TAX EVASION AND TAX REVENUE; EVIDENCE FROM FEDERAL INLAND REVENUE SERVICE

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ABSTRACT

The study south to ascertain the relationship between tax evasion and tax revenue, evidence from federal inland revenue service, Nigeria. Cross-sectional survey research design was adopted 191 respondents were drawn from a population of 360 revenue employees across the eighteen (18) tax offices in Federal inland revenue service, Nigeria using Taro Yamane's formula for sample size determination. The researcher collected data with a five-point Likert scale structured questionnaire. The questionnaire was validated via face validity, content validity and construct validity while Cronbach alphas was used collected was analyzed using inferential statistical tool, precisely Pearson product moment coefficient of correlation which was used to test the stated hypotheses. These analyses were conducted using a computer software package called statistical package for social sciences (SPSS) version 20.0. The result of the findings revealed that tax evasion has a significant relationship with personal income tax and capital gains tax. Based on empirical findings the researcher then concluded that tax evasion leads to tax revenue. The study recommends amongst other that administrators of Federal Inland Revenue Service, Nigeria should implement revenue policies that will discourage tax evasion because its discouragement leads to capital gains tax.

Keywords: Tax Evasion, Personal Income Tax, Capital Gains Tax, Tax Revenue, Federal Inland Revenue Service.

INTRODUCTION

For Nigerian government to effectively carry out its primary function and other subsidiary functions, she requires adequate funding. By virtue of tax levy, government is able of absorbing a better part of liquidity in private sector and the part of capital seeking for a maximum profit with a short time period and little effort. Government responsibilities have continued to increase overtime especially in developing countries like Nigeria due to the increasing size of the population, and in fractural decay. But quite unfortunate the revenue has not been growing above her expenditure to enable capital formation possible. According to Pritchard and Murphy (1988) as cited in Bassey (2013) Tax evasion is an illegal means adopted by a taxpayer to escape payment of tax or to reduce his tax liability. Evasion consists of illegal activities which are deliberately undertaken by a taxpayer so that he or it does not have to pay any or all of the taxes the law would otherwise charge on the income and gains. Tax is a major player in every society of the world (Azubike, 2009) as cited by the Tax system is a revenue for government to use in collecting additional revenue needed in discharging its pressing obligations. A tax system is one of the most effective means of mobilizing a nation's internal resources and it lends itself to creating an enabling environment to promote economic growth. Tax remains the primary tool through which accounting records of tax payer are reviewed by federal and state authorities to ensure that the correct tax returns have been filed and correct tax paid in the relevant year of assessment. In the last couple of years tax has been a critical issue often discussed in Nigeria. The tax authority has had lots worries, trying to review the books of tax payers with the sole aim of increasing the revenue of the government. Tax is intended to be the principal source of government revenue but this is not always the case in Nigeria. The country relies more on the resources from Crude Oil, foreign loans and aid for a significant fraction of revenue for governance. Tax evasion is one of the major social difficulties deterring revenue cohort in developing state and eroding the existing welfare in Nigeria. This has led to a growing attention among policy makers and researchers. Although, little attention has been placed on the issues of tax evasion in African societies. Hence, an enviable society can only be visible when internally generated revenue can be mobilized for her social mandate to her citizens. Tax evasion, in most developing state is so extensive, and the situation is much worsened by the fact that, not only government of Nigeria has made effort to measure the reasons that tax payers give. The extents of this problem at the same time analyze its impacts on revenue for smooth operation could not be generated, states will resort to increase tax rates or borrowings which may not only crowd out the private sector but also leads to debt trap as Fagbemi, Uadiale & Noah (2010) and Chiumya, (2006) as cited in Otobo and Ohaka (2018).

On the other hand, tax evasion has the effect of altering the principle of perfect market resource allocation and income realization. This leads to economic growth stagnation and socio-economic repercussions in Nigeria. There is need to understand the reasons for the rising in tax evasion and establishing mechanism to curb these challenges several studies have been carried out in the past on this subject. But the review of previous empirical literature revealed a lack of tax evasion and its effect on tax revenue generation in the research findings of the past researchers which indicated the existence of a research gap. For example, Magesa, (2014) examined the impact of tax evasion on revenue collection performance in Tanzania, while Mechrara and Farahani (2016) wrote on the effect of tax evasion and government-revenues on economic stability in OECD countries. Other research works carried out by researchers on the effects of tax evasion and avoidance on tax revenue in Nigeria and other part of countries includes; Onyeka & Nwankwo (2016) Chiumya (2006), Mc Gee, 92005). Akinyele and Ogunmakin (2016), Dalu, Maposa and Eiya (2013). Modugu and Omoye (2014) and Al Mustapha and Hamza (2016).

Revenue administration reform is needed in a country for various reasons. First tax policy and tax laws create the potential for raising tax revenues, the actual amount of taxes flowing into government offers, to a large extent, depends on the efficiency and effectiveness of the revenue administration. Weaknesses in revenue administration led to inadequate tax collections. Borrowing to finance budget deficit could cause an unsustainable in public debut and inflation secondly, revenue shortfalls shrink the budget any resources envelope affecting the governments' ability to implement its policies and programmes to provide public services. Unexpected drops in revenue collections also cause budget cuts that result in major inefficiencies in the management of public expenditure. More so the quality of revenue administration influences the investment climate and private sector development. Organizations considering investments in additions the formal tax system are also concerned about how the system works. Revenue administration perceived to be arbitrary. However, showcasing of inability by the revenue administration to enforce its regulations discourage law-abiding organizations in joining the formal private sector as they are at competitive disadvantage against less scrupulous organizations.

Thirdly, high incidence of corruption within the taxes and customs administrations, government suffers major revenue leakages as dishonest revenue officials allow unjustifiable tax breaks to willing tax evaders. Also, honest taxpayers suffer, as corruption in revenue administration leads to harassment, inflated assessment high litigation cost and leniency towards non-compliant competitors. High cost of corruption to the government and private sector is a major setback for the process of tax administration in Nigeria. Any serious effort to reduce corruption in Nigeria and improve governance, in likelihood, has to involve reform of revenue administration. Reforms of the revenue administration with efficient and effective tax audit may be needed to enable it keep up with the increasing sophistication of business activity and tax evasion schemes. With globalization, goods and services are produced by taxable entities in multiple countries.

LITERATURE REVIEW

Concept of Tax Revenue

Taxation is the primary source of income for the government. The most important revenue receipts for the government, taxes are involuntary fees levied on individuals and corporations to finance government activities. Revenue receipts can be of two types- non tax revenue and tax revenue. Tax revenue is the income gained by the government through taxation. Tax revenue forms a part of the receipts. Budget, which in turn is part of the union budget, tax revenue is the result of the application of a tax rate to a tax base. Total tax revenue as a percentage of GDP indicates the share of the country's output collected by government through taxes. Tax revenue can be regarded as one measure of the degree to which the government controls the economy's resources. Taxes collected from both direct tax and indirect tax are revenue. It includes collections from income tax, corporative tax, customs, wealth tax, tax on land revenue etc.

Direct tax is the tax that is paid directly to the government by the person or company on whom it is levied. Income tax, wealth tax, corporation tax and property tax are these that are collected by intermediaries from individuals and corporations who bear the burden of tax and passed on to the government. Goods and services tax (GST) is an example of indirect tax. Corporation tax forms a large chunk of the government tax revenue. Revenue may be extracted from sources such as individuals, public enterprises, trade and royalties on natural resources or foreign aid. An efficient collection of taxes is greater in countries characterized by poverty, a large agricultural sector and large amounts of foreign aid. just as there are different types of tax, the form in which tax revenue is collected also differs; furthermore, the agency that collects the tax, may not be part of central government, but may be a third party licensed to collect tax which they themselves will use.

For example, in the United Kingdom, the Driver and Vehicle Licensing Agency (DVLA) collect vehicle excise duty; which is then passed onto HM Treasury. Taxation became indispensable in Western Europe, when countries needed to find wars in order to survive. This European model was later reported all around the world. Today the level of taxation used as an indicator of state capacity. Developed countries raise more taxes and the effect of a change in taxation level on total revenue depends on the goods being investigated and in particular on its price elasticity. Where goods have a low elasticity of demand (they are price inelastic) an increase in tax or duty will lead to a small decrease in demand-not enough to offset the higher tax raised from each unit. Overall tax revenue will therefore raise conversely, for price-elastic goods, an increase in tax rate or duty would lead to a fall in tax revenue, therefore are able to provide better services. At the same time, the high taxation forces them to become accountable with their citizens, which strengths the democracy.

Measures of Tax Revenue

Personal Income Tax

Personal income tax (PIT) is a statutory obligation imposed by the government on the incomes of individuals, communities and families, trustees or executors of any settlement. In Nigeria, PIT is guided by person income tax Act cap p8 LFN 2004 (as amended). Although PIT is a federal obligation, it is mandatory that PIT is remitted to the inland revenue service of the state in which revenue service of the state in which they reside, irrespective of the institutions or bodies they work for which could be the Federal, state or local government or private organizations. This is a tax levied on employment income any other income received by individuals. Individuals here being those in paid employment and those in self-employment, in those engaged in trade, business, profession or vocation such as lawyers, doctors, in shops etc. the assessment and collection of this tax in Nigeria is regulated by the personal income tax (amendment) Act 2011: it is this law that gives the necessary procedures and administrative powers to impose and collect taxes from person, individuals, partnerships, executors, trustees family or communities corporation sole or body of individuals. Personal income tax is collected by the various state governments through the state board of internal revenue (SBIR) from individual resident in the tax territory. Taxes from certain categories of individual members of the armed forces, the Nigeria police, external affairs officials and non-resident individuals are collected by the Federal Government via the Federal Board of Inland Revenue (FBIR).

Capital Gains Tax

Capital gains tax is a tax imposed on capital gains or the profit that an individual makes from selling assets. The tax is only imposed once the asset has been converted into cash, and not when it’s still in the hands of an investor. For example, assume than individual owns company shares, which increase in value each year. In this case, no capital gains tax will be levied just because the shares are appreciating. The only Analytical and theoretical literature, suggest that outside tax considerations, investors will nonetheless accelerate realization of capital gains for liquidity an diversification priorities (Hong & Stein, 2003; Zeng, 2009). Therefore, to always argue that increasing capital gains tax rate will slow stock market activities is an overstatement especially in view of the findings of Jin (2006) which shows that on the average, tax insensitive institution is larger than average tax-sensitive institution’ Poterba (1987) notes that statutory capital gains tax rate is substantially higher than the true capital gains tax rate (Chayet al, 2005; Graham et al, 2012).

Boyer and Russell (1995) argue for reduction in tax rate on income in order to promote economic growth. In the same spirit, Heckman et al (1998) warn that such tax reduction should not be financed by consumption tax alone as such a tax favours investment capital thereby constraining potential for growth in human capital stock. In fact, Judd (1998) speculates that human capital could have higher return capital could have higher return when compared with financial assets

Kenny, (2005); Sanders & Taber, (2012), for more on taxation dynamics of human capital. According to Tanzi (1969), taxing capital gains fairly and optimally becomes a central equation in fiscal considerations especially if one considers the argument of Tanzi (2011). As capital gains taxation is considered an important element in the equation of fiscal adequacy, one can also appreciate its potential to influence the consumption savings and risk raking behaviors of individuals and other economic units for example, the magnitude and allocation of investment may respond to changes in capital gains tax rate. However, the interplay of ordinary income tax and preferential capital gains tax rate potentially could moderate the degree of investment risk-taking in the system.

Concept of Tax Evasion

Tax evasion is one of the major social problems inhibiting development in developing countries and eroding the existing welfare state in developed economies in the world. This has led to a graving attention among policy markers, western countries, international agencies and scholars. An enviable society can only be visible when domestic revenue can be mobilized for her social obligation to the citizens. Different reasons are the causes that encourage and make taxpayers acting toward evasion has been identified by various studies and authors among are; Kirchler, Stephen, Barbara, Ingrid (2007) and Magesa (2014) stated that the reasons for tax evasion can be categorized into two. The first category comprises factors that negatively affect taxpayer's compliance with tax legislation.

These factors can be subsumed either contributing to a low willingness to pay taxes (low tax morale, tax system and perception of fairness, low transparency and accountability of public institutions) or high cost to comply with tax laws. The second category contains the reasons for the low ability of tax administration and fiscal. Courts to enforce tax liabilities (Kirchler et al., 2007). Adebisi et al., (2010) and Guramal, Mansor & Pantamee (2015) suggested following as reasons of tax evasion in many countries such as unfair distribution of facilities (amenities) poor management and misuse of tax collected as well as lack of essence of civic responsibility. According to Feldstad (1996) he says tax evasion has had a variety of fiscal effects and there are at least three reasons responsible for this, in the first place, revenue looses from non-compliance and corruption become significant at a time of substantial budget deficit.

Second, horizontal and vertical equity suffer because the effective tax rates faced by individuals may differ because of different opportunities for tax evasion (Alm & Martinez, 2001). Again, Shome (2005) stressed that, an important adverse effect of tax evasion is perhaps on equity. There is horizontal and vertical inequity where in both forms of inequity, the higher-taxed person pays for the lower-taxed person since, has there been no tax evasion, the tax rate would have been lower under the premise of revenue neutrality. Third, there is a giving concern about the expanding underground economic activities and in facilitating tax evasion (Tanzi, 1995). Tax evasion and fiscal corruption thus contribute to undermining the legitimacy of government. Russo (2010) reported that in Italy, one of the effects of tax evasion in loss of revenue to the government.

Marion and Muchlegger (2008) added that, back of compliance with tax laws are likely to alter the distortimary cost of raising a given level of government revenue and may affect the distributional consequences of a given tax policies. In addition to, resources spent evading taxes represent a deadweight loss to the economy. Another effect of tax evasion is discoursed by

Matsaganis and Flevotomou (2010) stressed that, tax evasion raised significant issues from the point of view of efficiency. Shame (2005) added that tax evasion distorts economic efficiency. In sectors that one less subject to the administrator's scrutiny as in the informal economy, there will be more investment. Inefficiency leads to lower revenue intake for government, its functional capacity, efficiency and effectiveness suffer because of tax evasion. Previous researchers have cited many factors as the main determinant of tax evasion. These factors include tax evasion.

Taxation and Fiscal Factors

Tax rates have been widely recognized as the most primary determinant of tax evasion. Empirical evidence on the impact of tax rates and tax evasion have experienced varied results ranging from neutral effect to significantly positive and negative effect. Irrespective of the result obtained by researchers, some studies have concluded that there exists a statistically significant positive effect of tax rate to tax evasion. The relationship between tax cuts and increment in tax is curbing tax evasion has attracted numerous researches around the world. The pioneering work of Allingham and Sandmo argues that tax cuts may broaden tax base and improve compliance behaviors of citizens. In furtherance, Allingham and Sandmo asserted that increment in tax rates will exert fear into tax payer's hence encouraging tax compliance. However, earlier research carried on after the pioneering work of Allingham and Sandmo stressed that tax rate increase will result in an increase propensity to evade taxes. Additionally, stressed that an upsurge in tax rates shifts the burden of tax payments to few individuals complying with taxes. He further asserted that such upsurge in tax rate will eventually compel taxpayers to adopt noncompliant behaviours hence affecting tax revenues needed to fund public expenditure.

Administrative factors

Penalties for tax evasion widely accepted as a deterrence force to encourage taxpayers' compliance thus, compliance of taxes can be improved when the monetary cost of tax evaders is raised. However, scholars argue that increment in tax penalties beyond their required set limit is cost prohibitive due to probable "crowding out" of voluntary compliance. Empirical evidence on the relationship between tax penalties and tax evasion also ranges from statically no effect to a significant effect. Spicer and Lundstedt in their work two decades ago asserted that there is no significant relationship existing amongst tax evasion, tax penalties and detection probability. Similar research conducted captured no effects between tax evasion and tax penalties. Yet, a potential increment in penalties resulting from tax evasion connotes a corresponding decrease in taxpayers' potential tax evading behaviors. Tax audit have also seen a fair share of varied results from researchers. An increase in tax audits automatically minimizes the rate at which taxpayer evades taxes. In a study comparing the compliances behaviors of both audited and non-audited taxpayers, it can reveal that compliant behaviors of most audited taxpayers have reduced drastically.

Economic Factors (income level and income components)

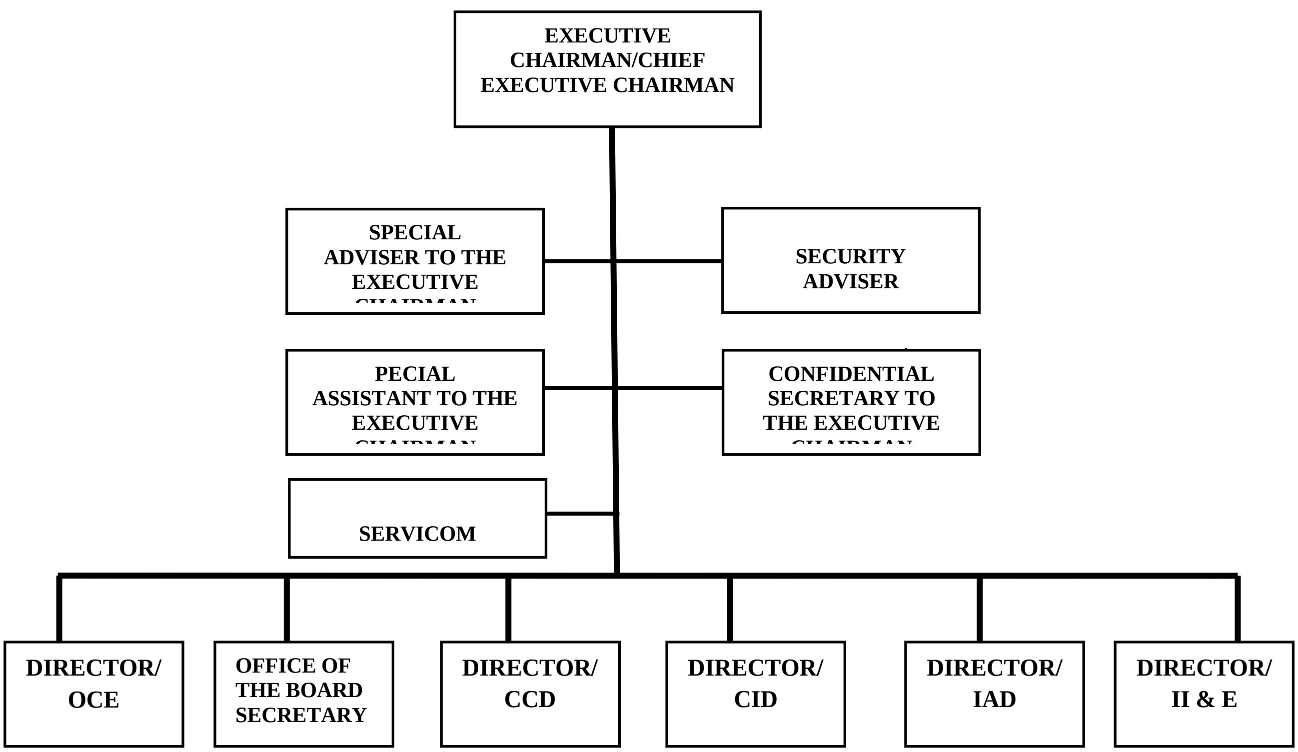
Income level fluctuation has had an impact on taxpayers evading behaviour. These fluctuations (higher income level and lower income level) have gingered many works. It is widely asserted that higher income level attracts higher compliance whiles lower-income taxpayers connote lower compliance. Aside such fluctuation in income levels and components, most literatures have based their findings on increment level and its resulting increase in tax evasion behaviour.

High income earners are expected to exhibit his wealth by complying with taxes while low-income earners are expected to hide their actual from tax officials.

Demographic Factors (Gender, Age, Race and Education)

Demographic factors effect on tax evasion cannot be underestimated, on the count of gender, female taxpayers and male compliant than their female counterparts. Evasion of taxes is more unacceptable hehavior to female taxpayers than their male counter parts. The emergence of more independent non-traditional generation seems to be lowering the compliance gap between male and female taxpayers. With respect to age, it is believed that the aging taxpayers tend to be more compliant than the younger taxpayers. Younger taxpayers are more risk seeking and less sensitive to penalties. It is also argued that taxpayers who are 65 years and above comply more to taxes. With regards to ethnicity, minimal research has been undertaken in accounting for the impact of ethnicity on tax compliance. With reference to race, white folks are more compliant done non-whites but argued that the results from was found to have a distortive effect. The relationship between education and tax compliance have also attracted conflicting findings. Previous literatures have identified four measures of education in providing in-depth understanding about the misunderstandings surrounding the impact of educational variables on taxpayers' compliance behaviours.

The Federal Inland Revenue Service Organogram



FIRS Annual Report, 2011.

Functions of FIRS

In accordance with section 8(1) of the Federal Inland Revenue Service (Establishment) Act, 2007 and FIRS Handbook (2012), the Service shall:

1. Assess persons including companies, enterprises chargeable with tax;
2. Assess, collect, account and enforce payment of taxes as may be due to the Government or any of its agencies;
3. Collect, recover and pay to the designated account any tax under any provision of this Act or any other enactment or law;
4. In collaboration with the relevant ministries and agencies, review the tax regimes and promote the application of tax revenues to stimulate economic activities and development;
5. In collaboration with relevant law enforcement agencies, carry out examination and investigation with a view to enforcing compliance with the provisions of this Act;
6. Make, from time to time, a determination of the extent of financial loss and such other losses by the government arising from tax fraud or evasion and such other losses (or revenue forgone) arising from tax waivers and other related matters;
7. Adopt measures to identify, trace, freeze, confiscate or seize proceeds derived from tax fraud or evasion;
8. Adopt measures which include compliance and regulatory actions, introduction and maintenance of investigative and control techniques on the detection and prevention of non-compliance;
9. Collaborate and facilitate rapid exchange of information with relevant national international agencies or bodies on tax matters;
10. Undertake exchange of personnel or other experts with complimentary agencies for purposes of comparative experience and capacity building;
11. Establish and maintain a system for monitoring international dynamics of taxation in order to identify suspicious transactions and perpetrators and other persons involved;
12. Provide and maintain access to up-to-date and adequate data and information on all taxable persons, individuals, corporate bodies or all agencies of government involved in the collection of revenue for the purpose of efficient, effective and correct tax administration and to prevent tax evasion or fraud;
13. Maintain database, statistics, records and report on persons, organizations, proceeds, properties, documents or other items or assets relating to tax administration including matters relating to waivers, fraud or evasion;
14. Undertake and support research on similar measures with a view to stimulating economic development and determine the manifestation, extent, magnitude and effects of tax fraud, evasion and other matters that affect effective tax administration and make recommendations to the government on appropriate intervention and preventive measures
15. Collate and continually review all policies of the Federal Government relating to taxation and revenue generation and undertake a systematic and progressive implementation of such policies, just to mention a few.

Relationship between tax Evasion and Tax Revenue

Tax avoidance significantly reduces government revenues and therefore affects the level of public expenditure. In an economy where human capital accumulation depends on public expenditure, it is clear that tax avoidance can also affect this process. Taxes have a key role to play in making growth sustainable and equitable. Many developing countries are still struggling to collect sufficient revenue to finance their own development.

Several studies have examined the effects of tax evasion and tax avoidance on income inequality and economic growth in the country and other part of the countries were researchers with diverse opinions. The outcome of the examinations, however, showed that effect of tax evasion and tax avoidance is loss of revenue to the government. Onyeka, et al (2016) examined the effect of tax evasion and avoidance on Nigerian economic growth. They discovered that tax evasion and avoidance have negative significant impact on growth. Fegbemi, et al (2010) examined the ethics of tax evasion, perceptual evidence from Nigeria. They found that, tax evasion is unethical sometimes is not accepted, and the level of tax evasion when government is corrupt, is significantly higher than when it relates to other views expressed on government discrimination, unjust treatment and tax affordability.

Mechrara & Farahani (2016) wrote on the effects of tax evasion and government tax revenue on economic stability in OECD countries using data from 1990-2013. They found that, tax evasion led to economic instability and more tax revenue will be beneficial to a better economic condition. Adebisis et al (2013) investigated the effect of tax avoidance and tax evasion on personal income tax administration in Nigeria. They disclosed that, enlightenment and adequate utilization of tax revenue on public goods will discourage tax avoidance and tax erosion, personal income tax generation has not been impressive and personal income tax rates are too high. Rewards scheme may include extrinsic and intrinsic rewards, rewards is the benefit that arise from performing a task, rendering a service or dis-charging a responsibility (Colin, 1995). Akinyele and Ogunmakin (2016) examined the effect of tax avoidance on government budget implementation in southwest Nigeria for the period 1999-2014.

The outcome of their results pointed that 61 percent of the expected revenue of the state was hampered by avoidance consequences of tax avoidance through implementation of tax laws and policies in southwest Nigeria revealed negative performance of government budget implementation and as such affected the development of the economics of sampled states. Ibadin and Eiya (2013) examined tax evasion and tax avoidance behavior of the self employed, using some selected states in Nigeria geo-political zone. The results revealed that, respondents are of the opinion that tax evasion is ethical sometimes, and there is significant relationship exist between the ethical view, mode of taxation and cultural practices of the self-employed and tax evasion on Nigeria economic development. He adopted survey research design and responses were obtained through a well-structured questionnaire administered to 150 Nigerians, out of which are tax payer and tax evader. He found tax evasion and avoidance have adversely affected economic growth and development in Nigeria.

Table 1: Differences Between tax Avoidance and Tax Evasion

S/NO	TAX AVOIDANCE	TAX EVASION
1.	Legal	Illegal
2.	Achievable through the exploitation of loopholes in the tax law	Achievable through deliberate action of fraud and deceit or rendering incorrect returns
3.	Results in the taxpayer paying mini-mum possible without breaking the provisions of existing tax laws.	Result in taxpayer paying incorrect tax or paying tax through illegal means
4.	Supported by the law courts in decided cases	Not supported by the law courts
5.	No criminal liability	Tax Evader is criminally liable and could be changed to court with consequent fines, penalties and some imprisonment.
6.	It stretched to the extreme the scheme could be disregarded by the tax authorities	At any level, revenue service will frown at tax evasion.
7.	No revenue service investigation and prior years assessment will be reopened	Revenue service investigation will be instituted and has the power to re-open prior years' assessments beyond the statutory six-year limit.

Measures to Check Tax Evasion by Taxpayers

The measures the government has put in place to reduce evasion with a view to ensuring high revenue from taxes are as follows:

Tax Clearance Certificate: A tax clearance certificate is to be submitted to any ministry, department, commercial bank or any agency of government with whom a taxpayer has any dealings. The certificate must be produced for key issues like appointments by government as chairman of membership by public boards, institutions and commission or to any other similar positions created by government. Tax clearance certificates are also required to be tendered by an applicant to the departments of foreign exchange control for permission to remove funds to a non-resident recipient in respect of income accruing from rent, dividends, interest on which tax has been paid and in respect of which application is sought or that no tax is payable whichever is the case.

Withholding Tax: Withholding tax is an advance payment of tax which is deducted at source on certificate transactions. Where it is not a final tax, it is treated as a tax credit in the settlement of the income tax liability for the year to which the payment that suffered the deduction relates, withholding tax help to capture obscure transactions, this bringing unknown taxpayers into the tax net and it also enhances involuntary compliance.

Tax Education: The Government has set in motion continuous education of the citizenry on the evil of tax evasion through continuous workshop and seminars for taxpayers.

Tax Audits and Investigation: In order to ascertain the correctness of audited financial statements forwarded to the tax office, the revenue authority in its wisdom, created a president tax audit unit in each of its integrated tax office (ITO'S). The audits are like special audits they are additional to statutory audits and are carried out by the tax official from the relevant tax office. Investigate as district from tax audit are called for, when there are problems for example, when a large fraud is suspected or when evidence of mismanagement abounds.

Intelligence Unit: The main function of this unit is to gather and analyze information and this maintains a good database of information for civil/criminal investigation in respect of taxpayers through interviews and publications.

The Introduction of TIN: The tax identification number (TIN) is a unique sequential fourteen-digit number generated electronically as part of the registration process and assigned to a taxpayer (company Enterprise or individual) for identification. This number eases tracking of taxpayer and access to their tax history and records. This is done in collaboration with the state "Board of internal revenue to enhance exchange of information. This has led to the discovery of fake tax clearance certificate and other plays to evade tax by taxpayers.

The Integrated Tax Administration System: This is geared towards simplification of processes and systems for ease of use of taxpayers will engender the adoption of best practices by the FIRS, in the areas of business processes, taxpayers' identification and the automation of core tax processes with a comprehensive requisite support to critical tax administration functions. Such as returns and payment processing procedures, revenue and taxpayer accounting. Tax audit and investigation, tax policies and research forecasting etc in a manner that would otherwise be difficult or tedious using a manual system.

Presumptive Tax: Presumptive tax is a form of tax regime designed to bring taxpayers operating in the informal sector for example Artisans, traders etc. into the tax net. It is predicted on a taxpayers presumed (not actual) income, which may not be easy to determine because records are not adequate. This method of taxations is thought to be effective in reducing tax evasion as well as equalizing the distribution of the tax burden. The FIRS believe that the implementation of a workable presumptive tax regime will engender. Promote easy access to the large pool of taxpayers in the informal sector and bring them into the tax net. This will enable the government not only to grow the tax base across the three tiers of government, but more importantly, improve tax collection from non-oil tax revenue. If this is done successful, it will contribute to the overall development of the tax system and the economy. The government has also tightened the laws of tax evasion and severe punishment for tax officials that collude with individuals and organizations to fleece the treasury. Creator efforts should be made by the various governments to expand the tax net beyond the few Taxpayers captured by the Pay-As-you-Earn System and ensure that all taxable adults are captured under the personal income Tax regime. The waivers on companies' income tax should be streamlined to Plug the leakages and their rampart abuse.

Establishment of Tax Consultants within the tax System

The Government through the tax authorities has put in place enough tax agents to administer taxes and ensure appropriate collection of taxes. Government has ensured that loopholes are blocked to reduce tax evasion.

Introduction of Financial Transparency: Government has introduced financial transparency requiring public disclosure of the ultimate human beneficiaries of companies, trusts and foundations. This is to prevent the further subversion of countries tax bases whether by high net-worth individuals, businesses criminals or terrorists. It is also required to restore faith in the rule of law and the democratic process as the current non-disclosure of beneficial ownership is corruptions' best friend.

Introduction of Tax Incentives: The federal government has developed various incentives for various sectors of the economy as part of the efforts to provide an enabling environment that is conducive to the growth and development of industries, inflow of foreign direct investments, shield existing investments from unfair competition, and stimulate the expansion of domestic production capacity. This is to ensure that taxpayers take advantage of the incentives and invariably reduce Evasion of Tax.

METHODOLOGY

The research design was cross sectional survey which is correlational in nature adopted for the study. The study focused on the eighteen (18) tax offices in FIRS, Nigeria Federal inland revenue service, Nigeria obtained from the administrative department of the Board and the unit of analysis was at Macro level because it was focused on revenue employees of the eighteen (18) tax offices in Federal inland revenue service, Nigeria. The instrument used in this study was validate via face, content and construct validities respectively while Cranach's alpha was used to test the reliability to the research instrument. The population of the study was 360. Data was sourced primarily through the distribution of 191 copies of a structured questionnaire and 169 were retrieved filled and returned indicating a high response rate. After editing, 152 copies of the questionnaire were found useable for inclusion in the analyses. The standard used for rejecting hypotheses is correlation coefficient value less than 0.2 (r (value).>0.0).

The stratified random sampling technique was used in selecting the departments in each of the tax offices in federal. Inland Revenue Service, Nigeria, the Pearson product moment coefficient of correlation (PPMC) is the statistical tool that was used to test the hypotheses formulated for the study as a result of the interval nature of the measurement scale used, this was done with the aid of statistical package for social science (SPSS) version 20.0.

RESULTS

Hypotheses 1

Ho$_1$: There is no significant relationship between tax evasion and personal income tax revenue.

Table 2: Test Result of the Relationship between Tax Evasion and Personal Income Tax

		TE	PIT
	Pearson correlation	1	814**
Tax Evasion	Sig. (2-tailed		.000
	N	150	150
	Pearson Correlation	.814	1
Personal income tax	Sig. (2-tailed)	.000	
	N	150	150

** Correlation is significant at the 0.01 level (2-tailed)

Source: SPSS 21.0 Data output, 2023. The result of the correlation in table 1 shows that, there is a strong positive relationship between tax evasion and personal income tax. Tax evasion correlates with personal income tax (r=0.814, P=0.000<0.01 and 0.05) this represents a high correlation indicting a market relationship. Based on the result obtained, the stated null hypotheses were rejected and the alternate hypothesis was accepted which means that there is a significant relationship between tax evasion and personal income tax revenue in federal inland revenue service, Nigeria.

Hypotheses 2

Ho_2: There is no significant relationship between tax evasion and capital gains tax revenue.

Table 3: Test Result of the Relationship between Tax Evasion and Capital Gains Tax.

		TE	PIT
Tax Evasion	Pearson correlation	1	814**
	Sig. (2-tailed		.000
	N	150	150
Personal income tax	Pearson Correlation	.814	1
	Sig. (2-tailed)	.000	
	N	150	150

** Correlation is significant at the 0.01 level (2-tailed)

Source: SPSS 21.0 Data output, 2023.

The result of the correlation in table 2 shows that, there is positive relationship between tax evasion and capital gains tax. Tax evasion correlates with capital gains tax. Tax evasion correlates with capital gains 0.05) this represents a very high correlation indicating a very dependable relationship. Based on the result obtained, the stated null hypothesis was rejected and the alternate hypothesis was accepted which means that there is a significant relationship between tax evasion and capital gains tax revenue in federal inland revenue service, Nigeria.

The results from the test of the two hypotheses postulated revealed that there is a high positive relationship between tax evasion and tax revenue: evidence from federal inland revenue service (FIRS), Nigeria. The finding corroborates with the findings of Epaphra (2012) that examined tax rates (Tariff plus VAT rates) as the determinants of customs revenue evasion across products, based on a systematic analysis of discrepancies in trade declarations for trading partners, United Republic of Tanzania, Republic of South Africa and China.

These results were in line with the outcome of Chiarini, et al. (2013) in a study they conducted on tax rates and tax evasion in Italy. The objective of the study was to investigate empirically the long run characteristics of tax evasion and the relationship with the tax burden. The result showed complex dynamic interaction between the tax burdens, tax evasion to ascertain whether in the Italian experience there is evidence for any vicious circle between them. Also, the result corroborates with a certain study by Joseph Guttentag and Reuven Avi-Yonah (2005) estimates that the use of tax havens by individuals has an economical reduction of $40 to $ 70 billion year.

CONCLUSION

This study sought to investigate the relationship between tax evasion and tax revenue of Federal Inland Revenue service. Based on the discussion of findings, it concluded that there are many effects of tax evasion on the generation of tax revenue loss. It is shown that, as tax revenue increase, invariably tax rates also increase so as to boost internally generated revenue consequently, the rate of currency holdings which in monetary approach manifest there arise in tax-evasion. However, the study also found that, perceived government corruption can make tax payers to evade tax. The implication of these result may cause inevitable distraction to potential performance of the government in the public sector, therefore, threatening its competence to finance public expenditure and undermining legitimacy of government due to non compliance to pay tax become significant to substantial budget deficit. Therefore, until those underlying causes and mechanism to curb tax evasion were addressed, tax evasion may continue to spread.

RECOMMENDATIONS

The following recommendations were made.

i. The government should show some degree of tax accountability to the government should show some degree of tax accountability to the government should show some degree of tax accountability on the revenue collected to make citizens understand the connection between tax revenue and expenditure.
ii. Administrators of Federal Inland Revenue Service (FIRS) should computerize tax system to ensure efficiency and quality delivery, including the compulsory rotation of tax agents or collectors in order to avoid or reduce to the barest minimum, corrupt practices by its agents/ representatives.
iii. Efforts should be made by government at sensitizing the masses on the seriousness of tax evasion and the penalties attached to tax violators.

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