

The Ethics of Tax Evasion: Perceptual Evidence from Nigeria

Temitope Olamide Fagbemi

Department of Accounting and Finance, Faculty of Social Sciences

University of Ilorin, Nigeria

E-mail: olamidefag@yahoo.com

Tel: 234-8020382535

Olayinka Marte Uadiale

Department of Accounting, Faculty of Business Administration

University of Lagos, Nigeria

E-mail: ayomideose@yahoo.com

Tel: 234-8067855555

Abdurafiu Olaiya Noah

Department of Accounting and Finance, Faculty of Social Sciences

University of Ilorin, Nigeria

E-mail: arkabuquddus@yahoo.com

Tel: 234-8056557352

Abstract

Tax evasion has the effect of distorting the principle of perfect market resource allocation with rippling effects on the state of infrastructures. Tax evasion in most developing countries is so rampant and this development is much exacerbated by the fact that not many of these countries have made an effort to measure the ethical reasons that taxpayers give, the extent of this problem and at the same time analyze its impact. Thus, this study is directed towards understanding the behaviour of taxpayers towards tax evasion in Nigeria. The study made use of statistical test for population means and level of significance tests to evaluate the hypotheses formulated for the study. The study shows that the hypothesis that tax evasion is ethical sometimes is not accepted. The study also found that 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. There are indications from the study that the various arguments that respondents gave to justify tax evasion include government corruption, unfair treatment of citizens, tax affordability and unfavourable tax system. This shows that the responsiveness of government in terms of accountability, human right treatment and optimal tax rate play a significant role in the payment of taxes. The Government and other policymakers should find the results of this study useful in discouraging tax evasion and in developing tax policies aimed at minimizing tax evasion.

Keywords: Tax Evasion, Tax Ethics, Nigeria Tax System, Tax Behaviour

1. Introduction

For development and growth of any society, the provision of basic infrastructure is quite necessary. This perhaps explains why the government shows great concern for a medium through which fund can be made available to achieve their set goals for the society. Government needs money (fund) to be able

to execute its social obligations to the public. These social obligations include but are not limited to the provision of infrastructure and social services. According to Murkur (2001), meeting the needs of the society call for huge funds which an individual or society could not contribute alone. It becomes the responsibility of government to source for the funds to enable her provide these basic amenities to the citizenry who are the beneficiaries. One of the medium through which fund is derived is through taxation. Therefore, the citizens are expected to discharge their civic responsibility by paying their taxes as these contribute to the development and administration of the society at large. (Murkur, 2001:7)

Taxation as defined by Ogundele (1999) is the process or machinery by which communities or groups of persons are made to contribute in some agreed quantum and method for the purpose of the administration and development of the society. It can be inferred that the payment of tax will in turn be beneficial to the entire citizenry. This view is also similar to the definition of Soyode and Kajola (2006) who defined tax as a compulsory exaction of money by a public authority for public purposes. Nightingale (1997) described tax as a compulsory contribution imposed by the government. These various authors concluded that it is possible for tax payers not to receive anything identifiable for their contribution but that they have the benefit of living in a relatively educated, healthy and safe society. However, the infrastructure which tax payers are supposed to enjoy is in a deplorable condition (Fafunwa, 2005), educational system in disarray (Obaji, 2005) and the health system is in a worrisome condition (Lambo, 2005). Hence, there has been a clamour by leaders that a huge some of the resources which they are to use find their way out of the economy through tax evasion.

Sikka & Hampton (2005) and Olatunde (2007) stated that 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 growing attention among policy makers, western countries, international agencies and scholars. However, little attention has been placed on the ethical issues of tax evasion in Nigeria. Particularly, research into the ethics of tax evasion in Nigeria is of little existence. Hence, an enviable society can only be visible when domestic revenue can be mobilized for her social obligation to the citizens. (Sikka & Hampton, 2005: 325-343 and Olatunde, 2007:1).

Tax evasion in most developing countries is so rampant, and the scenario is much worsened by the fact that not many of these governments have made an effort to measure the ethical reasons that tax payers give, the extent of this problem and at the same time analyze its impact. Hence, when required revenue for smooth operation cannot be raised, these countries often times resort to increase tax rates or borrowings which may not only crowd out the private sector of their economies but also lead them to debt traps (Chiumya, 2006). On the other hand, tax evasion has the effect of distorting the principle of perfect market resource allocation and income redistribution. This can lead to economic growth stagnation and far much reaching socio-economic repercussions. Thus, there is the need to understand the behaviour of tax payers and the reasons that cause such specific behaviour.

In other to ensure that adequate revenue is generated for the government and subsequent provision of sufficient infrastructure and necessary amenities, it is important to know the attitudes of the citizenry towards the collection of taxes. In the light of this, the research set out to achieve the following objectives:

- (i) examine the perceived seriousness of tax evasion vis-à-vis various legal offences;
- (ii) investigate the perception of taxpayers to the payment of taxes on ethical reasons;
- (iii) identify specific key areas that taxpayers link to tax evasion; and
- (iv) examine the effect of perceived corruption in government on tax evasion.

This research attempted to provide answers to the following questions in other to achieve the objectives stated above.

- (i) What are the reasons for tax evasion?
- (ii) What is the attitude of tax payers when government is perceived to be corrupt?
- (iii) Is tax evasion ethically justifiable?

- (iv) What is the most rampant ethical justification for tax evasion?

1.1. Significance of the Study

This research is expected to be of benefit to Revenue officials who are saddled with the responsibility of ensuring that taxpayers are not negligent in paying their taxes. It will also assist in knowing why taxes are evaded. The outcome of this research will enable them to have a better understanding of why tax payers evade taxes. Therefore, when these reasons are adequately appraised, it is expected that it will in turn translate to the provision of necessary infrastructure for the society when the resources are judiciously utilized.

This research is also expected to be of benefit to researchers and students of accounting since it is an important aspect of taxation. Hence, it serves as a reference point for future researchers and a blue-print for policy makers.

Furthermore, Chiumya (2006) noted that curbing tax evasion is one of the most complex activities in tax administration. This is often attributed to the fact that tax evasion takes many forms and facets. Thus, one of the major keys to successfully reduce tax evasion activities is to first and foremost understand the behaviour of taxpayers and the reasons that cause such specific behaviour. This study therefore, addresses this issue. (Chiumya, 2006: 23)

1.2. Scope of the Study

This research is premised on obtaining evidence on the ethics of tax evasion by obtaining responses from business owners within Lagos State. Thus, the study was restricted to selected Local Governments in Lagos State.

2. Previous Research

Availability of fund is a very vital aspect of running a State. Several options, according to Asher (2001) and Soyode & Kajola (2006) are available to governments for raising fund for bidding resources away from the other sectors of the economy and from other claimants to undertake their activities. The options include taxes, non-tax revenue such as fees, levies, cost recovery and user charges, and property and investment income, domestic and foreign borrowing including loans from the multilateral institutions and domestic and foreign grants. Thus, a major source of fund for any government is the tax revenue. (Asher, 2001: 120- 140; Soyode & Kajola, 2006)

The World Bank (2000) noted that taxes are a compulsory transfer of resources to the government from the rest of the economy. They may be levied in cash or in-kind (for example, involving mandatory labour), and they can be explicit or implicit. Other classifications of taxes are Direct or Indirect (Classification by Incidence) and Proportional, Progressive & Regressive (Classification by Burden of Distribution). Adeyeye (2004) described tax as a liability on account of the fact that the tax payer has an income of a minimum amount and from certain specified source(s) or that he owns certain tangible or intangible property or that he is engaged in certain economic activities which have been chosen for taxation. Therefore, the individual contributes in some quantum measure to the fund available for use by government in providing necessary infrastructure for her citizens. (The World Bank, 2000; Adeyeye, 2004:18; Soyode and Kajola, 2006)

Tax, according to Black's Law Dictionary is a financial charge or other levy imposed on an individual or a legal entity by a State or a functional equivalent of a State (for example, secessionist movements or revolutionary movements). Taxes are also imposed by many sub-national entities. Taxes consist of direct tax or indirect tax, and may be paid in money or as its labour equivalent (often but not always unpaid). In essence, tax is seen as pecuniary burden put upon individuals or property to support the government in its oversight activities of a nation and exacted by legislative authority.

2.1. Overview of Taxation System in Nigeria

Nigeria was colonized by the British just like some other African countries. By an act of the British Parliament, Nigeria became an independent country within the commonwealth on October 1, 1960. In 1963 Nigeria became a republic within the Commonwealth.

In Nigeria, the taxation system dates back to 1904 when the personal income tax was introduced in northern Nigeria before the unification of the country by the colonial masters. It was later implemented through the Native Revenue Ordinances to the western and eastern regions in 1917 and 1928, respectively. Among other amendments in the 1930s, it was later incorporated into Direct Taxation Ordinance No. 4 of 1940 (Library of Congress, 2008). In essence, the Nigerian tax system has been based on 1948 British tax laws and has been undergoing a lot of changes. Since then, different governments have continued to improve on Nigeria's taxation system. A vital aspect of the improvement on the nation's tax system is the recent Federal Inland Revenue Service (Establishment) Act, 2007, Companies Income Tax (Amendment) Act, 2007 and the Draft National Tax Policy pending before the National Assembly.

Sanni (2005) noted that a vibrant tax system will have the following "tripod"; Tax Policy, Tax Law and Tax Administration. He mentioned that a tax system is administered through tax policies while the tax laws serve as the legal backing. Soyode and Kajola (2006) noted some of the sources of tax laws in Nigeria to include Legislations, Constitution, Court judgement and Circulars. For example, Personal Income Tax Act (1993) *as amended* (in respect of Pay-As-You-Earn and Direct Taxation: Self Assessment) is a typical legislative source of tax laws in Nigeria. ((Sanni, 2005: 2-5; Soyode and Kajola, 2006: 23; PITA, 1993 *as amended*)

2.2. Comparison of Tax Evasion and Tax Avoidance

Tax evasion has been defined by researchers in a number of ways, one of which is in contrast to tax avoidance. Soyode and Kajola (2006) defined tax evasion as a deliberate and wilful practice of not disclosing full taxable income in order to pay less tax. It is a violation of tax laws whereby the tax due by a taxable person is unpaid after the minimum specified period. Likewise, tax evasion is evident in situations where tax liability is fraudulently reduced or false claims are filled on the revenue tax form. On the other hand, Kay, (1980) opined that tax avoidance takes place when facts of the transaction are admitted but they have been arranged or presented in such a way that the resulting tax treatment differs from that intended by the relevant legislation. In essence, tax evasion is illegal while tax avoidance is not illegal under the ambience of the law. (Soyode & Kajola, 2006: 60; Kay, 1980: 142-145)

Eboziegbe (2007) noted that this unlawful practice of tax evasion remains a serious threat to revenue generation efforts of government. According to Nwachukwu (2006) tax evasion is the general term for efforts by individuals, firms, trusts and other entities to evade taxes by illegal means. Tax evasion usually entails taxpayers deliberately misrepresenting or concealing the true state of their affairs to the tax authorities to reduce their tax liability. It also includes, in particular, dishonest tax reporting such as declaring less income, profits or gains than actually earned; or overstating deductions. Conversely, tax avoidance as defined by Alm and Martinez (2001) is the legal reduction in tax liabilities by practices that take full advantage of the tax code, such as income splitting, postponement of taxes and tax arbitrage across incomes that face different treatments. (Eboziegbe, 2007; wikipedia; Nwachukwu, 2006; Alm and Martinez, 2001)

From the comparison of various definitions given in the literature, it can be seen that paying less tax or not at all than what one is legally obliged to is described as tax evasion while tax avoidance is an act of doing everything possible within the confines of the tax law to reduce the tax paid. Therefore, the main difference between them is the legality of the taxpayer's action. This study also takes the position of the researchers as it is in conformity with the structure of Nigeria tax system.

2.3. Empirical Investigation of Tax Evasion

Tax evasion can be traced back to the study of Allingham and Sandmo (1972) with the publication of the article “Income Tax Evasion: A Theoretical Analysis”. Since then, it has been followed by large number of contributions to the literature giving it different directional views. The study observed a positive correlation between tax rates and evasion. This finding is also consistent with the findings of Chipeta (2002) which identified causes of tax evasion. Firstly, he noted that the rates at which taxpayers are being taxed impacts on tax evasion. He observed that the higher the rate, the higher will be the likelihood for the taxpayers to evade, as this increases their tax burden and hence lowers their disposable income. Secondly, the probability of being detected after evading taxes also influences the decision of a taxpayer as whether to evade or not. This is directly linked to the level of how strict tax laws are being enforced. (Allingham & Sandmo, 1972; Chipeta, 2002)

Literature also provides a link between tax evasion and corruption. Acconnia *et al.*, (2003) noted that the level of corruption and tax evasion depends on such factors as the wealth of the taxpayer and the wage of the tax officer. Maclearn (1996) further works on a model, which tried to identify the optimal wage at which tax officers should be remunerated. He argued that Governments face the dilemma of identifying, a salary level which will ensure that its tax officers are not enticed to bribery, as there is a link between tax evasion and the salary level of tax officers through corruption. (Acconnia *et al.*, 2003; Maclearn, 1996)

According to Pashev, (2005), the failure of the Government to provide basic infrastructures which are supposed to be funded by the taxes being collected may aggravate tax evasion. Lack of transparency and accountability in the use of public fund has the effect of building public distrust both in the tax system as well as the Government. Hence, this is believed to increase the level of tax evasion. (Pashev, 2005)

Some of the studies, Armstrong & Robison (1998), Olivia (1998), McGee (1998b; 1999b), Smatrakalev (1998) and McGee & An (2006) have taken different opinions on tax evasion. All these studies have one or more opinion portrayed in their studies. These opinions include philosophical opinion, practitioners’ opinion and religious opinion. Some studies also have two opinions combined together. In the study of Morale (1998), tax evasion was discussed from a philosophical point of view by gathering evidence from Mexican workers. His study concluded that Mexican workers have a more important duty to their family than to the state. This point of view is also believed to have a religious underlining as it has a bearing with the Catholic theological literature as identified by Crowe in 1944. (Armstrong & Robison, 1998; Olivia, 1998; McGee, 1998b; 1999b; Smatrakalev, 1998; McGee & An, 2006; Crowe, 1944)

2.4. Three Opinions on the Ethics of Tax Evasion

All the opinions found on tax evasion in the literature can be grouped into three broad areas. These are the unethical opinion, the anarchist opinion and the circumstance opinion.

2.4.1. The Unethical Opinion

The opinion here is that tax evasion is always, or almost always unethical. Cohn (1998) and Smith & Kimball (1998) noted that there are basically three underlying rationales for this belief. One reason is the belief that individuals have a duty to the state to pay whatever taxes the state demands. This view is especially prevalent in democracies, where there is a strong belief that individuals should conform to majority rule. The second rationale for an ethical duty to pay taxes is because the individual has a duty to other members of the community. This view holds that individuals should not be freeloaders by taking advantage of the services the state provides while not contributing to the payment of those services. These studies are representation of the religious opinion. Cohn (1998) portrays the Jewish opinion while Smith and Kimball (1998) represent the opinion of the Christian community. However, in a more recent study of Jewish opinion by McGee (2006), tax evasion which was generally

considered to be unethical, can be justified in certain cases. (Cohn, 1998; Smith & Kimball, 1998; McGee, 2006)

2.4.2. The Anarchist Opinion

According to Block (1989, 1993), the opinion here is that there is never any duty to pay taxes because the state is illegitimate, a mere thief that has no moral authority to take anything from anyone. The government is seen as a mafia. The anarchist literature does not address the ethics of tax evasion directly but rather discusses the relationship of the individual to the state. In essence, taxation is seen as theft by this group of people. (Block, 1989; 1993)

2.4.3. Circumstance Opinion

People who have this opinion often have a reason to either justify tax evasion or condemn it. Some of these people base their tax payment decisions on morals, religious inclination and beliefs to mention but a few. Hence, tax evasion may be ethical under some circumstances and unethical under other circumstances. According to Ballas & Tsoukas, (1998) and McGee & Lingle, (2005), this view is the prevalent view both in the literature and results of some surveys. (Ballas & Tsoukas, 1998; McGee & Lingle, 2005).

Gronbacher (1998) reviewed the Christian literature and takes the position that there are limits to the duty that one owes to the State to pay taxes. In the same vein, Pennock (1998) and Schansberg (1998) also held that Christians also base their duty of paying taxes on circumstances such as fighting an unjust war. The Islamic position on the ethics of tax evasion is also not different from the Christian position. The study of McGee (1998b) concluded that tax evasion might be justified in certain circumstances such as when tax causes price to increase and where tax is on income, which destroys incentives. (Gronbacher, 1998; Pennock, 1998; Schansberg, 1998; McGee, 1998b).

3. Hypotheses

The hypotheses stated below were tested in order to provide answers to the research questions mentioned above.

Hypothesis 1: The respondent will believe that tax evasion is ethical sometimes.

Hypothesis 2: Tax evasion will be more acceptable when the government is perceived to be corrupt.

4. Research Method

Survey research design was used in this study. This research strategy was considered necessary because of its ability to view comprehensively and in detail the major questions raised in the study. According to Spector (1981) and Denscombe (2003), this research design is an efficient way of collecting information from a large number of respondents and the ability to use statistical techniques to determine statistical significance. (Spector, 1981; Denscombe, 2003: 6 - 12)

Since the study is on the ethics of tax evasion, population of the study is defined as business taxpayers. Thus, business owners were chosen for the study. The taxpayers' group (that is, both male and female business owners) were selected randomly based on the locations of the thirty-six (36) tax offices in Lagos State. The sampling frame that was used for selection of respondents' areas for the study was obtained online from www.lasg-ebc-rcm.net which lists all the tax offices available in Lagos State. Simple random sampling was used in selecting the location of respondents based on the available tax offices in Lagos State.

The data collected were analysed using both descriptive and inferential statistics. The descriptive method described the demography of respondents using percentages, frequency, mean and standard deviation.

4.1. Hypotheses Testing

The hypotheses formulated for this study are tested with the use of statistical test for population means and level of significance tests. The study also made the assumption that the scores collected from both male and female respondents in Lagos are normally distributed. In addition, the study also assumed that the scores for each of the statements are independent of one another. These assumptions are necessary in order for the results to be unbiased.

The study made effort in converting the scores into standard normal distribution and thereafter calculation of z-score is done in order to make inference after obtaining the p-value of the statements. This was done at a five percent (5%) level of significance. The methodology adopted in this study is consistent with other related studies like McGee & Maranjyan (2006) and Nasadyuk & McGee (2006).

5. The Results of Hypotheses Testing

In this section of the paper, we present analysis of the results of research hypotheses.

5.1. Testing the Believe that Tax Evasion is Ethical Sometimes

This hypothesis will be accepted if 95% of the statements have a mean score that is more than one (1) but less than five (5).

As seen from Table 1, computed z-score obtained from most of the statements reveals that the probability that the average (mean) score would fall between 1 and 5 is one hundred percent. In essence, the view that tax evasion is ethical sometimes is evident in seventeen out of eighteen statements used in the study. For example, the view that tax evasion is ethical if the government discriminates against me because of my religious or ethnic affiliations is prevalent with 100% confidence as seen in statement 1. Overall, the hypothesis that tax evasion is ethical sometimes is rejected at 5% significance level but accepted at 10% significant level.

Table 1: Computation of probability of scores between 1 and 5

| S/No | Mean | Std. Dev. | z-score for $x_0=1$ | z-score for $x_0=5$ | p-value = $P(1<x<x)$ | p-value = $P(x<x<5)$ | p-value = $P(1<x<5)$ | Decision result for Hypothesis 1 |
|------|------|-----------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------------------|
| 1. | 4.28 | 1.84 | 20.089 | -4.281 | 0.500 | 0.500 | 1.000 | ACCEPT |
| 2. | 1.58 | 1.73 | 3.778 | -22.278 | 0.500 | 0.500 | 1.000 | ACCEPT |
| 3. | 2.23 | 2.11 | 6.569 | -14.795 | 0.500 | 0.500 | 1.000 | ACCEPT |
| 4. | 1.36 | 1.32 | 3.073 | -31.076 | 0.499 | 0.500 | 0.999 | ACCEPT |
| 5. | 1.23 | 1.03 | 2.516 | -41.248 | 0.494 | 0.500 | 0.994 | ACCEPT |
| 6. | 4.32 | 1.79 | 20.902 | -4.281 | 0.500 | 0.500 | 1.000 | ACCEPT |
| 7. | 2.43 | 1.68 | 9.592 | -17.240 | 0.500 | 0.500 | 1.000 | ACCEPT |
| 8. | 3.07 | 2.46 | 9.483 | -8.841 | 0.500 | 0.500 | 1.000 | ACCEPT |
| 9. | 3.48 | 1.74 | 16.062 | -9.845 | 0.500 | 0.500 | 1.000 | ACCEPT |
| 10. | 1.08 | 1.17 | 0.771 | -37.757 | 0.279 | 0.500 | 0.779 | REJECT |
| 11. | 4.34 | 2.19 | 17.187 | -3.396 | 0.500 | 0.500 | 1.000 | ACCEPT |
| 12. | 2.13 | 1.32 | 9.647 | -24.503 | 0.500 | 0.500 | 1.000 | ACCEPT |
| 13. | 4.16 | 2.67 | 13.338 | -3.545 | 0.500 | 0.500 | 1.000 | ACCEPT |
| 14. | 1.98 | 2.04 | 5.414 | -16.683 | 0.500 | 0.500 | 1.000 | ACCEPT |
| 15. | 1.37 | 1.23 | 3.390 | -33.259 | 0.500 | 0.500 | 1.000 | ACCEPT |
| 16. | 3.59 | 1.98 | 14.741 | -8.025 | 0.500 | 0.500 | 1.000 | ACCEPT |
| 17. | 1.37 | 1.97 | 2.117 | -20.766 | 0.483 | 0.500 | 0.983 | ACCEPT |
| 18. | 2.13 | 1.42 | 8.968 | -22.777 | 0.500 | 0.500 | 1.000 | ACCEPT |

Source: Field Survey

5.2. Testing the Acceptability of Tax Evasion in the Midst of Corrupt Governance

This hypothesis will be accepted if the mean score of statement 11 is significantly higher than the average score of the other seventeen (17) statements at a significant level of 5% (that is, for 5% significance level $z_{\alpha}=z_{0.05}=1.645$).

As seen from Table 2, the computed z-score for statement 9 is greater than 1.645, we reject the null hypothesis and accept the research hypothesis that the difference between the mean score of statement 11 and statement 1 is greater than zero (0). In essence, the score for statement 11 is significantly higher than the score for statement 9. This implies that respondents view tax evasion to be more acceptable if a significant portion of the money collected finds its way into the pockets of corrupt politicians or their families and associates than a situation where the tax system is unfair. In addition, this same view is prevalent for statements 2 to 5, 7, 8, 10, 12 and 14 to 18.

Overall, the study has found that the level of tax evasion when government is corrupt is significantly higher than when it relates to other views expressed in the statements with the exception of statements 1, 6 and 13 which relates to government discrimination, unjust treatment and tax affordability respectively.

Table 2: Comparison of scores of each statement (statements 1-10, 12-18) with Score for corrupt government (statement 11)

| Statement No. | Mean | Standard Deviation | z-score | $Z_{0.05}$ | Decision result for Hypothesis 2 |
|---------------|------|--------------------|---------|------------|----------------------------------|
| 1. | 4.28 | 1.84 | 0.236 | 1.645 | ACCEPT |
| 2. | 1.58 | 1.73 | 11.145 | 1.645 | REJECT |
| 3. | 2.23 | 2.11 | 7.819 | 1.645 | REJECT |
| 4. | 1.36 | 1.32 | 13.134 | 1.645 | REJECT |
| 5. | 1.23 | 1.03 | 14.482 | 1.645 | REJECT |
| 6. | 4.32 | 1.79 | 0.080 | 1.645 | ACCEPT |
| 7. | 2.43 | 1.68 | 7.789 | 1.645 | REJECT |
| 8. | 3.07 | 2.46 | 4.345 | 1.645 | REJECT |
| 9. | 3.48 | 1.74 | 3.465 | 1.645 | REJECT |
| 10. | 1.08 | 1.17 | 14.796 | 1.645 | REJECT |
| 11. | 4.34 | 2.19 | - | - | - |
| 12. | 2.13 | 1.32 | 9.740 | 1.645 | REJECT |
| 13. | 4.16 | 2.67 | 0.587 | 1.645 | ACCEPT |
| 14. | 1.98 | 2.04 | 8.886 | 1.645 | REJECT |
| 15. | 1.37 | 1.23 | 13.325 | 1.645 | REJECT |
| 16. | 3.59 | 1.98 | 2.863 | 1.645 | REJECT |
| 17. | 1.37 | 1.97 | 11.363 | 1.645 | REJECT |
| 18. | 2.13 | 1.42 | 9.542 | 1.645 | REJECT |

Source: Field Survey

5.3. Results of Other Research Findings

5.3.1. Ranking of Ethical Arguments for Tax Evasion

From Table 3, the various arguments that respondents gave to justify tax evasion can be seen. The four (4) top ranking arguments justifying tax evasion are; government corruption (statement 11), unfair treatment of citizens (statements 1 and 6), tax affordability (statements 13 and 16) and unfavourable tax system (statement 9).

This shows that the responsiveness of government in terms of accountability, human right treatment and optimal tax rate play a significant role in the payment of taxes by this group of tax payers.

Table 3: Ranking of Ethical Arguments for Tax Evasion

| Rank | Statement No. | Statements | Mean |
|------|---------------|--|------|
| 1 | 11 | Tax evasion is ethical if a significant portion of the money collected finds its way into the pockets of corrupt politicians or their families and associates. | 4.34 |
| 2 | 6 | Tax evasion is ethical if government imprisons people for their political affiliations. | 4.32 |
| 3 | 1 | Tax evasion is ethical if the government discriminates against me because of my religious or ethnic affiliations. | 4.28 |
| 4 | 13 | Tax evasion is ethical if I cannot afford to pay. | 4.16 |
| 5 | 16 | Tax evasion is ethical if tax rates are too high. | 3.59 |
| 6 | 9 | Tax evasion is ethical if the tax system is unfair. | 3.48 |
| 7 | 8 | Tax evasion would be ethical if I were a foreigner. | 3.07 |
| 8 | 7 | Tax evasion is ethical if a large portion of the money collected is wasted. | 2.43 |
| 9 | 3 | Tax evasion is ethical if some of the proceeds go to support a war that I consider to be unjust. | 2.23 |
| 10 | 12 | Tax evasion is ethical if a large portion of the money collected is spent on projects that I morally disapprove of. | 2.13 |
| 11 | 18 | Tax evasion is ethical if the probability of getting caught is low. | 2.13 |
| 12 | 14 | Tax evasion is ethical if a large portion of the money collected is spent on projects that do not benefit me. | 1.98 |
| 13 | 2 | Tax evasion is ethical if every one is doing it. | 1.58 |
| 14 | 15 | Tax evasion is ethical if a large portion of the money collected is spent on worthy projects | 1.37 |
| 15 | 17 | Tax evasion is ethical if a large portion of the money collected is spent on projects that do benefit me. | 1.37 |
| 16 | 4 | Tax evasion is ethical if it means that if I pay less, others will have to pay more. | 1.36 |
| 17 | 5 | Tax evasion is ethical if tax rates are not too high. | 1.23 |
| 18 | 10 | Tax evasion is ethical if most of the money collected is spent wisely. | 1.08 |

Source: Field Survey

5.3.2. Seriousness of Legal Offences

According to Table 4, taxpayers reported that doing illegal drugs is the most serious offence. This is followed by stealing, shoplifting and driving under the influence of alcohol. Tax evasion is ranked as the fifth serious offence while not having proper licence is believed to be the least serious offence. This perception of the seriousness of tax evasion is expected to be reflected more in respondents' attitude to the payment of taxes.

Table 4: Perceptions of the Seriousness of Various Legal Offences

| Offences | Mean Score | Std. Dev. |
|--|------------|-----------|
| Doing illegal drugs | 5.80 | 0.98 |
| Stealing | 5.58 | 1.03 |
| Shoplifting | 5.15 | 1.15 |
| Driving car under the influence of alcohol | 4.94 | 1.26 |
| Tax evasion | 4.62 | 1.07 |
| Driving unregistered car | 4.13 | 1.31 |
| Not having the proper licence | 3.87 | 1.28 |

Source: Field Survey

6. Summary and Concluding Remarks

The provision of basic infrastructures is quite necessary for development and growth of any society. These infrastructures actually require a lot of money which just a single individual cannot provide.

Therefore, the government shows great concern for a medium through which fund can be made available to achieve their set goals for the society. One of the means by which fund is derived is through taxation. Therefore, the citizens are expected to discharge their civic responsibility by paying their taxes as these contribute to the development and administration of the society at large. However, the basic infrastructures which are supposed to be provided for the entire society are not available and/or are in a worrisome condition. Often times, the government complain and claim that tax evasion contribute in a great extent to this failure. Thus, the research set out to look at the ethical attitude of taxpayers to tax evasion.

A sample population of one hundred and twenty-seven was used in the conduct of this research. Primary data were relied upon extensively in order to achieve the objectives set out for the study. The results obtained from the study suggested that there are ethical reasons why tax payers are negligent.

The study found that there is a widespread ethical support for tax evasion. The study showed varying degrees of justification for tax evasion as shown by the mean scores. The respondents widely believe that tax evasion is ethical sometimes at ninety percent (90%) confidence level. Furthermore, the study also found that perceived government corruption can make respondents to evade tax. Therefore, until those underlying causes are addressed, tax evasion may continue to be widespread.

The following recommendations are been suggested:

- (i) the government should strive at ensuring that they are accountable and transparent in the administration of the society.
- (ii) the government should also pay particular attention to the tax system by ensuring that it is fair to all the citizens. A good way to start this is by giving adequate consideration to the national tax policy pending before the national assembly.
- (iii) efforts should be made at sensitising the populace on the seriousness of tax evasion and the penalties attached.
- (iv) this study may be replicated in a number of ways. Other States within Nigeria may be captured. The opinion of theology students and business students in Nigeria may be an interesting area to explore in other to see the influence of education and religion on tax evasion. The opinions of law students may also be sought since they are likely to be a stringent rule observer owing to their training.

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