the public sector for the accomplishment of economic and social goals. It is an instrument used by the government to measure, access and control the informal sector that dominate dominating econo-mies of the world. Soyode and Kajola (2006) defined tax as an obligatory exaction of money by a civic authority for public determinations and prosperity. Taxes are essential contributions levied by the government on citizens and corporate institutions for the provision of public expenditure Nightingale (1997). From the definitions of taxation given by different scholars, it is noted that the main objective of taxing citizens is to generate revenue for the government for funding its expenditures.

**2.1.3 PURPOSE OF TAXATION**

 Taxation has been defined by Agyei(1983)as the transfer of resources from the private sector to public sector in order to accomplish some of the nation’s economic and social goals. This definition underlines the main purpose of taxation, i.e to raise revenue to support the cost of services provided by the state. In addition, to the above, other purpose of taxation could be summarized as follows.

1To amass production in the nation.

2. To increase the amount of revenue collection.

3. Improvement in government welfare

4. Improve mass employment.

5. Induction of modern technology into the system

**2.1.4 KINDS OF TAXES**

The general acceptable classification is direct Tax and Indirect Tax.

1. **Direct Tax:** This is a tax gotten directly from the person who will bear the burden of it. It is tax directly collected from the income of the tax payer Agyei (1983). He also noted the types of direct tax which are discussed below.

**2.1.5 TYPES OF DIRECT TAXES**

**i. Personal Income Tax:**

This is a tax levied on income of an individual. The PAY-AS-YOU-EARN(PAYE) system is mostly adopted in Nigeria because it makes income tax collection more economical and convenient. In this type of tax, some allowances are usually given to the taxpayer, e.g. children allowance, wife allowance, defendant relative allowance and personal relief.

**ii Corporate Or Company Tax**

This is a tax on the taxable profit of companies which allowance is usually made for capital expenditure before calculating taxable profit. This tax is also progressive in nature because the higher the income the higher the tax and vice verse. It is also noted that tax evasion and avoidance are lower here when compared with the personal income tax, because of the federal government insistence on the submission of tax certificates with respect to any official issue involving companies. The tax year or Assessment runs from 1st January every year to 31st December of that same year. Company income tax is payable to the federal Inland Revenue service, a government department that it charged with assessment and collection of the companies income tax.

**iii. Capital Gain Tax**

This tax is governed by capital gains tax of 1967. It is a form of tax chargeable on profits made on disposal of all forms of non-trading properties. The gains are taxed at 10% but before 1994 it was 20%. When an asset is sold at a price above the cost any gain arising from it is regarded as capital gain and it is chargeable to tax at the rate of 10%. A loss arising from disposal of non trading assets should form part of profit or loss on ordinary activities of the business for a period. The tax effect is included in the tax-expense for the period as well where the gain or less arises as a result of disposal of an extraordinary item, the tax on the gain or loss should be shown as a deduction from the extraordinary item to which it relates. Any loss arising on disposal of an asset is not deductible from gains made on disposal of another asset even if they are of the same type.

**iv. Capital Transfer Tax:**

Capital transfer taxes are imposed on property and other capital assets. For instance when a person dies, his assets are subject to capital tax. In this case, the term “death duty” or estate duty is used before the asset could be transferred to the relatives who will inherit the assets. These taxes are paid either yearly or at particular time.

**v. Petroleum Profit Tax:**

Since the introduction of petroleum profit tax in Nigeria from 1959, it was remained the most important revenue item not only under the direct taxes, but among all revenue items. This single tax item has been accounting for over 70% of government revenue for many years now only the oil producing companies are paying this type of tax.

**2.1.6 Advantages of direct taxation**

* Incidence and yield are easy to determine
* it makes the taxpayer to be certain of the amount to pay
* Tax yield increases as the income of the taxpayer increases.
* Direct taxes are in general progressive

**2.1.7 Disadvantages of direct taxation**

* The Cost of administration is very high
* The burden is not shift able.
1. **Indirect Tax** This is the tax levied indirectly .it is levied on commodities before they reach the final consumer, but ultimately paid by the consumer as part of the market price. Here the impact and incidence are of different persons. They are called indirect because the administering authorities which levy the taxes on goods and services do not collect the taxes from the consumer but do so indirectly through importer, manufactures or other intermediaries. The shifting or passing on of the liability is effected by loading the tax element on the selling price of the commodities sold to the next person in the commercial chain until it is finally borne by the consume Chaudry and Maunir (2010)

**2.1.8 Types of indirect tax**

**i. Custom Duties:** These are taxes levied on goods imported into the country. They are sometime regarded as import duties. If governmentwant to discourage import, import duties are increased to reduce importation of such harmful goods.

**ii. Exercise Duties:** These are taxes levied on home or locally produced goods. Not much goods are produced locally.

**Value Added Tax:** (okpe,2001) defined VAT as a multi stage tax imposed on the value added to goods and services as they move through various stages of production which is eventually borne by the final consumer but is collected at each level of production chain. The rate of tax is 5%.

**Goods and Services Exempted from VAT**

**(a) Goods**

(i) All medical and pharmaceutical products

(ii) Newspapers and magazines

(iii) Baby product

(iv)Commercial vehicles and commercial vehicle spare parts.

(v) Fertilizer, agricultural and veterinary medicine, farming machinery and farming transportation equipment.

**(b) Services**

(i) Medical Service

(ii) Service rendered by Micro Finance Banks

(iii) Plays and performance conducted by educational institutions

 as part of learning.

**2.1.9Advantages of Indirect Taxation**

a. Payment and collection of the tax, are easy and convenient

 b. In general, its yield is elastic

c. Evasion is very difficult

d. Restriction of harmful consumption

**2.1.10 Disadvantages of indirect taxation**

a. They are often regressive

b. Revenue may be uncertain where the demand for the taxed good is elastic.

c. Incidence is not easy to determine.

 **2.1.11 Attributes of a Good Tax System** Adam Smith (1778) one time British economist annunciated four attributes which he called cannons of taxation (in his book The wealth of Nations). These principles are very significant for a nation to have a good tax system. They are:

 **Equity:** The tax system should be fair to both tax officers and tax payers. The subject of every state ought to contribute towards the support of the government as nearly as possible in proportion to their respective abilities. Ability to pay refers to the economic resources under a person‘s control.

 **Certainty:** The tax authorities should make all tax systems and mode of administration very clear to the tax payer. In other words, tax payers should be made aware about the tax system being used. They should also be aware about the obligation under the system. Similarly, the tax payer should be aware of the benefit to be derived. Additionally, the time of payment ,the manner of payment, the amount to be paid, the place of payment as well as all rights and obligations under the tax laws must be known to both the tax administrator and the tax payer, the tax system should be made very convenient to the tax payer.

 **Convenience:** Every tax ought to be levied at the time or in manner in which it is most likely to be convenient for the contributor to pay it. The method of collecting the tax should be such that the majority of tax payers would understand and routinely comply. The collection method should not b overly intrude on tax payers privacy but should offer minimal opportunity for non-compliance.

 **Economy:** This implies that the tax revenue should always exceed the cost to be incurred in generating the tax or its administration. Every tax ought to be so contrived as both to take and keep out of the pockets of the people as little as possible over and above what it brings into the consolidated fund. Apart from the above mentioned cannons of taxation, these are other attributes that later come up to support those annunciated by Adam Smith. They are.

 **Simplicity:** A major component of economic efficiency is the tax structures simplicity, that is what it cost taxpayer to comply with tax policy..

 **Elasticity:** This means that a tax system should respond automatically to changes in the tax payer‘s wealth, population and other important variables.

 **Productivity:** This principle emphasizes that the tax system ought to produce a high yield of revenue but not so high as to damage the source of that revenue.

**2.1.12 Types of Tax System**

We have three major systems of taxation, these are:

**1. Progressive tax system:** It is a system of taxation whereby those with higher income pay more, whereas lower income earners pay less tax. This is refered to as PAY AS YOU EARN(PAYE).

**2. Regressive Tax System:** Under this system, the higher income earner pays proportionately lower while the lower Income earner pays higher. Regressive tax systems are practiced in few developed countries.

**3. Proportional Tax System:** It is a tax system whereby all persons pay a flat rate of tax irrespective of the size of your income. Your tax payment is proportional to your income.

**2.2 TAX EVASION**

Over the years, tax evasion has received many attentions by different scholars. This is as a result of the rampant increase of tax evading practice by taxable states in Nigeria and Enugu state in particular. Tax evasion is described by Olayinka (2010) as an intentional illegal behavior involving a direct violation of tax laws to avoid payment of taxes. The issue of tax evasion is common in all states; indeed, no matter the control measures put in place, some people maneuver their ways and break government rules and regulations governing taxes. The practice of breaking tax laws is considered illegal which needs to be checked and addressed by the state board of internal revenue in Enugu state. Dandago and Alabede (2000) are of the opinion that government awakening efforts to addressing tax evasion is very crucial for many reasons, including, enhancing governments’ revenue, regulating macroeconomic objectives, reducing inequality of income and other benefits derivable from a good tax system. Kay (1980) said that tax evasion is a criminal act of violating the provision of tax laws which will eventually lead to reduction in total government revenue. Therefore, in general, paying less tax or not at all than what one is legally obliged to, describes the meaning of tax evasion. Ezeigbo (2007) posited that the act of tax evasion remained one of the most serious threat on government revenue. Feld and Frey(2000) 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 least possible amount of tax by manipulating the legal rules. Kiabel and Nwankwo (2009) opined that, even though there are many ways tax evasion is carried out by individual taxpayers, failure to render tax returns is the most common form found in Nigeria. Ayua (1999) is of the view that the problem of tax evasion is a common practice especially among self-employed business men. This assertion has been argued within Enugu state as it opined that only civil servants, salaried workers and few self-employed persons constitute people that actually pay tax in the state. Ayua (1999) said 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 four children. Olatunde (2007) identified tax evasion as one of the major social problems hindering development in developing countries and diminishing the existing welfare nature even in developed countries of the world. This has led to a growing attention among policy makers and stakeholders across the globe to call for intervention of law agencies within the state. Hoffman(1996) stated that a true line exists between legal tax planning and illegal tax planning which has evasion as an illegal tax planning where the taxpayer aim at eliminating or reducing taxes by use of fraudulent means. Osuegbu (2009) opined that tax evasion generally consist of criminal conducts. It involves breaking of the laws, and has no effect on the amount lest unpaid, although it may give rise to substantial monetary penalties. Duru (2009) gave an example of tax evasion as falsification of books. This as a result of different records kept by corporate bodies. Duru (2009) said that many individuals set up non-profit making organizations such as religious bodies and channel profit made by them to these religious bodies so as to evade tax. According to Farayola (1987), tax evasion is the fraudulent, dishonest, intentional, distortion or concealment of facts and figures with the intention of avoiding the payment of or reducing the amount of tax payable. As said earlier, it is an act of omission or commission which attracts legal punishment. Faseun (2001) said that a tax evader maybe charged to court for criminal offences with the consequent fines, penalties and at times, imprisonment being levied on him for evading tax. Also observed by Sonsanya (1981) tax evading act has become the favorite crime of a Nigerian taxable person, so popular that it makes armed robbery seem like an insignificant offence which shouldn’t disturb one from enjoying his night sleep. According to Spicer and Becker (1980) with no taxation there will not be tax evasion. Therefore, tax evasion arises as a result of taxation which is aimed at increasing government revenue. However, due to the presence of the unobservable economy and shadow economy which brings about tax evasion, the development of the economy can be threatened. The shadow economy is the part of unrecognized economy which is not registered and which is being hidden from the national economy. The shadow economy is an illegal economy which Feige (1997) defined the illegal economy as an economy where there are income generated from the non-compliance of tax law of a country. Tax evasion being an illegal way of avoiding tax, affects the economy as a whole and the behavior of tax payers. This assertion is true because development in Enugu state in particular would be declined as a result of tax evasion. On the part of the individual taxpayer, he deprives himself from having rest of mind as he runs or hides whenever tax officials are within his environment. Also there is every possibility that the individual pays much money when caught rather than what he should have paid as tax. Brezeanu *et al.* (2011) stated that tax evasion is stealing fully or partly by any means, to pay taxes owed to states budget for carrying out vital projects in the state.

**2.2.1 CAUSES OF TAX EVASION**

**Low tax morale**

Tax morale is defined as a principle and a duty of contributing to the society by paying tax. Alm and Torgler(2006) described tax morale together with the taxpayers ethics. Similarly Frey (1997) defined tax morale as an intrinsic motivation for paying taxes. Moreover in many states such as Enugu state, the deterrence is low hence tending to have a higher rate of tax evasion as taxpayers are fearless of being caught. Spicer and Lundstedt, (1996) put forward that a set of attitudes and norms are also having an impact on the behavior of a tax payer. For instance, in rural areas where illiteracy is at the peak of the ladder, people tend to have low tax morale as a result of being ignorant of enormous importance of taxation. Also , the norm existing in a particular area causes tax evasion because in some societies women are not meant to pay tax because they are much attached to domestic works. Frey and Torgler (2007) the more a tax payer believes that others have low tax morale, the more he will be to behave dishonestly.

**Age, sex and status**

According to Torlger (2011) factors which really cause tax evasion were the age and sex. Hence, it was found that older people and women tend to be having the higher tax morale than younger ones, men, employed and self-employed persons. Also, Rchardson (2006) also agreed on the age factor influences on tax evading practices as younger ones evade tax easily as they are not afraid of the punishment and fines which would be followed by the fraudulent act.

**High tax rate and no strict penalty**

According to Slemord (2007) the higher the marginal tax rate the lesser individuals will comply to pay taxes. Individual taxpayer evades tax when the rate is high because it will have an adverse reduction on his income. Imagine a situation where the tax rate is 50% and an average employee that earns #10000 is expected to give out half of his income as tax to the government.

Onuigbo(1986) also identified some causes of tax evasion which are:

**Absence of Quid Pro Quo**

The average human being hates the payment of tax as he sees it as something that is annoying and insignificant. This results from the absence of’ quid pro quo’’ i.e. something of value given in return by the government for taxes paid. It is argued that taxes should not be paid as government does not provide services which are in any way equal to the tax paid.

**Inequitable distribution of amenities**

In many part of Enugu state, indigenes are opposed to the payment of tax on the ground that government had been unfair in the distribution of amenities and other good things of life. This thought is the most cause of civil disturbances in parts of the state. To buttress this assertion, a clear example is placed on the leadership style that is prevalent in Enugu state. When a leader is elected, he directs all his attention in development of his village which makes other people to feel abandoned and rejected.

**Misuse or Mismanagement of Collections Made**

More times, there are reports in the news media and social media of how government agents misuse taxpayers money. Evidences of wastage of public fund is seen in the form of high contract prices, in unexecuted but paid contracts and also in the criminal act of using loopholes to consume funds meant for the state in general. This results in many taxpayers who are patriotic to resolve in evading tax

**Hatred of Taxpayers to Government functionaries**

There is this common belief which most taxpayers have about the nature of government. An average Nigerian has hatred for most of the government functionaries who in most cases live far from the taxpayer. It hurts, most taxpayers would reason, that it is abnormal for one to part with his hard earned money for the upkeep of these (imagined) enemies. The creation of local government councils, which is supposed to bring government closer to the people, had not helped matters. As argued by Kiabel (2001), a solution to the problem probably lies in the proper education and orientation of taxpayers on government and its functionaries.

**Absence of Spirit of Civic Responsibility**

Most of Enugu state residents probably due to illiteracy and ignorance fail to understand that they owe certain responsibilities to government, one of which is payment of tax. From their level of understanding, it is unheard of for the government to be poor. Rather , the government should always order central bank of Nigeria to print more money whenever it is out of fund. This to a large extent shows lack of spirit of civic responsibility amongst majority of its citizen which is a major of tax evasion in the state.

Other authors have at one time or the other attributed the causes of tax evasion to various reasons. For instance Orewa (1975) had earlier investigated the causes of tax evasion and found that complete evasion results from high degree of inter-district mobility on the part of the taxpayers. According to him, due to mobility, evasion is more pronounced on the part of self-employed taxpayers who move from house to house at frequent intervals than it is, with salary and wage earners with known and permanent address. He said also that partial evasion may be due to inadequate accounting records maintained by traders, mistaken belief on the part of some illiterate taxpayers that only wages and salaries represent taxable income.

Kiabel (2001) has argued that some businessmen do not see any reason why they should pay tax irrespective of the large sum of profit made. This is the direct display of unpatriotic spirit. Such people take the stand that no matter the amount of income earned, nothing will be paid as tax or they may prepare their account in such a way that a loss will be reflected.

**2.2.2 IMPLICATION OF TAX EVASION**

It is quite obvious that tax evasion has adverse implication on government revenue. It affects government ability of fulfilling its responsibilities to the citizens. This is as a result of decrease in generated revenue which would have been used to develop the state. This can further be explained by the word of Franzoni (1999) who said that revenue loss causes serious damage to the proper functioning of a state, threatening its capacity to finance its basic expenses. Provision of social amenities gave rise to taxation. Hitherto, taxation and tax evasion, in turn, influence government expenditure and capital accumulation which affect development Chen (2003).

 According to Fjeldtad (1996), in the first place, revenue losses from non-compliance and corruption particularly gives rise to budget deficit. The outcome of budget deficit as a result of taxpayers noncompliance to tax payment will put the burden of borrowing on Enugu state government which further accumulates debt. Also Fishburn (1981) found that inflation has a positive relationship with tax evasion because the increasing tax evading act by taxpayers with their income, increase general price level because much money will be chasing fewer goods. Inflation being a macro economic problem will not exist in other states in Nigeria without equally existing in Enugu state.

**2.3 GOVERNMENT REVENUE**

Revenue is defined as all amount of money received by a government from external sources i.e those originating from outside the government net of refunds and other transactions, proceeds from issuance of debt, the sale of investments, agency or private trust transactions, and intra-governmental transactions Ahmed(2010).

Asher(2001) opines that there are options available to government for raising revenue for financing its expenditure. Thus revenue sources are not restricted to oil and non-oil sources but other sources available to the government which include public debt.

Government revenue consists of taxes, revenue from administrative activities like fines, fees, gifts and grants. Government revenue can be classified into two types which include tax and non –tax revenues Illyas and Siddiqi (2010). Taxes are the first foremost sources of government revenue.

**2.4 EMPIRICAL REVIEW**

Kofar and Hanga (2013) examined the causes of tax evasion in Kano state and the appropriate approach of tackling them. The survey method was used to administer questionnaire to 40 respondents to generate data which is measured on a simple majority or percentage of opinions. It was discovered that informality is a self-reported lack of tax compliance in a sample of individuals and businesses who answered questions on the issue.

Ibadin and Eiya (2013) examine tax evasion and tax avoidance behavior of the self – employed, using some selected states in Nigerian geo-political zone. The study attempts to ascertain the ethical view, educational attainment, mode of tax administration, religion and cultural practices and how these variables affect tax evasion and tax avoidance decisions of the self – employed. The authors employed the statistical tools of ANOVA and Ordinary Least Square (OLS) method of regression, to estimate the difference in means of the sampled groups in each geo-political zone and relationships between tax evasion and avoidance 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 evasion and avoidance.

Akintoye and Tashie (2013) examine the effect of Tax compliance on economic growth and development in Nigeria using primary data collected through the administering of questionnaires to self employed in each senatorial district in Oyo and Lagos States. Frequencies and percentages were used to measure the demographic variables of the respondents, and also the factors that affect the willingness to pay tax, while the Chi-square technique was used to measure the difference between willingness to pay tax of citizens in Lagos and Oyo States. The study reveals that many Nigerians are complying with tax payment and that the willingness of citizens to pay tax in Lagos State is significantly higher than that of Oyo State. The authors concluded that compliance through the willingness of citizens to pay tax is very important and cannot be ignored. Obafemi (2014) examines the effects of tax avoidance and tax evasion on Nigeria economic development. A survey research design was adopted and responses were obtained through the use of a well structured questionnaire administered to 150 Nigerians, out of which are tax payers and tax evaders. Findings from the analysis using statistics techniques reveal that tax evasion and avoidance have adversely affected economic growth and development in Nigeria. Also, it has been noted that lack of good governance and unpatriotic act of tax payer are the basis for which tax evasion and tax avoidance activities are perpetrated. Modugu and Omoye (2014) appraise the evasion of personal income tax in Nigeria using primary data obtained through administration of 160 questionnaires to some selected self-employed individuals in Edo State comprising businessmen, contractors, professional practitioners like lawyers, doctors, accountants, architects and traders in shops as well as staff of Federal Inland Revenue Service in Benin City, Edo State, Nigeria. The study used the spearman rank correlation due to the qualitative nature of the data. The result revealed that the tax payers’ relationship with tax authority and weak penalties have a significant influence on tax evasion in Nigeria. Tax rate showed a positive relationship with tax evasion. This means that the higher the tax rate the higher the tendency of tax evasion.

Folayan and Adeniyi (2018) carried a research on effects of tax evasion on government revenue generation in Oyo state through the administration of 165 questionnaire to respondents who were randomly selected across the state. Data collected were analyzed using descriptive and inferential statistics tools with the aid of statistical package for social science SPSS, windows 23. The findings showed that tax evasion has adverse effect on government revenue in Oyo state which typically results in revenue loss.

Olabisi (2010) investigated the causes and effects of tax evasion and avoidance in Lagos state, and he obtained primary data from the total number of 127 questionnaire administered to personal income tax payers in Lagos state. He used chi- square method to analyze the data. The result revealed that the tax administration in Lagos state is very inefficient and ineffective and there is no adequate information for tax payers in the state.

Aliyu and Sambo (2016) in their research on determinants of informal sector tax evasion in Sokoto metropolis, distributed a structured questionnaire of seven point likert scale to 317 questionnaire to tax payers in Sokoto state. The data was analyzed using regression analysis. The study showed that taxation and fiscal factors, economic factors and administrative factors, among other factors are statistically significant for individuals’ tax evasion behavior. Adebisi and Gbegi (2010) examine the effect of tax evasion on personal income tax administration in Nigeria. The researchers carried out a survey research design in Nigeria with particular reference to federal Inland Revenue service Abuja. 305 questionnaire were administered to the employees of federal Inland Revenue service. The data was analyzed using analysis of variance and the findings showed that enlightenment and adequate utilization of tax revenue on public goods will discourage tax evasion. Saidu and Dauda (2014) in their study on tax evasion and governance challenges in the Nigerian informal sector distributed 20 questionnaires to 20 people in Bauchi state and conducted an interview on 180 persons in the state. The data was analyzed spearman correlation test and the result showed that although it is ethical to pay tax but individuals refuse to pay due to bad governance.

**2.5 THEORY OF TAXATION**

A lot of attention have been paid to taxation in respect of its tremendous significant in revenue generation and as a key instrument of fiscal policy in the economy over time. According to its importance, several economic theories have been proposed to run an effective system. Taxes are generally classified under three different theories as given: ability to pay principle, benefit approach and equal distribution principle. However, this paper is guided by the ‘‘ability to pay principle’’.

***Ability-to-Pay Principle:*** As the name suggests, it says that taxation should be levied according to an individual’s ability to pay. It says that means of financing public expenditure should come from “him that hath” instead of “him that hath not”. The principle originated from sixteenth century, and was extended by Swiss philosopher Jean Jacques Rousseau (1712-1778), French political economist Jean- Baptiste Say (1767-1832) and the English economist John Stuart Mill (1806-1873). This is indeed the basis of ‘progressive tax,’ as the tax rate increases by the increase of the taxable amount. This principle is indeed the most equitable tax system, and has been widely used in different countries. The usual and most supported justification of ability to pay is on grounds of sacrifice. The payment of taxes is viewed as a deprivation to the taxpayer because he surrendered money to the government which he would have used for his own personal use. However, there is no solid approach for the measurement of the equity of sacrifice in this theory, as it can be measured in absolute, proportional or marginal terms. Thus, equal sacrifice can be measured as: (i) Each taxpayer surrenders the same absolute degree of utility that he/she obtains from his/her income; (ii) Each sacrifice the same proportion of utility he/she obtains from his/her income; (iii) Each gives up the same utility for the last unit of income; respectively.

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

**3.1 Introduction**

In this chapter, the methodology and the research design that was used in data collection and analysis will be discussed. The chapter will also describe the location where the study was carried out, sample and sampling procedure. The research instrument that was used and how it was administered will also be discussed.

**3.2 Design of the Study**

The study adopted survey research design to obtain information from the sampled respondents selected for the study. The choice of this method is because of its reliability in obtaining primary information from the respondents necessary for the study. The analysis of which brings about clear solution to the problem of the study.

**3.3 Source of Data**

The data used for this study were obtained from primary source of data. It involves gathering data from the original source. Which this study adopted questionnaire in gathering information from sampled respondents.

**3.4 Area of the Study**

The study was carried out in Enugu urban in Enugu state Nigeria.

**3.5 Population of the Study**

The population of the study covers all taxpayers in Enugu urban and all staff of state board of internal revenue of the state. The target population is 70 employees of state board of internal revenue and 3000 taxpayers in Enugu Urban which include traders, commercial drivers, accountants, and doctors, making it a total population of 3070.

**3.6 Sample and Sampling Technique**

The study adopted simple random sampling technique for the study due to largeness of the population under study. This technique allows elements of the population equal opportunity of being selected. The sample size was derived statistically using Taro Yamane statistical formula.

 n = N

 1+N (e) 2

Where = sample size

 N = finite population

 e = level of significant (5%)

 I = constant

 N = 3070

 e = 5%

n = 3070

 1+3070(0.05)2

= 3070

 8.675

= 354

Therefore, 354 questionnaire was administered to state board of internal revenue staff and taxpayers in Enugu urban in the ratio:

State Board staff = 70 $×$ 354

 3070 = 8

Taxpayers = 3000 $×$ 354

 3070 = 346

 354

**3.7 Instrument for Data Collection**

The instrument for data collection was questionnaire. The researcher structured a YES or NO questionnaire which was used to obtain data for the study from sampled staff of the state board of internal revenue and taxpayers in Enugu urban.

**3.8 Validity and Reliability of Instrument**

The questionnaire was subjected to face and content validity through the research supervisor and other research expert. A test and re-test administration of the questionnaire was used by the researcher to establish the reliability of the data used for this study. This involves administering the same questionnaire to same group of respondents at different point in time to ensure consistency. The correlation of the two groups was 0.72 which is considered high.

**3.9 Method of Data Collection**

The researcher sought the assistance of her sister to administer the questionnaire to the staff of the state board of internal revenue and taxpayers according to the respective ratio of 8:346. The questionnaire was not collected immediately in other to allow the respondents’ time to answer the questions correctly.

**3.10 Method of Data Analysis**

This study adopted chi-square(x2) statistical test of data analysis which allows a test on the assumption that sample was drawn from a population with a given distribution. It is used to find out predictive relationships between two variables.

The chi-square value can be computed using this formula X2= (O-E) 2

 E

Where:

X2 = chi- square

O = observed frequency

E = expected frequency

**CHAPTER FOUR**

**DATA PRESENTATION AND ANALYSIS OF RESULTS**

**4.1 INTRODUCTION**

This chapter deals with the presentation, analysis and interpretation of data collected from the respondents in the course of carrying out the research. The responses were converted into scores and percentage distribution.

**TABLE: 1: QUESTIONNAIRE DISTRIBUTION AND RETURNS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Options | No. Distributed | No. Returned | No. not Returned | Percentage (%) |
| State board staff | 8 | 7 | 1 | 2% |
| Tax payers | 346 | 333 | 13 | 94% |
| Total | 354 | 340 | 14 | 96% |

**Source: Field Survey, 2018**

The above table shows that a total of 8 copies of the questionnaire were distribute to the state board staff and only 1 copy of the questionnaire was not returned while 7 copies were returned representing a 2% return rate. Out of the 346 copies of the questionnaire distributed to the tax payers, 13 copies were not returned while 333 copies were returned representing a return rate of 94%. Therefore, the total return rate is 96%.

**4.2 ANALYSIS OF DATA**

Descriptive statistics was used to summarize the demographic information and the research questions in this study, while the hypothesis was tested using chi-square analysis

**4.3 TEST OF HYPOTHESES**

This section is concerned with the testing of hypotheses earlier stated. In doing this, chi-square will be used in testing the hypotheses already stated. Test will be done using statistical package for social sciences (SPSS). A test of hypotheses help to decide which of the contradictory claims is correct. It acts as guide through the research work in order to draw a logical or empirical conclusion.

**Decision Rule**

If the probability value of the pearson chi-square is higher than 5% (0.05) level of significance, null hypothesis (Ho) will be accepted, if not null hypothesis will be rejected.

**Table 2**

|  |
| --- |
| **Distribution of respondents according to gender** |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Male | 200 | 58.8 | 58.8 | 58.8 |
| female | 140 | 41.2 | 41.2 | 100.0 |
| Total | 340 | 100.0 | 100.0 |  |

Table 2 above which is descriptive table of values showing the gender distribution of the respondents, from the result, it can be ascertain that 200(58.8%) of the respondents are male, while 140(41.2%) of the respondents are female. Hence we conclude that majority of the respondents are male.

**Table 3**

|  |
| --- |
| **Distribution of respondents according to age** |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 20-30 | 90 | 26.5 | 26.5 | 26.5 |
| 31-40 | 139 | 40.9 | 40.9 | 67.4 |
| 41-50 | 61 | 17.9 | 17.9 | 85.3 |
| 51 and above | 50 | 14.7 | 14.7 | 100.0 |
| Total | 340 | 100.0 | 100.0 |  |

Table 3 which is descriptive table of values showing the age distribution of the respondents, from the result, it can be ascertain that 90(26.5%) of the respondents falls within the age bracket of (20-30) years, 139(40.9%) of the respondents falls within the age bracket of (31-40) years. 61(17.9%) of the respondents falls within the age bracket of (41-50) years and 50(14.7%) of the respondents falls within the age bracket of 51 and above. Hence we conclude that majority of the respondents fall within the age bracket of (31-40) years.

**Table 4**

|  |
| --- |
| **Distribution of respondents according to academic qualification** |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | WASC/GCE | 20 | 5.9 | 5.9 | 5.9 |
| OND/NCE | 67 | 19.7 | 19.7 | 25.6 |
| HND | 90 | 26.5 | 26.5 | 52.1 |
| Bachelor's Degree | 78 | 22.9 | 22.9 | 75.0 |
| Masters and above | 85 | 25.0 | 25.0 | 100.0 |
| Total | 340 | 100.0 | 100.0 |  |

Table 4 which is descriptive table of values showing the distribution of respondents according to academic qualification, from the result, it can be ascertain that 20(5.9%) of the respondents has WASC/GCE, 67(19.7%) has OND/NCE certificate, 90(26.5%) of the respondents has HND certificate, 78(22.9%) has Bachelor’s degree, 85(25%) has masters and above. Hence we can firmly conclude that majority of the respondents has HND certificate.

**Table 5.**

|  |
| --- |
| **Distribution on the category of respondents** |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Staff | 7 | 2.1 | 2.1 | 2.1 |
| tax payer | 333 | 97.9 | 97.9 | 100.0 |
| Total | 340 | 100.0 | 100.0 |  |

Table 5 which is descriptive table of values showing the distribution on the category of respondents, from the result, it can be ascertained that 7(2.1%) of the respondents are staff, while 333 (97.9%) of the respondents are tax payer. Hence we conclude that majority of the respondents are tax payer.

**Table 6**

|  |
| --- |
| **Distribution of respondents according to Marital Status** |
|  |  Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Single | 99 | 29.1 | 29.1 | 29.1 |
| Married | 175 | 51.5 | 51.5 | 80.6 |
| Divorced | 66 | 19.4 | 19.4 | 100.0 |
| Total | 340 | 100.0 | 100.0 |  |

Table 6 which is descriptive table of values showing the distribution of the respondents according to marital status, from the result, it can be ascertained that 99(29.1%) of the respondents are single, while 175(51.5%) of the respondents are married. Hence we conclude that majority of the respondents are married.

**Table 7**

|  |
| --- |
| **Is tax evasion caused by high tax rate** |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | yes | 199 | 58.5 | 58.5 | 58.5 |
| no | 141 | 41.5 | 41.5 | 100.0 |
| Total | 340 | 100.0 | 100.0 |  |

Table 7 which is descriptive table of values showing the opinion of the respondents on how tax evasion is caused by high tax rate, from the result, it can be ascertained that 199(58.5%) of the respondents affirmed yes, 141(41.5%) of the respondents affirmed no. from the result, majority of the respondents affirmed yes. Hence we conclude that tax evasion is caused by high tax rate.

**Table 8**

|  |
| --- |
| **Does absence of spirit of civic responsibility cause tax evasion** |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | yes | 198 | 58.2 | 58.2 | 58.2 |
| no | 142 | 41.8 | 41.8 | 100.0 |
| Total | 340 | 100.0 | 100.0 |  |

Table 8 which is descriptive table of values showing the opinion of the respondents on how absence of spirit of civic responsibility cause tax evasion, from the result, it can be ascertained that 198(58.2%) of the respondents affirmed yes, 142(41.8%) of the respondents affirmed no. from the result, majority of the respondents affirmed yes. Hence we conclude that the absence of spirit of civic responsibility cause tax evasion.

**Table 9**

|  |
| --- |
| **Does inequitable distribution of amenities cause tax evasion** |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | yes | 206 | 60.6 | 60.6 | 60.6 |
| no | 134 | 39.4 | 39.4 | 100.0 |
| Total | 340 | 100.0 | 100.0 |  |

Table 9 which is descriptive table of values showing the opinion of the respondents on how inequitable distribution of amenities cause tax evasion, it can be ascertained that 206(60.6%) of the respondents affirmed yes, 134(39.4%) of the respondents affirmed no. from the result, majority of the respondents affirmed yes. Hence we conclude that inequitable distribution of amenities cause tax evasion.

**Table 10**

|  |
| --- |
| **Does lack of strict penalty cause tax evasion** |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | yes | 216 | 63.5 | 63.5 | 63.5 |
| no | 124 | 36.5 | 36.5 | 100.0 |
| Total | 340 | 100.0 | 100.0 |  |

Table 10 which is descriptive table of values showing the opinion of the respondents on how lack of strict penalty cause tax evasion, from the result, it can be ascertained that 216(63.5%) of the respondents affirmed yes, 124(36.5%) of the respondents affirmed no. from the result, majority of the respondents affirmed yes. Hence we conclude that lack of strict penalty cause tax evasion.

**Table 11.**

|  |
| --- |
| **Does tax evasion reduce revenue generated by state government** |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | yes | 210 | 61.8 | 61.8 | 61.8 |
| no | 130 | 38.2 | 38.2 | 100.0 |
| Total | 340 | 100.0 | 100.0 |  |

Table 11 which is descriptive table of values showing the opinion of the respondents on how tax evasion reduces revenue generated by state government, from the result, it can be ascertained that 210(61.8%) of the respondents affirmed yes, while 130(38.2%) of the respondents affirmed no. from the result, majority of the respondents affirmed yes, hence we conclude that tax evasion reduces revenue generated by state government.

**Table 12.**

|  |
| --- |
| **Does tax evasion lead to debt accumulation** |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | yes | 194 | 57.1 | 57.1 | 57.1 |
| no | 146 | 42.9 | 42.9 | 100.0 |
| Total | 340 | 100.0 | 100.0 |  |

Table 12 which is descriptive table of values showing the opinion of the respondents on how tax evasion lead to debt accumulation, from the result, it can be ascertained that 194(57%) of the respondents affirmed yes, 146(42.9%) of the respondents affirmed no. from the result, majority of the respondents affirmed yes. Hence we conclude that tax evasion lead to debt accumulation.

**Table 13**

|  |
| --- |
| **Does tax evasion bring about budget deficit** |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | yes | 225 | 66.2 | 66.2 | 66.2 |
| no | 115 | 33.8 | 33.8 | 100.0 |
| Total | 340 | 100.0 | 100.0 |  |

Table 13 which is descriptive table of values showing the opinion of the respondents on how tax evasion lead to budget deficit, from the result, it can be ascertained that 225(66.2%) of the respondents affirmed yes, 115(33.8%) of the respondents affirmed no. from the result, majority of the respondents affirmed yes. Hence we conclude that tax evasion lead to budget deficit.

**Table 14.**

|  |
| --- |
| **Does tax evasion lead to poor infrastructural development** |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | yes | 177 | 52.1 | 52.1 | 52.1 |
| no | 163 | 47.9 | 47.9 | 100.0 |
| Total | 340 | 100.0 | 100.0 |  |

Table 14 which is descriptive table of values showing the opinion of the respondents on how tax evasion lead to poor infrastructural development, from the result, it can be ascertained that 177(57.1%) of the respondents affirmed yes, 163(47.9%) of the respondents affirmed no. from the result, majority of the respondents affirmed yes. Hence we conclude that tax evasion lead to poor infrastructural development.

 **Hypothesis One**

 **Ho:** High tax rate does not significantly cause tax evasion.

The analysis was done using question 1-4 in the questionnaire.

|  |
| --- |
| **High tax rate \* Tax evasion Crosstabulation** |
|  | Tax evasion | Total |
| single | Married | divorced |
| High tax rate | Staff | Count | 7 | 0 | 0 | 7 |
| % within High tax rate | 100.0% | 0.0% | 0.0% | 100.0% |
| % within Tax evasion | 7.1% | 0.0% | 0.0% | 7.1% |
| % of Total | 2.1% | 0.0% | 0.0% | 2.1% |
| tax payer | Count | 92 | 175 | 66 | 333 |
| % within High tax rate | 27.6% | 52.6% | 19.8% | 100.0% |
| % within Tax evasion | 92.9% | 100.0% | 100.0% | 97.9% |
| % of Total | 27.1% | 51.5% | 19.4% | 97.9% |
| Total | Count | 99 | 175 | 66 | 340 |
| % within High tax rate | 29.1% | 51.5% | 19.4% | 100.0% |
| % within Tax evasion | 100.0% | 100.0% | 100.0% | 100.0% |
| % of Total | 29.1% | 51.5% | 19.4% | 100.0% |

|  |
| --- |
| **Chi-Square Tests** |
|  | Value | Df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 0.031a | 2 | .000 |
| Likelihood Ratio | 0.635 | 2 | .000 |
| Linear-by-Linear Association | 0.209 | 1 | .000 |
| N of Valid Cases | 340 |  |  |
| a. 0 cells (50.0%) have expected count less than 5. The minimum expected count is 1.36. |

**Decision Rule**

The probability value of the Pearson chi-square is (0.031) which is less than the 5% (0.05) percent level of significance, hence we accept alternate hypotheses (H1), and conclude that high tax rate significantly cause tax evasion.

**Hypothesis Two**

**Ho:** Tax evasion has no significant implication on Enugu state government revenue.

The analysis was done using question 5-8 in the questionnaire.

|  |
| --- |
| **tax evasion \* Enugu state government revenue Crosstabulation** |
|  | Enugu state government revenue | Total |
| 20-30 | 31-40 | 41-50 | 51 and above |
| tax evasion | Male | Count | 90 | 110 | 0 | 0 | 200 |
| % within tax evasion | 45.0% | 55.0% | 0.0% | 0.0% | 100.0% |
| % within Enugu state government revenue | 100.0% | 79.1% | 0.0% | 0.0% | 58.8% |
| % of Total | 26.5% | 32.4% | 0.0% | 0.0% | 58.8% |
| Female | Count | 0 | 29 | 61 | 50 | 140 |
| % within tax evasion | 0.0% | 20.7% | 43.6% | 35.7% | 100.0% |
| % within Enugu state government revenue | 0.0% | 20.9% | 100.0% | 100.0% | 41.2% |
| % of Total | 0.0% | 8.5% | 17.9% | 14.7% | 41.2% |
| Total | Count | 90 | 139 | 61 | 50 | 340 |
| % within tax evasion | 26.5% | 40.9% | 17.9% | 14.7% | 100.0% |
| % within Enugu state government revenue | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| % of Total | 26.5% | 40.9% | 17.9% | 14.7% | 100.0% |

|  |
| --- |
| **Chi-Square Tests** |
|  | Value | Df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 0.041a | 1 | .000 |
| Likelihood Ratio | 0.021 | 1 | .000 |
| Linear-by-Linear Association | 0.316 | 1 | .000 |
| N of Valid Cases | 340 |  |  |
| a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 20.59. |

**Decision Rule**

The probability value of the Pearson chi-square is (0.041) which is less than the 5% (0.05) percent level of significance, hence we accept alternate hypotheses (H1), and conclude that tax evasion has significant implication on Enugu state government revenue.

**CHAPTER FIVE**

**SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

**5.1 Introduction**

This chapter deals on the summary of the findings, conclusions of the study, recommendation, suggestions for further studies.

**5.2 Summary of Findings**

1. The result shows that high tax rate significantly causes tax evasion. The probability value of the Pearson chi-square is (0.031) which is less than the 5% (0.05) percent level of significance.

2. Tax evasion has significant implication on Enugu state government revenue. The probability value of the Pearson chi-square is (0.041) which is less than the 5% (0.05) percent level of significance.

* 1. **Conclusion**

The study concludes thus;

Tax evasion reduces revenue generated by state government and also leads to debt accumulation as well as budget deficit. It was also concluded that tax evasion which could be caused by high tax rate, inequitable distribution of amenities, lack of strict penalty cause tax evasion and absence of spirit of civic responsibility also leads to poor infrastructural development.

* 1. **Recommendations**

The following recommendations are made for this study.

1. From the result in the first hypothesis, high tax rate statistically causes tax evasion, I recommend that concerted effort should be made by the government to block all loopholes which lead to tax evasion so as to promote increase in revenue generation that will boost the economic growth in the long run.
2. Since tax evasion has statistical implication on Enugu state government revenue, government and other relevant agencies should promote the effort made towards preventing tax evasion in the state so as to enhance increase in government generated revenue.

**5.5 Area for Further Research**

The following areas are suggested for further research:

The researcher suggest that other researchers should focus on other aspects of taxation since this study dealt on tax evasion, its likely causes, consequences and ways of controlling its occurrence.

Other aspects of taxation such as tax administration, types of taxes and its contribution to economic growth and development should be focused on by other researchers.

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**Appendix**

 Department of Accounting and finance,

 Godfrey Okoye University,

Thinkers Corner Ugwuomu Nike,

 Enugu state.

 26/04/2018.

Dear Respondent,

**Administration of Questionnaire**

I am an undergraduate of the institution and department named above. I am currently conducting a research on Tax Evasion: causes and implication on Enugu state government revenue. The accomplishment of this study will enable me obtain B.Sc. degree in accounting. I humbly request for your honest response to the questions.

 I strongly assure you that all information will strictly be confidential and used only for the purpose of this research.

 Yours faithfully,

 **Uzubuaku, Ijeoma.**

 **Researcher**

**Instruction**

Please kindly supply the following information required by ticking the box that appears suitable to you.

**SECTION A**

**Personal Data of Respondents**

1. Sex (tick the appropriate answer)
2. Male ( )
3. Female ( )
4. Age range
5. 20-30yrs ( )
6. 31-40yrs ( )
7. 41-50yrs ( )
8. 50yrs and above ( )
9. Educational qualifications
10. WASC/GCE ( )
11. OND/NCE ( )
12. HND ( )
13. Bachelors Degree ( )
14. Masters and above ( )
15. Category of respondents
16. staff ( )
17. Taxpayers ( )
18. Marital status
19. Single ( )
20. Married ( )
21. Divorced ( )

**Questions on causes of tax evasion**

1. Is tax evasion caused by high tax rate?

(i) Yes ( )

(ii) No ( )

1. Absent of spirit of civic responsibility causes tax evasion

(i) Yes ( )

(ii) No ( )

1. Does inequitable distribution of amenities cause tax evasion?

(i) Yes ( )

(ii) No ( )

1. Does low strict penalty cause tax evasion?

(i) Yes ( )

(ii) No ( )

**Questions on implication of tax evasion on government revenue**

1. Does tax evasion reduce revenue generated by state government?

(i) Yes ( )

(ii) NO ( )

1. Does tax evasion lead to debt accumulation?

(i) Yes ( )

(ii) No ( )

1. Tax evasion brings about budget deficit?

(i) Yes ( )

(ii) No ( )

1. Does tax evasion lead to poor infrastructural development?

(i) Yes ( )

(ii) No ( )