The Effects of Tax Evasion and Avoidance on Government Internally Generated Revenue in Borno State

by

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Abstract

Tax evasion and avoidance exist in all societies and cannot be completely eliminated but can be drastically reduced. This study examined the extent to which tax evasion and avoidance affect government internally generated revenue and the extent to which tax evasion and avoidance affect Borno State Government. A cross-sectional survey design was employed. Data were collected from primary source through administration of questionnaires to 86 respondents drawn from a population of 109 tax officials selected using simple random sampling technique and 76 returned copies were analyzed using percentages, mean and standard deviation. Hypotheses were tested using Chi-Square with the aid of SPSS version 20. This study revealed significant effect of tax evasion and avoidance on internally generated revenue in the state. This study recommends the government to have political will to implement tax policies, recruit qualified staff, enforce tax laws, provide comprehensive database of taxpayers through computers and internet facilities. The implication of this study is that evasion and avoidance thrive where tax administrative machinery inefficiency exists which leads to abandoned projects and programs and if overhauled, it will be reduced to the barest minimum in the state.

Key words: Tax, Tax evasion, Tax avoidance, Tax liability, PAYE & Tax laws

1.0. Introduction

A well-organized society, say a state government or a nation owes some basic responsibilities to the citizens it governs. These obligations are in the forms of provisions of fundamental social amenities as good roads, health care, security of lives and properties, shelter and good water. The citizens on their part owe the government by making unbiased contributions in the form of taxes or levies. It is against this environment that government levies taxes on its citizenry to pursue the above stated objectives it owes to them.

Nigeria is excellently blessed with oil and gas amidst other mineral resources; nonetheless the complete addiction on oil revenue for the economic growth of the nation has left much to be earned due toher addiction on oil revenue with total disregard of other revenue source (Ariyo, 1997). Aside that, the low productivity experienced in the Nigerian tax system were emanating from factors such as deficits in the tax administration and collection system, complex legislations as well as indifference on the part of those not within the tax net (Ariyo, 1997).More so, those operating in the informal sector of Nigerian economy do not see reason to pay tax

whereas they control the economy. In addition, the activities of the tough union in the formal sector do not seem to make way for a successful tax policy realization in the formal sector (Ayodele, 2006). Likewise, revenue collection officers seem to be merciful or even conspire with those in the informal sector during enforcement of tax policies. Altogether these lead to revenue loss.

Borno State is perceived to have low internally generated revenue by Nigerians, the incidence of tax dodging is very high. In 2020, the total internally revenue generation for the year was N9,810,950,373.72 National Bureau of Statistics (NBS) 2021. There were tax evasions and avoidances especially among some Nigerians who hide under the clock of dubious tax officials. According to (Adebola 2021) Borno State government revenue is being seriously affected by tax irregularities. Olabisi (2010) noted that Nigerian tax scheme is not efficient and successful in its totality; there is no existing database of all taxable persons, the method in place for the assessment and collection of taxes are not sufficient and there are no firm measures in place. The present tax system being used offered room for loopholes, the fraudulent tax officials, According to (Adebola 2021)According to (Adebola 2021) the lack of sufficient data and many more have worsened the condition. In addition, a decrease in tax rate is even not an optimal solution to the problem, since some people would still try to evade or avoid taxes no matter the rates of taxes.

Hence, it becomes the objectives of this study to not only (i) examine the extent to which tax evasion and avoidance affect government internally generated revenue but also to (ii) examine the extent to which tax evasion and avoidance affect Borno State economy.

Research Questions

i. To what extent do tax evasion and avoidance affect government internally generated revenue in Borno State?

ii. To what extent do tax evasion and avoidance affect Borno State economy?

Hypotheses of the Study

Ho_1: Tax evasion and avoidance do not significantly affect government internally generated revenue in Borno State.

Ho_2: Tax evasion and avoidance do not significantly affect Borno State economy.

2.0. LITERATURE REVIEW

2.1. Tax Evasion and Avoidance

The idea of taxation has been a concern of global importance as it affects all economies irrespective of national differences (Oboh Yeye & Isa, 2012). Tax is a compulsory levy imposed on a subject or upon his property by the government to provide security, social facilities and create conditions for the economic welfare of the society (Appah, 2004; Appah&Oyandonghan, 2011). Anyanfo (1996) and Anyawu (1997) stated that taxes are also imposed to regulate the production of certain commodities and services, protection of infant industries, control business and reduce inflation, and income inequalities. Taxation is of immense significance to emerging economy like Nigeria; however, the Nigerian tax system is faced with the problems of tax evasion which is believed to be the cause for the considerable difference between the projected revenue from taxation and what is actually collected every year (tax gap).

According to Ayua (1996), under the administration of tax in Nigeria, the tax structure is grossly inefficient as it is characterized with tax evasion accounting for the steady low tax yield. In another assertion by Asada (2010) tax evasion represent some of the confusing problems

facing the Nigerian tax system are the threat of tax evasion, who went further to state that wherever and whenever authorities decide to levy taxes, individuals and firms try to avoid paying them. To Nwachukwu (2006) tax evasion is the universal term for efforts by persons, firms, trusts and other entities to evade taxes by illegal means which entails taxpayers deliberately misrepresenting or concealing the true state of their affairs to the tax authorities to reduce their tax liabilities. It also includes, in particular, insincere tax reporting such as declaring less income, profits or gains than actually earned; or overstating deductions. Tax evasion apart from being a moral wrong also amounts to breaking of the tax laws.

According to Soyode and Kajola (2006), tax evasion is a deliberate and willful practice of not disclosing full taxable income in order to pay less tax. It is a willful violation of tax laws and it is evident in situations where tax liability is fraudulently reduced or false claims are filled on the revenue tax form (Farayola, 1987; Ayua, 1999; Soyode&Kajola, 2006).

Tax avoidance is the legitimate reduction in tax liabilities by practices that take full advantage of the tax laws, such as income splitting, rescheduling of taxes and tax arbitrage across incomes that face different treatments (Alm& Martinez, 2001). For the government to attain its obligations to provide public goods to its citizens, competent tax administration to check the threat of tax evasion to increase government tax revenue capability and the economy as a whole are required. Taxes, thus, constitute the principal source of government (Kiabel&Nwoka, 2009). However, some of the greatest problems facing the Nigerian Tax System are the issues of tax evasion being the most universal social malice affecting the good administration of government at different levels.

In a state such as Borno, the need for an effective tax assessment and collection cannot be over-emphasized. According to Imam, Gulani and Baba (2014), Borno State Government needs adequate revenue to finance increasing cost of expenditure. The challenges faced by the government today includes: inadequate security and social infrastructures like schools, hospitals, roads, good water and increase in population which make the existing infrastructures over utilized, to finance these problems, government depends heavily on petroleum generated revenue which if anything distorts its flow, the entire economy of the state collapses. The need to diversify ways of generating adequate revenue to be in a safe position is therefore urgently important. The increasing effort government is making in Economic development is such that it requires substantial financial assistance from every individual in the society.

This fact therefore presupposes a qualitative and realistic approach to a good system of tax administration and collection. Admittedly, the negative attitudes of the people especially in the payment of tax have resulted in tax evasion which denies the state government the internally generated tax revenue due to her which results in a gap between the potential and the actual tax collections. Bhuiyan (2012) described tax evasion as intentional and unlawful non-fulfillment of tax liabilities. In contrast, he considered tax avoidance as conscious acts of reducing one's taxes by lawful means.

According to Agbonika (2012), tax evasion and tax avoidance are two separate terms in the law of taxation which have different legal effects but are often wrongly interpreted to mean the same thing; however, the two constitute the greatest obstacle to revenue generation via taxation. The fundamental difference between tax evasion and tax avoidance therefore is that whereas evasion denotes the violation of the law (therefore criminal), tax avoidance does not denote the transgression of the law and may be considered as legal even though it was never the intention of the legislation to create that loophole. However, the devises through which tax avoidance are perpetrated is classified into legitimate and illegitimate avoidance. The legitimate

tax avoidance is done by a taxpayer taking advantage of the tax reliefs or exemptions such as claiming capital allowance and this constitutes legitimate tax avoidance where as illegitimate tax avoidance is expressed by taking the advantage of the provisions of the Act, providing allowances or reliefs or by using loopholes with the aim of reducing one's tax liability in a way that the Act would not have encouraged and this include: (i) capitalization of profits through converting dividends into shares or debentures with the primary aim of avoiding tax being charged on dividends (ii) Selling of property to a connected person on a lower price than the market value so as to claim trade losses, and (iii) Conversion of a one man business into limited liability company or partnership so as to split tax liability between the members or partners and to enable each member or partner to claim allowances and reliefs. In agreement with the assertion of Agbonika (2012), it can be admitted that taxation, tax evasion and tax avoidance are all observable facts in all societies and that the twin evils constitute the greatest impediments to internally generated revenue via taxation and this leaves Borno State government not an exception.

Tax Evasion

According to Black's Law Dictionary (8th Edition) as cited in Agbonika (2012), tax evasion is defined as the act of illegally paying less in taxes than the law permits; committing fraud in filing or paying tax. The term is also described as any form of fraud, willful default or neglect to reduce the tax liability or escape the payment of tax altogether. Tax evasion therefore connotes willful neglect or refusal to pay the tax due or reduction of tax liability in apparent violation of the provision of the law. Tax evasion entails taxpayer's deliberate misrepresentation or concealment of the true state of their affairs to the tax authorities to reduce their tax liabilities and this includes dishonest tax filing called cooking the books e.g. by under declaring income, profits or gains or overstating deductions. From the foregoing, the following elements are deducible as basis for determining liability for tax evasion: the statute must have stipulated payment of tax, the tax has become due on the taxpayer, he has completely and deliberately ignored it or has under declared his income so as to enable him pay less tax, the act is illegal and punishable.

According to Farayola (1987), tax evasion is the deceitful, dishonest, intentional distortion or concealment of facts and figures with the intention of avoiding the payment of or reducing the amount of tax otherwise payable. Tax evasion is attained by deliberate act of omission or commission which in them constitutes criminal acts under the tax laws. These acts of omission or commission might include: failure to pay tax e.g. withholding tax; failure to submit returns; omission or misstatement of items from returns; understating income; documenting fictitious transactions; overstating expenses and failure to answer queries. Tax evasion is therefore an outright dishonesty whereby the taxpayer endeavors to reduce his tax liability through the use of unlawful means. The most common form of tax evasion in Nigeria is through failure to render tax returns to the relevant tax authority. A tax evader may be charged to court for criminal offences with the consequent fines, penalties and at times imprisonment being levied on him for evading tax (Faseun, 2001). Sosanya (1981) observed that, tax evading has become the favorite crime of the Nigerian, so popular that it makes armed robbery seem like minority interest.

THEORETICAL FRAMEWORK

A lot of theories have been propounded by so many researchers to study taxation, but this studyreviewed and adopted the ability to pay, the benefit, and equal distribution theories because of their high level of relevance to the current study.

Ability to Pay Theory

This theory says that taxation should be levied in accordance with an individual's ability to pay. It says that public spending should come from "him that hath" instead of "him that hath not" (Anthony C & Bridget J, 2009).. The theory originated from the sixteenth century, the ability-to-pay principle was scientifically extended by the Swiss philosopher Jean Jacques Rousseau (1712-1778), the French political economist Jean- Baptiste Say (1767-1832) and the English economist John Stuart Mill (1806-1873). This is indeed the foundation of 'progressive tax,' as `the tax rate increases by the increase of the tax base. This theory is indeed the most equitable tax system, and has been widely used in industrialized economies. The usual and most supported justification of ability to pay is on basis 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 fairness of sacrifice in this theory, as it can be measured in absolute, proportional or marginal terms. Thus, equal sacrifice can be measured as: Each taxpayer surrenders the same absolute degree of utility that she or he obtains from her or his income; Each sacrifice the same proportion of utility she or he obtains from her or his income; Each gives up the same utility for the last unit of income; respectively as cited in (Adebisi&Gbegi, 2013),

The Benefit Theory

According to Anthony C & Bridget J, (2009), individuals may be required to submit their taxes in proportion to the utility being enjoyed from the services provided by the government. This should be based on the postulation that there is an exchange relationship between the taxpayer and the government. Government deliberates some benefits to the taxpayers by providing different services and other so-call social goods. Moreover, this theory professes and advocates that equity or fairness in taxation stresses that an individual would be required to submit a tax in proportion to the welfare he receives in return from the services provided by the government. Despite the theory is seen as interchange relationship between taxpayer and the government, a lot of difficulties were identified in applying the theory. The major problems confronting this principle of utility or benefit approach is how to quantify and measure the enjoyed benefit by taxpayers from the services provided by the government. For example, on which scale taxpayer benefit would be measured for enjoying national security and education, maintaining law and order and other social infrastructure-all provided by government. Furthermore, various expenditures incurred by government in rendering services, their benefits are indivisible which course the expenditures also not possible to be divided.

This could only show that people are always encouraged by paying taxes to the government for the continuity of the community prosperity. However, the theory can only be really applied in a situation where the beneficiaries are easily and clearly traceable. For instance, it can be applied to the road taxes collected from owners of vehicles. Also principle of benefit approach can be applied to the workers who have a network of social security programs. Therefore, this principle can only render restricted solution to the issue of equity and fairness in the domain of taxation as cited in (Gurama, Mansur &Pantamee, 2015)

The Equal Distribution Theory

According to Corrado & Emanuela, (2020), tax liability should be so distributed between different persons that bordering cost of utility of each individual who are disbursing the tax ought to be the same. This method seeks to decrease the total sacrifice of the people as a whole. When many individuals pay ample tax that means their marginal sacrifice of benefit should be the same, as such the total utility loss of humanity will be lowest. Therefore, the theory of equal distribution looks at the problem of apportioning the tax liability from the idea or view of benefit of the whole society. The social philosophy causal the principle is the entire sacrifice levied by taxation on the public have to be smallest. Thus, the equal distribution principle endorses an extremely progressive tax structure. This taxation principle has been suggested among the scholars such as Edge worth, Musgrave and Pig-out who contemplate this as the crucial principle of taxation. It is said that Edge worth who is the elevator of this principle suggests that minimum submission is the supreme principle of taxation. The smaller the amount of the cumulative tax sacrifice, the more improved sharing of tax liability in the community, then the more government continues to exist and maximize human welfare (Gurama, Mansur & Pantamee 2015).

Review of Empirical Studies and Identification of Gap

Onyeka and Nwankwo (2016) conducted a study to examine the impact of tax evasion on growth of the Nigerian economy. The study adopted the ex-post facto design where data were collected from Central Bank of Nigeria Statistical Bulletin for the period 1999 - 2012. The Ordinary Least Square Regression (OLS) model was used to test the hypothesis. The result emanating suggested that tax evasion had negative significant effect on growth of the Nigerian economy. The study recommended among others that government policies and measures as it relates to fiscal policies in the country be streamlined to motivate economic growth and development by ensuring that they are made towards growth of the economy.

Chukwudi (2016) had a study to examine the sustainable infrastructural development for sustained economic growth in Ado-Odo Ota local government area, Ogun state. The acute shortage of infrastructure constitutes the major threat to survival in the local government area. The perceptions of the population in this study comprised of tax payers and tax officials in the state. A structured questionnaire was used to collect the opinions of seventy (70) respondents in the study area. The data collected was analyzed using simple percentage where the hypotheses formulated were tested using chi-square statistical tool at 0.05 level of significance. The findings revealed that tax evasion had negative impacts on sustainable infrastructural development from short to long-run effects. The study recommended that taxes should be paid correctly and as at when due because greediness and selfishness constitutes one of the major reasons of tax evasion in the state.

Mansur (2016) conducted a study to examine the factors influencing tax evasion in Gombe state. The research adopted a survey research design. Questionnaires were utilized to collect primary data from 303 randomly selected personal taxpayers from public and private sectors in the state. The findings revealed that tax system, income and education levels have significant positive relationship with tax evasion. The study recommended that adequate measures should mounted by the tax administration in the state to improve revenue generation to reduce tax evasion.

Sylvester (2016) Conducted an empirical study on Tax evasion and Avoidance on Revenue generation in Nigeria. A widely held opinion /views have it that the taxable adults and

establishments in Nigeria, evade and avoid tax payment, depriving the government revenue. However, the two evils exist as observed but difficult to determine the precise amount being evaded and avoided. It was however determined that the causes of tax evasion and avoidance were poor fiscal policies, government and tax payers' attitudes and the administrative inefficiencies. It therefore concluded that tax evasion and avoidance are responsible for reduced government tax revenue in Nigeria.

Obafemi (2014) had a study to examine the impact of tax evasion and avoidance on Nigerian economic development. A survey study design was used where responses obtained was from the use of structured questionnaire administered to 150 respondents. Findings showed that tax evasion and avoidance have negatively affected economic growth and development in Nigeria. It also revealed that lack of good governance and unpatriotic act of tax payer, are the bases for which tax evasion and tax avoidance are perpetrated. The study therefore recommends that the government should embrace and promote good governance so as to encourage voluntary compliance of tax liability by the tax payers.

Imam, Gulani & Baba (2014) had a study to assess the view of tax authority and self-employed persons in the state. The study used both primary and secondary sources. Respondents were sampled from the state through the use of purposive and convenience sampling methods and to whom questionnaires were administered and responses were subjected to statistical analysis using SPSS version 20 and hypothesis tested using chi-square method. The study revealed significant evidence that taxpayers did not file tax returns to government, and good tax strategy could significantly promote voluntary taxpayer compliance in the state. The study recommended that government should consider public relations, tax education, tax consultation, guidance and counseling, enforcement of penalty provision for errant taxpayers and training and work condition for tax authority staff as part of its strategy for improving taxpayer compliance in the state.

METHODOLOGY

This study is a quantitative research (Gall et al, 1996) that adopted a cross-sectional descriptive survey research design. It is a cross-sectional studybecausethe study was designed to collect data from the tax administrators at one time (Borg & Gall, 1989). Out of 109 tax administrators of Borno State Board of Internal Revenue Service that formed the study population, 86(arrived at, using Taro Yamane sample size determination formular)of them were randomly selected while 76 were found useful for the analysis. The data collected were analyzed using both descriptive statistics, specifically frequency tables and percentages; while Chi-Square test was used as inferential statistics to test or measure the extent of association between tax evasion and avoidance (independent variables) as they affect government internally generated revenue (dependent variable) accruing to Borno State. The questionnaire used was designed using Five-point Likert Scale of Strongly Agree (5), Agree (4), Neutral (3), Disagree (2) and Strongly Disagree (1) for the ease of quantitative analysis (Sanders, Lewis &Thomhill, 1997) and as a means of measuring attitudes in a scientific way (Uebersax, 2006).

The population and sample distribution of the tax officers in the six (6) purposively selected technical directorates of Borno State Board of Internal Revenue Service are as shown in the table below.

Table1: Population of the Study

S/N	Directorates	Population	Sample size

1	Personal Income Tax (PIT)	43	34
2	Large Tax	6	5
3	Road Taxes	28	22
4	Collection and Accounting	15	12
5	Tax Audit and Investigation	8	6
6	P A Y E	9	7
	Total	109	**86**

Source: Field survey, 2017

$n = N/1+ N (e)^2$
Where n = Sample size
N = Population
e = Level of significance (0.05)
$n = 109/1+109(0.05)^2 = 85.66$

This study has tax evasion and avoidance as independent variables, while government internally generated revenue as the dependent variable. The choice of chi-square to test hypotheses was based on the fact that it determines the extent of association among the dependent variables that are caused by independent variables. The Chi-Square test was carried out at 5% level of significance purposely to determine whether there were significant effect of tax evasion and avoidance on government internally generated revenue and the economy of Borno State.

The Chi-Square (X^2) test formula is presented as follow:
Chi-square $(X^2) = \frac{\Sigma (O - E)^2}{E}$
Where:
O= Observed or given frequencies
E= Expected frequencies
Degree of freedom:$df = (R - 1) (C - 1)$
Where:
r = number of rows
c =number of columns
The decision rule:

The computed $X^2$is compared against the critical value. Where the value of the computed X^2 is greater than the table value, the null hypothesis is rejected, but it is accepted if the computed X^2 is less than the critical value.

Validity and Reliability of the Instrument
The content validity of this instrument was conducted by given the questionnaire constructed to the experts for useful suggestions, criticisms and corrections which were duly incorporated. While a pilot study was conducted to test the reliability of questionnaires.

Table 2: Reliability Statistics Reliability test for questions 1-14 addressing objective one	
Cronbach's Alpha	N of Items
.613	14

Table 3: Reliability Statistics Reliability test for questions 15-23 addressing objective two	
Cronbach's Alpha	N of Items
.777	9

Forty-one members of the targeted population were used, and their responses for questions 1-14 addressing objective one and 15-23 addressing objective two were analyzed using the Cronbach's internal consistency test, which indicated alpha coefficient of .613 and .777 respectively.This was considered reliable because according to Nually and Bernstein (1994), a questionnaire is generally accepted as reliable when the cronbach's alpha is more than 0.6; while according to the rule of thumb, a benchmark of 0.7 is acceptable.

DISCUSSION OF RESULTS

Ho_1: Tax evasion and avoidance do not significantly affect government internally generated revenue in Borno State.

Statistical tool:Chi-Square Test.

Table 4 : Test Statistics

	Hypothesis one
Chi-Square	52.500[a]
Df	30
Asymp. Sig.	.012

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 2.5.

From the results presented in Table 4.8, Chi-Square result computed at 5% (0.05) level of significance has P value of 0.012. This means that the P value of 0.012 is less than the 0.05 level of significance employed in the analysis. Therefore, the alternative hypothesis which states that tax evasion and avoidance significantly affect government internally generated revenue in Borno State is accepted. This is explained by the analysis that refusal to file tax returns, under-declaring of income, over-statement of allowable tax deductions, bribing tax officials by taxpayers, refusal to pay tax at all, declaration of fictitious transactions, failure to keep accounting records, complete omission of tax information from tax returns, failure to answer tax queries, failure to deduct tax in favor of government, failure to remit tax deducted to the government, claiming illegal reliefs by taxpayers, frequent change of business address and misstatement of items in the tax returns are very strong reasons for tax evasion and avoidance which negatively and significantly affect government internally generated tax revenue in the state.

Ho_2:Tax evasion and avoidance do not significantly affect Borno State economy.

Statistical tool:Chi-Square Test.
Table 5: Test Statistics 2

	Hypothesis two
Chi-Square	48.947[a]
Df	30
Asymp. Sig.	.025

0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 2.5.

In Table 4.9, the result of Chi-Square computed at 5% (0.05) level of significance has P-values of 0.025. This means that the P-values of 0.025 is less than 0.05 level of significance employed in the analysis, the alternative hypothesis which states that tax evasion and avoidance significantly affect Borno State economy is accepted. This is explained by the analysis that tax evasion and avoidance had negatively and significantly affected the quality of security, revenue for development, proper budget implementation, employment and investment opportunities, distribution of public goods, and construction of good roads, quality education and sufficient health care services in Borno state which implies negative effect on the economy of the state.

Conclusion

Based on the findings from the study, it is thereby concluded that evasion and avoidance of tax administrators has a significant and negative effect on the government internally generated revenue in BornoState, whereas, some of the factors leading to tax evasion were not limited to: refusal to filling tax returns, under-declaration of income, over-statement of allowable tax deductions, bribing tax officials, refusal to pay tax at all, complete omission of tax information from tax returns, failure to answer tax queries, failure to remit tax deducted and claiming illegal reliefs, frequent change of business address and false statements in the tax returns. Not only that, the tax evasion and avoidance of tax administrators also had a significant and negative effect on the economy of the state. This was evidenced by government's inability to adequate security to her citizens, increasing rate of unemployment and poor investment opportunities, low distribution of public goods, shortage of good roads, low quality of education, and poor health care services.

Recommendations

In line with the findings and conclusions of the study, the following recommendations were made to improve internally generated tax revenue, at the same time to boost the economy of Borno state.

The government should have the political will to implement tax policies developed by JTB and employ capable tax officials knowledgeable for the job who can review tax strategies and skills to investigate information of taxpayers to be motivated through good salary packages and incentives to insulate them from fraud and other corrupt practices in the spirit to fight against tax evasion and avoidance. Taxpayer education through continuing public enlightenment programs of creating awareness such as radio messages, television advertisements and post bills so that the tax payers will no doubt appreciate the need for tax payment which will goa long way in reducing the twin evils be considered. The state government should endeavor to set up a

legislation compelling the financial institutions especially the commercial banks to provide tax information to the tax authority, on request, on any taxable person (especially the self- employed taxpayers) be put in place to improve the internally generated revenue to provide the needed quality of security services, employment and investment opportunities, distribution on of public goods, sufficient quality of education, health care services, structural and industrial developments, and basic needs for its citizens to curtail the overall effect of tax evasion and avoidance which directly affects the economy in general leading to abandoned projects and programs in the state. The government should establish: a functional and efficient tax investigation unit to strengthen tax auditing to curtail tax leakages and capable of detecting tax defaulters early; monitoring team that will be charged with the responsibility of overseeing the activities of the corrupt tax officials. The government should consider setting up revenue courts that have capacity to enforce and impose heavy monetary tax penalties and sanctions on defaulters guilty of tax evasion.

Contributions to Knowledge

This study contributes to knowledge in the following areas:

Although several studies have been conducted on voluntary tax compliance in the state, perception of tax administrators on the effect of tax evasion and avoidance on internally generated revenue and the economy and the effect of tax administration machinery on tax evasion and avoidance is the first of its kind to have been conducted in Borno state. Its findings, therefore, would add to the existing literature in the field of study. The study is also the first to have used the real forms of tax evasion and avoidance (independent variables) to determine their effect on internally generated revenue and the economy in the state. This accorded this study a peculiarity thereby contributed to knowledge.

Suggestions for Further Research

Further studies may consider the new Voluntary Asset and Income Declaration Scheme (VAIDS) the new global initiative to drastically reduce tax evasion at the state or national level.

There is the need to carry out similar studies using secondary data covering a long period of time to obtain in-depth information on the issue for better results. Larger population size different from the one used in this study should be employed by future researchers.

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