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ELECTRONIC TAXATION, TAX EVASION AND AVOIDANCE

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ABSTRACT

The study investigated the impacts of electronic taxation on tax avoidance and evasion in Nigeria. The sample for the study was taken from Ekiti State of Nigeria focusing on some banks and the Board of Internal Revenue of the state. Well-structured questionnaires were administered on the target respondents and were analysed using standard deviation and hypotheses testing. The result led to the rejection of the hypotheses that electronic taxation does not have significant impact on tax avoidance and evasion in Nigeria and consequently the alternative hypothesis was accepted and the study concluded that embracing electronic taxation in tax administration in Nigeria would significantly reduce the incidences of tax evasion and avoidance in Nigeria.

Key words: *Tax evasion*, *Tax avoidance*, *Electronic taxation*

INTRODUCTION

Taxation can generally be described as a process where a compulsory amount is levied or imposed by Government through its various agencies on the income, goods, capital or consumption of its subjects (Seyi, 2009). These levies are made on personal income such as salaries, business profits, interests, dividends commissions, royalties or rent. It may also be levied on capital gain and petroleum profits (Wole, 2003).The desire to uplift one's society is the first desire of every patriotic citizen. Tax payment is a demonstration of such a desire (Kayode, 1993). The payment of tax is a civic duty and an imposed contribution by government on her subject and companies to enable her finance or run public utilities and perform other social responsibilities. Taxes, thus, constitutes the principal sources of government revenue (Bariyima et al. 2009).

Baiyewu, (2000) said that corruption has a prevalent in the administration of tax and duties. Until very recently, it was commonplace to collect tax payment partly on behalf of one's self and partly for the government. Evaders prefer to bribe officials rather than pay taxes. Tax assessors collude with taxpayers, particularly with regard to the PIT, or in some cases, in connection with the assessment. Therefore, taxes paid are expect to end in private pocket, not in public utilities' (CITN, 2010).Despite all effort by the government over the year to track down most of this obvious problems and crisis facing the collection of tax in Nigeria, none of these have gone any measure to improved revenue generating by the government. This attitude has eroded tax consciousness on the part of Nigeria. Therefore, Electronic-taxation if properly implemented may solve all these problems and bring more revenue improvement (Bariyima et al. 2009).

The concentration of the responsibility of tax assessment and its reviewing by the same tax official breach the spirit internal control system therefore, expose him to the risk of abuse of office and computation thus ending tax administrative ineffective (Olatunji, 2003). There is therefore the need for an automated bank collection system that would periodic convenience, reliable, save time and cost for both the tax administrator and the tax payer (Bobek, 1997). From the above, the researcher intends to analyse these problems and to study electronic taxation as a means to boost revenue generation.

Consequently, this study is set out to examine whether electronic taxation will significantly curb tax evasion and avoidance using Nigerian banks as our case study. The period for this study is 2004-2011. The period was chosen to give a clear difference between the operation of manual system and electronic system of tax collection. The area covered by this study includes Ekiti-State and Ondo-State board of internal revenue and all the participating banks in the collection of taxes in both States such as First Bank Plc, GTBank Plc and Enterprise Bank Plc head offices both in Ado-Ekiti and Akure.

LITERATURE REVIEW

According to Chiboma (2008) tax evasion undermines the tax system in numerous ways. It is unfair. It cost revenue that could be used to make the tax system better, pay down the debt or provide additional government services. It waste a resource i.e. hampers economic growth. And it feeds on itself, reducing respect for the integrity of the tax system and leading to more cheating. There is an abundant evidence to show the existence of

large-scale tax evasion and avoidance arising from the weak tax administration in the country. Such tax evasion and avoidance takes the form of; Income (profit) under declaration , Donations or charity to organisation, Invest in fixed assets, Refusal to complete tax forms, Illegal bunkering, Smuggling Cash payment with no invoice or receipts, Fraud and Inflation of deductible expenses.

Following this, Asada, (2005) suggested that three things can be done to deter those who are inclined to cheat. There are as follows; a high probability of detection through the use of close computer network, a high penalty if caught in this regard, the first order of business ought to be that whoever is caught under paying or avoiding their tax is made to pay what they owe. In addition, in order to enhance the effective collection of tax to reduce the incidence of tax evasion and consequent loss of revenue generation to the government, there is provision in the law for the payment of tax at source. Following this provision, tax is deducted at the point the income is received or accrued to the tax payer through withholding tax.

Tax Avoidance arises in a situation where the taxpayer arranges his financial affairs in way that would make him pay the least possible amount of tax without infringing the legal rules. In short it is a term used to denote those various devices which have been adopted with the aim of saving tax and thus sheltering the taxpayer income from greater liability which would have been otherwise incurred (Asada, 2001). Beckar, (1968) has described tax avoidance as follows: the taxpayer knowing what the law is decides not to be caught by it, arranges his business in such a manner as to escape tax liability partially or entirely. It is a lawful trick or manipulation to evade the payment of tax. The meaning of tax avoidance is vividly captured in the case involving Ayrshire Pullman Motor Services and David M. Ritchin Vs commissioner of Inland Revenue when the lord President, lord Clyde held that:
No man in this country is under the smallest obligation, moral or otherwise so to arrange his legal relation to his business or to his property as to enable the Inland Revenue to put the largest possible shovel into his stores. The Inland Revenue is not slow and quite rightly to take every advantage, which is open to it under the taxing statues for the purpose of depleting the taxpayer's pocket. And the taxpayer is in like manner entitled to be astute to prevent so far as he honestly can the depletion of his means by the Revenue.

Thus, it is clear that tax avoidance is legal or at least not illegal since one is mostly probably using the tax laws to limit his tax liability under the same laws. Examples of tax avoidance include:
(i) Seeking professional advice;
(ii) Reducing one's income by submitting claims for expenses in earning the income;
(iii) Increasing the number of one's children (in Nigeria the maximum allowable is four).
(iv) Taking additional life assurance policies.
Tax avoidance is thus considered to be a matter of being sensible. While the law regard tax avoidance as a legitimate game and tax evasion is seen as immoral and illegal.

METHODLOGY

This study is essentially a survey research. According to Ezejelue et al, (2008), survey research usually consists of gathering essential data from usually a large number of respondents, who themselves constitute a sample and analysing same to draw meaningful conclusion. It holds that the purpose of a survey research is not the collection of data per se but the discovery of meaning in the data collected, so that facts and events can be better understood, interpreted and explained. Consequently, survey research procedure was deemed most appropriate in this circumstance.

Population of the Study

The population for this study is 167 respondents.This comprised the senior staff from level ten and above of the listed departments and sections of the State Board of Internal Revenue of both states. These are the people directly dealing with the administration and collection of taxes and the Tellers in the State headquarters of the participating Banks, which are directly dealing with the collection, and posting of tax paid by the taxpayers. Table 1 describes the population of the study.

S/N	Organisation	Population
1	Ekiti Board of Internal Revenue, Ado-Ekiti	63
2	Ondo Board of Internal Revenue, Akure	71
3	First Bank Plc, Ado-Ekiti	6

4	First Bank Plc, Akure	6
5	GT Bank Plc, Ado-Ekiti	5
6	GT Bank Plc, Akure	4
7	Enterprise Bank, Ado-Ekiti	6
8	Enterprise Bank, Akure	6
	Total	167

Source: Field Survey Data, 2017

Sample Size Determination

The researcher used barley's formula to determine the sample size. This is used when the population of the study is known (Taro Yamane, 1973). The formula is as follows:

$$n = \frac{N}{1+N(e)^2}$$

Where: n= required sample size.

N=population

I= a constant

E= level of confidence/ significant (5%)

The total sample size is 147

Research Instrument

The major instrument used for the study was the questionnaire. It was used in conjunction with interview and observation of documents. The questionnaire instrument has two parts; PART 1 solicited relevant personal data and other (if any) from the respondents as well as yes/no questions fundamental to the research PART II involved responding to five point Likert Scale questions weighted as follows: Strongly agree (5), Agree (4), Undecided (3), Strongly disagree (2) and Disagree (1).

These question were carried in a way the responses arising from the world provide answers that would enable the researcher to analyse her data either to accept or reject the hypotheses.

Administration and Collection of Instrument

For effective administration of questionnaire, there was a distribution schedule for each subject. Copies of questionnaire were personally distributed to all needed respondent on their schedule dates. The physical presence of the researcher afforded the researcher the opportunity to give explanation where necessary for successful completion of the questionnaire. This personal contact has a lot of advantages apart from ensuring a high rate of return. It also gives the researcher the opportunity to interview some unit heads and shop owners.

Method of Data Analysis

The data collected for the study were analysed using percentage analysis, frequency counts, mean score and Z-test. Data relating to question 5 to 10 of part 1 of the questionnaire were analysed using mean score. The responses from Likert scale was weighted as follows: strongly agree has 5 points and disagree 1 point. A mean score of 3.0 and above indicates position responses i.e. agree. Any statement of mean score below 3.0 is negative response i.e. disagree. The hypotheses were tested using z-test. This was done to ascertain the inferences between the population means when the hypotheses were tested at 0.05 (5% level of significance).

Sources of Data

Two sources of data were used in the study. (1) The primary sources, which constitute information generated through personal interview, questionnaire generation and focus group discussion and (2) The secondary source were sourced from scholarly publication through net and empirical studies. Data on internally generated revenue according to sub-heads were collected from the boards of internal revenue offices in Ekiti and Ondo state of south-west geo-political of Nigeria.

RESULTS AND DISCUSSION

The questionnaire was administered to one hundred and forty seven (147) respondents. They are senior staff (level ten and above) in board of internal revenue both in Akure and Ado-Ekiti, Senior staff and top management personnel in First bank Plc, GTBank Plc and Enterprise Bank Plc headquarters in both Akure and Ado-Ekiti and management of some organisations in both Akure and Ado-Ekiti. However, one hundred and nine copies (109) 74% were retrieved and thirty eight (38) 26% were not returned.

Percentage Analysis of Dichotomous Questions (Yes/No)

Table 2: Responses of the respondents on the worthiness of paying tax to the government**.**

Respondents	Yes	No	Percentage	
			Yes	No
Ekiti	48	6	44	6
Ondo	46	9	42	8
Total	94	15	86%	14%

Source: Field Survey, 2017

The responses as shown in the above table discovered that payment of tax to Government is compulsory.

Table 3: The responses of the respondents on whether the idea of electronic –taxation is known

Respondents	Yes	No	Percentage	
			Yes	No
Ekiti	32	22	29.4	20
Ondo	45	10	41.3	9
Total	77	32	71%	29%

Source: Field Survey, 2017

The responses on the table above indicates that seventy seven respondents say Yes in both state i.e thirty two from Ekiti and forty five from Ondo state which form 71% of the total respondents as against total 29% that says No show that electronic-taxation is known to them in both states.

Table 4: The responses of the respondent on whether it is worthy for tax to be administered through electronic process.

Respondents	Yes	No	Percentage	
			Yes	No
Ekiti	43	11	39	10
Ondo	42	13	39	12
Total	85	24	78%	22%

Source: Field Survey, 2017

The responses on the table above show that 78% of the total respondents from both states indicate 'Yes' while 22% indicate 'No' meaning that it is agreed to be administrating the tax through electronic processing.

Table 5: The responses of the respondents on the existence of electronic taxation in Ekiti and Ondo State

Respondents	Yes	No	Percentage	
			Yes	No
Ekiti	29	25	27	23
Ondo	37	18	34	16
Total	66	43	61%	39%

Source: Field Survey, 2017

The responses to the operation of electronic taxation in both states by the respondents shows that it has been in existence through the percentage of No respondents (23%) in Ekiti shows that the awareness is not yet circulated.

Table 6: The responses of the respondents on the extent of computer literacy of the tax payers

Respondents	Yes	No	Percentage	
			Yes	No
Ekiti	30	24	28	22
Ondo	33	22	38	20
Total	63	46	58%	42%

Source: Field Survey, 2017

The responses of the respondent on the literate level of computer operation shows 58% yes in both states indicating that majority have computer knowledge when it comes to the assessment of tax.

Table 7: Tax collected manually four years before the commencement of electronic method was introduced.

S/N	Year	Ekiti State	Ondo State
1	2004	---	2,097,001,909.8

2	2005	---	2,521,787,850.69
3	2006	---	2,584,741,310.25
4	2007	3,840,814,697	2,789,770,927.39
5	2008	4,018,915,564.63	---
6	2009	4,091,923,011.15	---
7	2010	2,945,341,994.22	---

Source: Field Survey, 2017

Table 8: Tax collected electronically by the two states

S/N	Year	Ekiti State	Ondo State
1	2008	---	3,984,678,519.91
2	2009	---	3,751,817,815.35
3	2010	---	6,480,372,918.96
4	2011	10,615,350,000	8,015,725,375.26

Source: Field survey, 2017

The above table indicated that Electronic taxation operation started in 2011 in Ekiti State while Ondo state started 2008.

Table 9: Percentage increase of tax collected before and during electronic taxation period.

Year	**Ekiti State % increase**	**Ondo State % increase**
2005	--	20.3
2006	--	2.5
2007	--	8
2008	4.6	42.8
2009	2.0	6
2010	28	73
2011	260	24

Source: Field Survey, 2017

The above percentage increase/decrease shows the operations of both Ekiti and Ondo State four years before the commencement of E-taxation. It also shows their operations at the commencement of E-taxation.It implies that the rate of increase in percentage in Ekiti on tax collected using manual method was low, even with decrease operation in 2010 but astronomically jump up to 260% in 2011 immediately Electronic – taxation was introduced.

In Ondo State the manual collection equally suffer set back since the rate of increase dwindling until the E-taxation was introduced in 2008 where 42.8% was recorded over 8% of the previous year. It is thereby agreed that E-taxation increase revenue generation in both states.

Table 10: Responses of the respondents on whether electronic taxation will significantly curb tax evasion and tax avoidance.

S/N	**STATEMENTS**	**SD 1**	**D 2**	**UN 3**	**A 4**	**SA 5**	**TOTAL**	$\overline{\mathbf{X}}$	**R**
1	Poor revenue generation by the government is caused by tax evasion and avoidance by individual and group.	(16) 16	(12) 24	(11) 33	(37) 148	(33) 165	(109) 386	386/109 3.54	A
2	Tax evasion and avoidance can be curbed through computerization of tax administration system and keeping counter acting measures in case of security breach	(10) 10	(21) 42	(09) 21	(45) 180	(26) 130	(109) 383	383/109 3.51	A

3	Electronics taxation would quicken the tax inspectors to check accounting data of taxpayers so as to fight against tax evasion and avoidance	(9) 9	(04) 8	(17) 51	(49) 196	(30) 150	(109) 414	414 109 3.80	A
4	Bio – data of every tax payer as shown through on line registration would extremely curb tax evasion and avoidance.	(13) 13	(17) 34	(08) 24	(43) 172	(28) 140	(109) 383	383 109 3.51	A
5	Weak tax administration is responsible for large scale of tax evasion and tax avoidance	(06) 6	(20) 40	(14) 42	(35) 140	(34) 170	(109) 398	398 109 3.65	A
6	Quick delivery of responsibilities through electronics taxation would significantly curb tax evasion and avoidance.	(11) 11	(25) 50	(07) 21	(39) 156	(27) 135	(109) 373	373 109 3.42	A
7	Poor discharged of government responsibilities to the tax payers gives rise to the tax avoidance and evasion.	(20) 20	(22) 44	(04) 12	(36) 144	(27) 135	(109) 355	355 109 3.26	A
8	Electronics taxation would reveal unacceptable income from tax payer who wanted to evade tax.	(05) 5	(11) 22	(20) 60	(37) 148	(36) 180	(109) 415	415 109 3.81	A
9.	Strong and effective tax administration through electronic taxation would curb tax aversion and avoidance.	(16) 6	(12) 24	(20) 60	(31) 124	(40) 200	(109) 414	414 109 3.79	A
10	Enough computer literacy by the tax payers reduces tax evasion and tax avoidance.	(07) 07	(10) 20	(15) 45	(45) 10	(32) 160	(109) 412	412 109 3.78	A

Assessment of the effects of electronic taxation on tax avoidance and evasion

The hypothesis to be tested here is stated thus

Ho : Electronic taxation will not significantly curb tax evasion and avoidance

This hypothesis is tested as follows

Means of population (μ)	Means of sample X	Standard deviation δ	Z –test statistic
3 x 109 x 10 10	Σx = 3933 N 10	$\sqrt{3845/10}$	$\sqrt{66/19.62X}3.16$
327	393.3	19.62	10.63

Decision

Since Z- test calculated 10.63 > 1.96 z –test table at 5% significant value, we hereby reject null hypothesis and accept alternative hypothesis.

CONCLUSIONS AND RECOMMENDATIONS

The conclusion that cab drawn from the study is that electronic taxation will significantly reduce tax evasion and avoidance in Nigeria. The implication is that the earlier the tax administrators adopt electronic taxation, the better for our tax administration in Nigeria. The findings from the studies have shown that manual system of tax administration is grossly inefficient and can aid tax evasion and avoidance.

Consequently, it is recommended that effort should be made by various institutions in Nigeria saddled with the responsibility of tax administration to put every resources together to embrace electronic taxation. This will go a long way to reduce the incidences of tax evasion and avoidance in Nigeria.

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