



EFFECT OF MORAL CONDUCT ON TAX MANAGEMENT: COHERENT PERCEPTIVE

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Abstract:

The exploration was undertaken on the effect of moral conduct on tax management: Coherent perceptive. The objectives were to: determine the effect of tax equity on tax management in Nigeria; investigate how tax payers' integrity influence tax management in Nigeria; ascertain the nexus of fairness and tax management in Nigeria; and examine the impact of honesty on tax management in Nigeria. The design adopted in this study was an ex post facto design. This is because the events had already taken place before the investigation is carried out. The ex-post facto design uses descriptive survey to scientifically collect data from a population and explores the relationship between the dependent and independent variables. The data for the study were analyzed with multiple linear regression technique to determine the nexus between the moral conduct of tax payers and tax management. The result revealed that tax equity, taxpayers' integrity, tax fairness and tax honesty affect tax management in Nigeria. Therefore, the study ended by making the following suggestions; that great care should be taken in developing a code of best practice for tax managers to ensure that all the moral factors are effectively addressed within this code for efficient and effective tax structure. The public authorities and tax managers should encourage taxpayers' knowledge and integrity through the provision of quality infrastructural facilities and other incentives to enhance its revenue generation. The motivation of tax payers through the provision of public goods and services will help to encourage them to remit their tax liabilities and hence improve on their moral conducts for efficient tax management. Individual tax laws need to adhere to moral internal and external standards, such as equal treatment and principles imminent to a given tax, derived from its legal character. The moral quality or fairness of tax law is important because it determines the reach of the obligation of the constituents to pay taxes and the level of voluntary compliance. The tax system should be fair and objective. High level of literacy and managerial capability should be enhanced

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through adequate sensitization and awareness on the part of the taxpayers, while the managerial competence of the tax collectors should be appropriately enhanced towards the development of efficient tax system.

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1. Introduction

Moral principles may be considered as canons of conduct that inculcate human beings on their actions in different situations. These canons and values are also significant for connections between the individual and society at large, including institutions such as family, religious bodies, business communities as well as public authorities. It should be observed that proficient consciences are mechanisms for operative and efficient fiscal and tax management (Asuquo & Akpan, 2012a; Asuquo & Akpan, 2014; Kommer, 2009). The moral conduct of tax payers has much effect on the management of tax in any fiscal and financial system. Taxes are obligatory involvement of treasure imposed upon the people by the state in the drive of generating revenue for financing government disbursements on public goods and services. The objective of taxes lies in circulation of income with uncharacteristic role of tax commissioners in mustering proficient tax revenues (Asuquo & Effiong, 2010; Asuquo & Effiong, 2011; Kaplow, 2006). There has been a substantial amount of coverage in the international media in current years asserting that tax managers' conducts are deceitfully; business managers/taxpayers also conduct businesses dishonestly in order to evade tax. Of specific note are the questionings and grilling of senior members of large accounting and tax firms by the government's Public Accounts Committee about the type of advice they delivered, in the wake of contentions of belligerent and unprincipled tax circumvention practices employed by multinational corporations such as thin capitalization and creative accounting, capital budgeting to attain capital allowance, modeling for optimal capital structuring and financial growth ascertainment to aid non-disclosure to tax commissioners. Furthermore, businesses manipulate their accounting line of works by the use technological tools to conceal essential information which could proper tax assessment. However, this scrutiny and the level of public interest do not appear to have led to any examination of the ethics underlying the conduct of tax professionals, or how morals and consciences might be operative in the practice of tax work by tax managers and commissioners. With the rise of the free market economy, social life becomes more multifaceted. New connections between individuals are being formed, and tax administration as an area of public management needs more moral proficiency. It is widely recognized that the development of professional integrities depends on social, economic, political and legal contexts, and that ethical factors have significant impact on fiscal growth and improvement. Unethical behavior contributes to corruption, which has a negative effect on economic growth. It is believed that highly-corrupted countries have lower growth. Corruption victimizes

against small enterprises, dampens private investment, and directs talent or personal abilities to uncreative activities, like seeking and mining rents. It generates misgiving of markets and disenchantment with democracy. Stringent observance to the enigmas of integrities in tax management fosters optimal productivity, reduces tension between managers and taxpayers and enriches social synchronization (Asuquo & Udoayang, 2020; Asuquo, Dan & Effiong, 2020a; Asuquo, 2011a; Asuquo, 2011b, Asuquo, 2020; Asuquo & Ejabu, 2018; Barford & Holt, 2012; Armitstead, 2013; Fuller 2013; Brederode, 2020; Udoayang, Asuquo, Effiong & Kankpang, 2020; Uwah & Asuquo, 2016; Asuquo, 2012a).

1.1 Statement of the problem

Tax collection is one of the core functions of the government. Without tax revenue the government would not be able to provide goods and services to its citizens. It also cannot ensure social protection to the socially vulnerable groups, and this is hinged on the ethical behavior of the tax administrators. The application of moral conduct in tax management is a multidimensional issue. Even if taxpayers understand that taxes are the price they have to pay for public goods, there is still a strong incentive to evade taxes through unethical conduct. There are many factors that affect the application of ethics for tax compliance in any society; which include economy, technological and legal improvement of tax management, trust in government and its institutions and satisfaction with public goods the taxpayers receive for their payments. There are indications that taxpayers value fair treatment and procedural justice when facing their duty to pay taxes. Therefore, the ethical dimension of tax collection process should be included into the calculus of non-compliance in tax administration. In drafting the code of ethics for tax administration in Nigeria, the aim is to raise the relationship between the taxpayer and the tax administrator to a higher level by making tax management procedures more flexible and ethically oriented. The ethical code also imbibes the following principles of taxation: taxpayer equality, equity and universal obligation, clarity and prevalence of content over the form. In Nigeria, tax administration plays a key role in the capacity of government for achieving its social and economic goals. The lack of ethics and integrity in a tax management may affect equity in the distribution of the tax burden; distort the conditions for assigning responsibilities and allocating resources, while reducing the necessary resources for handling public expenditure and undermining society's trust in the government, all of which ultimately affects the welfare of citizens.

2. Literature review and theoretical framework

2.1 Concepts of moral conduct and tax management

Moral conduct entails acting in ways consistent with what society and individuals typically think are good values. Moral conduct tends to be good for business and involves establishing respect for key moral principles that include honesty, fairness, equality, dignity, diversity and individual rights. Tax management should be effective in the sense of ensuring high compliance by taxpayers, and efficient in the sense that managerial costs are low relative to revenue collected aimed at producing quality micro-fiscal and goods

and services. Good tax management requires strong technical capability by the administrative agency. The managerial agency should be able to identify and evaluate the effects of both contemporary tax policies, to be able to simplify the current tax system, within the economic and political spectrum, be aware of any law changes and evolving avoidance practices, and maintain a connection between the rule of law and tax management. The tension in the relationships between the tax commissioner and the taxpayer is inborn in their respective roles in tax collection process. The tax commissioner's role is to collect the optimal amount of legally due tax revenue at the least cost. The taxpayer, on the other hand, is interested in maximizing his own utility by reporting the least amount of income to the tax commissioner. However, not all of taxpayers will cheat as long as there is an opportunity to cheat. Some of the taxpayers are guided by moral principles and by the need to fulfill their duties as citizens in their taxpaying decisions. Therefore, tax administration charged with the responsibility to collect taxes needs to distinguish between different classes of taxpayers and apply appropriate compliance strategies to each class. All taxpayers need to be treated fairly and with respect. Nevertheless, potential evaders or plungers, according to the rudimentary fiscal compliance model, need harsher measures to deter them from cheating. Honest taxpayers should not be subjected to undue pressure or harassment but rather treated as a valuable client, offered help and positive encouragement to comply. The perceived or real unfairness of administrative procedures may actually crowd-out honest taxpayers' propensity to comply. The ethical problems arise when tax commissioners and taxpayers depart from ethical conduct. Though the tax manager is charged with a duty to collect the maximum amount of taxes legally due, he or she may not exceed the bounds of the law or exercise undue pressure to extract the maximum amount (legally due or otherwise) from taxpayers. Likewise, the tax commissioner cannot use his position of power over the taxpayer to receive side-payments or other favors since they are controlled by financial regulations on revenue generation and utilization. On the other hand, the taxpayer also has an obligation to comply with the tax law and pay taxes on time and in full even when they are given tax concession in a free business zones to enhance investment in certain areas of the business. They have to keep records, file tax returns and provide information necessary to determine their true tax liability. The taxpayer cannot obstruct tax commissioner's efforts to carry out professional responsibilities of a tax revenue generation in order for the government create social assets for the masses (Akpan & Asuquo, 2012b; Asuquo, Akpan & Effiong, 2014; Asuquo, 2013; Asuquo, Tapang, Uwah, Dan & Uklala, 2020; Cowell, 2004; Sandmo, 2005; Torgler, 2002; Anyaduba & Oboh, 2019; Udoayang, Asuquo & Akpan, 2020).

Vasiljeviene (2003) tried to put to rights the norms of common morality and stereotypes prevalent in Lithuanian society with the public administration. According to the author, only horizontal relationships between the public administrator and the taxpayer can fulfill the social contract by benefiting both sides. Horizontal relationships imply a partnership, a two-way street in performing respective duties of the public servant and a citizen. The humanity of professional ethics is revealed if a taxpayer – a free citizen – decides to carry out voluntarily his duties instead of being forced to comply

as a subordinate. The relationships between the taxpayer and the tax administrator should not be based on the position of power, but develop as a constructive dialogue. Codes of Morals are often designed to motivate members of an organization to behave in certain ways. They also provide helpful guidance and advice for individual members when they confront situations that are morally complex. Ethical code provides sanctions for the breach of the ethical conduct starting from the warning and ending with the dismissal from the service. Though having a code is a commendable achievement, there are many reported instances when codes guiding public managements fail, i.e. do not achieve stated goals. Codes may fail because they raise unrealistic expectations or try to control too much. For Codes to work, they need to have institutional support systems. However, there might emerge multiple authorities with competing responsibilities, which, instead of promoting moral conduct, create confusion.

2.2 Moral consideration in tax management

A code of conduct may present a unique, comprehensive legal text of expected standards of conduct, or a non-prescriptive document that includes desirable standards of conduct, for which non-compliance could be penalized through other measures. The code also provides guidance to the employees, who have to make decisions that have both personal and professional aspects. In other words, a code of conduct is a tool to avoid any professional or business activity that may create a conflict between personal interests and the duties of the tax authorities (Kommer, 2009). Each tax administration should establish a strategy for the development of its own code of conduct and ensure its dissemination, implementation, and promotion through a comprehensive and sustainable integrity programme. The development and implementation of a code of conduct should consider: the organization's mission and values; management's participation in and commitment to the process; the involvement of staff, key focus groups, and unions in the process; the adoption and promotion of preventive measures that provide incentives for professionalism and high standards of conduct; the importance of establishing an office of internal investigation; the need to establish an internal communication strategy for the dissemination of the code of conduct; the need to develop training programmes on the code of conduct; the establishment of mechanisms for employees to raise and resolve ethical dilemmas and questions; relating to the expected standards of conduct; the development and adoption of policies that deal with specific ethical issues, such as discipline, conflicts of interests, harassment, the use of the electronic network, etc. Establishing a code of conduct for tax administrators is mainly based on the following principles which should provide the ethical standards that a tax administrator requires in his relationship with taxpayers and other authorities (Asuquo, Dan & Effiong, 2020b).

Fairness and equity: Fairness and equity require that the law is applied consistently, without bias or prejudice, and that programmes and policies do not discriminate against any taxpayer or employee. Every employee and taxpayer should be treated equally and fairly, given the identity of their circumstances. Transparency: Transparency means that taxpayers should be informed of their rights and obligations. It also means the tax administration must actually be run in the same manner as is

presented externally. Transparency encompasses encouragement of external checks and balances, based on an internal auditing programme, under which the outcomes are communicated with internal and external stakeholders. Transparency also means private interests of managers and employees should be disclosed, as should be the acceptance of any gifts. Finally, transparency is relevant in the recruitment and promotion system within the organization, which has to be based on merit only. Integrity: Integrity may be regarded as steadfast adherence to a strict moral or ethical code. Another interpretation is that the power of the law should be used to conduct the business of the state.

Accountability: Accountability signifies that the tax administration and its individual officials are responsible for their actions. They should report fully and honestly about their actions and conduct. Accountability means that one cannot address an issue to a colleague or another institution without regard to one's own part in the process (Kommer, 2009).

2.3 Moral implication of tax management

Much of the criticisms leveled against tax administrators have been in relation to their advice to taxpayers on tax avoidance, but this is only one aspect of their work. However, differences in types of work will result in different thinking, decision processes and ethical implications. Frecknall-Hughes and Moizer (2015) divided the service provided by tax administrators into two kinds: tax compliance and tax planning/ avoidance advice. Tax compliance work typically involves the preparation of tax computations for submission on the taxpayer's behalf to the relevant tax authorities, and dealing with and resolving any subsequent queries and uncertainties. It involves reporting the economic events that have taken place, with the tax administrator aiming to ensure that the reporting complies with tax statute. While tax legislation may contain grey areas of unclear law, sometimes it is the situation to which the legislation is applied that is ambiguous. The answer will depend on circumstances and on an opinion about what was actually done, so the tax professional may have to make a judgment about how to present information. Moreover, there will inevitably be areas where the figures to be entered in the tax returns are inherently uncertain and need to be negotiated with the tax authorities, as a normal and legitimate part of the process.

2.4 Theoretical framework

2.4.1 The theory of optimal taxation

The theory of optimal income taxation was pioneered by Mirrlees in 1971. In the classical framework initiated by Mirrlees, the theory studies the maximization of a utilitarian social welfare function by benevolent planner who only observes the pretax labor income of agents whose wages differ, but whose preferences are identical. The classical framework has been extended in the last two decades in several directions. On the one hand, many contributions have relaxed assumptions in order to take account, for instance, of multidimensional heterogeneity among agents (Saez, 2001, Choné and Laroque 2010), or to cast the problem in a dynamic framework (Golosov, Kocherlakota, and Tsyvinski 2003). On the other hand, several authors have recently questioned the

ethical foundations of the classical framework and the utilitarian social objective it relies upon.

Unease with the classical utilitarian framework is due to internal and external limitations. First, most of the corpus of optimal tax theory assumes that individuals have identical preferences, which is unrealistic. But defining the utilitarian social welfare function for heterogenous utilities requires scaling the utilities and there is no commonly admitted recipe for this. For instance, Boadway (2012) lists the heterogeneity of individual utility functions as one of the big challenges for optimal tax theory (along with issues of government commitment, political economy, and behavioral phenomena). The assumption of identical utility functions is made more for analytical simplicity than for realism. It also finesses one of the key issues in applied normative analysis which is how to make interpersonal comparisons of welfare. The problem of interpersonal comparisons of welfare cannot indeed be assumed away for the sake of analytical simplicity. When individuals have the same utility function, the main ethical question that has to be settled is the degree of inequality aversion, over which it is not too difficult to perform a sensitivity analysis spanning the various possible value judgments. This is what optimal tax principle/policy has done very well and it is likened to conservation and eco-friendly/cost reduction policies which enhances corporate performance which in turn lead to high corporate tax return to the government. In divergence, when individual preferences differ, interpersonal comparisons involve much more difficult questions, which, in attitude as well as in common reasonableness. This usually addressed in terms of fair provision and sharing of resources or prospects reflections that move the analysis out of the functional border to analysis of vital macro-economic or fiscal variables such as inflation, interest rate with its effect on value of assets, exchange rate risk exposure as it affects corporate performance and subsequent on corporate tax, general price level versus worth of assets of companies. These considerations connect to the second source of dissatisfaction with the conventional structure. It concerns the gap between the normative underpinnings of the theory and the relevant fairness values that seem important in income rearrangement amongst the stakeholders in the economy in order to control inflation rate and exchange rate risk exposures (Asuquo, 2012b; Asuquo, 2012c; Asuquo & Arzizeh, 2012; Asuquo, 2013b; Asuquo, Dan, & Effiong, 2020c; Gaertner & Schokkaert, 2012).

2.4.2 Fiscal deterrence theory

The fiscal deterrence theory which was propounded by Becker (1968) provides the framework for most research in tax compliance manners. Leviner (2009) examined economic deterrence theory in relation to tax compliance as the major approach applied in the United States of America tax administration for over three and a half decades. One of the earliest models of taxpayers' conduct was that of Allingham & Sandmo (1972). The individual is viewed as a utility maximizer of income reporting choice based on economic deterrence theory originated from Becker's (1968) economic of crime work. They were mainly interested in whether higher tax rate generates high or low compliance. Their answer was spontaneous, which indicates the herculean and delicate nature of tax

compliance research (Andreoni, Erard, & Feinstein, 1998). On the other hand, Chauke & Sebola (2016) observed that there are different perspectives of deterrence theory, which include the persuasive and punitive. The persuasive approach takes the form of increased advertising of incentives in instances of being compliant and improving taxpayer education whereas, the punitive approach takes the form of increasing the tax rate or alternatively through the imposition of stronger penalties and increasing the probability of being detected. They added that the economic deterrent theory assumes taxpayers to be moral profit seeking and their activities are influenced by the calculation of costs and the chances that come with it. In this regard, tax compliance conduct under the self-assessment may possibly contend with the moral profit seeking and costs calculation of taxpayers while the integrity of taxpayers might influence them to comply irrespective of their moral profit seeking and costs calculation. Devos (2014), assumed that taxpayers are utility maximizers⁶ in decisions of tax reporting and compliance, where tax evasion was viewed as worthwhile if the financial gains purely outweighed the financial costs. Furthermore, taxpayers' have interest that is contrary to the interest of tax administrators that is to maximize utility.

2.4.3 Fischer model

The initial study carried out by Jackson and Milliron (1986) on tax compliance behavior identified 14 key factors that guide the behavior of tax payer towards administrative compliance. These factors were grouped by Fischer et al. (1992) into 4 different structures in his refined model (Fischer Model) as follows; (i) demographic: which comprises of factors like age, gender and education (ii) non-compliance opportunity: which has factors like income level, income source and occupation (iii) attitudes and perceptions: which constitute factors like fairness of the tax system, integrity, honesty and equity and peer influence and lastly (iv) the tax structure/ system: which constitute factors like complexity of tax system, probability of detection and penalties and tax rates. Thus, Fisher model of tax compliance incorporates economic, sociological and psychological factors into a comprehensive one. In this study, the Fischer model of tax compliance behavior was adopted. This is because the theory gives an exposition on factors such as integrity, honesty and equity as some of the ethical behavior that affect tax administration.

2.5 Pragmatic investigations

Prior studies on tax administrators and ethics rarely define what is meant by 'ethics' in terms of administrator decision making and conduct, taking the term to be self-explanatory from the context of the issues examined. It is evident that ethical issues arise across the full spectrum of administrator's work both compliance and avoidance. Longenecker, McKinney and Moore (1989a) in looking at different ethical conduct between large and small firms of advisers, found that while small firms tolerated overstatement of expenses, evasion of taxes, collusion in bidding and insider trading more than large firms, they expressed more severe views on issues such as faulty investment advice and misleading financial reporting. They surveyed 2156 managerial and professional business personnel to find that respondents under the age of 40 were

significantly more permissive in their views regarding ethics in a variety of situations, including cases of overstating expenses and evading taxes, despite being under no significant pressure to act unethically. Marshall, Armstrong and Smith (1998) suggested that in Western Australia the most important ethical issue is a failure to ensure confidentiality in regard to privileged client information, with inadequate technical competence, failure to make reasonable enquiries/conduct research, continuing to act for a client where there is incorrect information and conflicts in distinguishing between tax planning and tax avoidance also emerging as frequent and important issues.

Stainer, Stainer and Segal. (1997) comment on the empirical studies that have been undertaken in respect of ethical issues in taxation from the standpoint of the tax adviser, generally highlighting the controversial nature of some tax planning/ avoidance practices. The issue of increasingly aggressive tax avoidance (that is, the willingness of tax administrators to adopt reporting positions or promote avoidance schemes which challenge revenue authorities' own interpretation or application of tax law) over time has become a predominant theme. Cruz, Shafer and Strawser (2000) looked at hypothetical cases involving client pressure to adopt aggressive reporting positions, and the extent to which administrators' responses could be measured using the multidimensional ethics scale as consistent with five ethical philosophies (moral equity, contractualism, utilitarianism, relativism and egoism). They found that practitioners' ethical judgments and self-reported developmental intentions were primarily affected by the moral equity and contractualism dimensions while failing to observe a consistent relationship between the utilitarianism dimension and either ethical judgments or interactive intentions. Nienaber (2010) examined the factors that could influence the ethical comportment of tax administrators. The author opined that in an attempt to enhance the core administrative values of tax practitioners in South Africa, the South African Revenue Service has proposed the regulation of tax practitioners' services and the simplicity of tax administration. A literature review was conducted to identify factors that could influence the moral manners of tax administrators, and numerous possibilities emerged. A survey method was used to gather data for the study. It was therefore recommended that if regulation is to be successful, caution should be exercised in writing a code of best practice for tax administrators it was concluded that the simplicity of tax returns is one of the ethical factors that could influence the conduct of tax administrators in South Africa.

Frecknall-Hughes, Moizer, Doyle and Summers (2017) examined how ethics influences the work of tax practitioners. As a contribution to the continuing debate about tax administrators' ethics, the paper explores the main streams of western ethical thought that are relevant to tax practitioners' work. It considered the impact of such ethical influences on the professional ethical codes of conduct that govern tax practitioners' work with specific reference to the UK and Ireland, and attempts to unravel the complex work and ethical environment of the practice of tax in terms of tax compliance and tax avoidance. MANOVA analysis of each unambiguous scenario was undertaken and the findings revealed that ethical behavior such as tax knowledge and tax payers' integrity influences the activities of tax administrators. Brederode (2020) studied why ethics matter

in taxation, and the author provided an overview of moral consideration in tax administration within the framework of a general, but necessarily short, theoretical treatise on the interaction of morality and taxation, touching topics such as the philosophical justification of taxes, the obligation to pay and the morality of tax avoidance and planning, voluntary compliance, and tax law enforcement and its ethical challenges. Using a descriptive study, it was concluded that ethical behavior matter in tax administration compliance. Wenzel (2017) investigated whether tax ethics and social norms constitute true motivations for tax compliance, or whether they are mere rationalizations of self-interested conduct. Cross-lagged panel analyses were applied to data from a two-wave survey with 1161 Australian citizens. First, results showed that tax ethics causally affected tax compliance and were affected by levels of compliance. Second, perceived social norms causally affected personally held tax ethics, but only for respondents who identified strongly with the respective group. At the same time, personal ethics were also projected onto the perceived normative beliefs of the social group. Third, perceived norms causally affected tax compliance, partly mediated by their effect on personal ethics. Conversely, tax compliance also affected the perception of norms. Overall, the study provides evidence for a complex role of individual ethics and social norms in taxpaying conduct.

Alm and Torgler (2012) examined ethical matter, tax compliance and morality. They argued that the puzzle of tax compliance can be explained, at least in part, by recognizing the typically neglected role of ethics in individual behavior; that is, individuals do not always behave as the selfish, rational, self-interested individuals portrayed in the standard neoclassical paradigm, but rather are often motivated by many other factors that have as their main foundation some aspects of ethics. It was argued that it is not possible to understand fully an individual's compliance decisions without considering in some form these ethical dimensions. Specifically, they argued that there is much direct and indirect evidence that ethics differ across individuals and that these differences matter in significant ways for their compliance decisions. The authors concluded by arguing that a full dose of compliance strategies is needed to combat tax evasion, which include the traditional enforcement paradigm suggested by and consistent with neoclassical theory, a less traditional service paradigm that recognizes the important role of a kinder and friendlier tax administration in encouraging compliance, and, importantly, a new trust paradigm that is built on the foundation of ethics, in which the tax administration must recognize that it can erode the ethics of taxpayers by its own decisions.

Visockaitė and Birškytė (2013) investigated the perceptions of ethical problems in Lithuanian tax administration from the point of view of both taxpayers and tax administrators. A questionnaire reflecting the statements of the ethical code was designed. A group of taxpayers and a group of tax experts filled the questionnaire reporting their evaluation of practical implementation of the principles of tax administrator's ethical conduct. The questionnaire was supplemented by personal in-depth interviews to find out the perceptions of what rules of ethical behavior might have been broken in the process of tax collection. Results indicate that taxpayers are less critical

in evaluating ethical behavior of tax administrators than tax administrators evaluate themselves. It was found that tax administrators are harsher in judging the ethical behavior of their colleagues and themselves, and also have more proposals to improve co-operation between taxpayers and tax administrators.

Anyaduba and Oboh (2019) examined the determinants of tax compliance conduct under the self-assessment scheme in Nigeria. A non-random stratified sampling technique was used to evaluate taxpayer ethical conduct. Data was also gathered using questionnaire from three of the six geopolitical zones in Nigeria, namely South-South, South-West and North central zones respectively, resulting in 550 respondents which were analyzed. The results showed that fairness and objectivity in tax returns had a positive and significant impact on tax compliance conduct under the self-assessment scheme in Nigeria. Simplicity of tax administration and returns, tax knowledge and taxpayers' integrity had a positive but not significant impact on tax compliance conduct under the self-assessment scheme in Nigeria. The study recommended that the tax authorities should enhance the capacity of tax audit and ensure that there are sufficient tax officials to facilitate tax audit exercise, create greater awareness of the various offences and penalties through the mass media and undertake an upward review of extant penalties.

Fagbemi, Uadiale and Abdurafiu (2010) examined the ethics of tax evasion with perceptive evidence from Nigeria. The study was directed towards understanding the conduct 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 tax administrator is corrupt is significantly higher than when it relates to other views expressed on administrator's discrimination, unjust treatment and tax affordability. There are indications from the study that the various arguments that respondents gave to justify tax evasion include administrators' corruption, unfair treatment of citizens, tax affordability and unfavorable tax system. This shows that the responsiveness of tax administrators in terms of accountability, human right treatment and optimal tax rate play a significant role in the payment of taxes. The tax administrators and other policymakers should find the results of the study useful in discouraging wrong moral conduct through the punishment of offenders and instigate appropriate honest measures in developing tax policies aimed at minimizing tax evasion.

3. Methodology

3.1 Research design

The design adopted in this study was an ex post facto design. This is because the events had already taken place before the investigation is carried out. The ex-post factor design uses descriptive survey to systematically collect data from a population and explores the relationship between the dependent and independent variables. Here questionnaire was

administered to staff of Cross River State Internal Revenue Service and some selected tax payers by asking questions to collect data for the study.

3.2 Population of the study

The population of this study comprised of all the staff of Cross River State Internal Revenue Service and some tax payers totaled 5,300.

3.4 Sampling procedures and sample size determination

The simple random sampling technique was employed for the study. Simple random sampling is a type of probability sampling in which the researcher randomly selects a subset of participants from a population. Each member of the population has an equal chance of being selected. Data is then collected from as large a percentage as possible of this random subset. The Taro Yamane formula was applied to the population to determine the sample size which was 372. The Yamane formula was given as:

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

Where

n = sample size;

N = population;

1 = constant;

e = error limit (0.05)

3.5 Sources of data and collection method

Data for this study was gathered from primary sources, which consist of the questionnaire and interview. The questionnaire was designed using the five Point Likert-scales and administered on the population of the sampled staff. Interviews were conducted for the top management to the line staff in the functional areas of the organization. Also, an observation guide was prepared and used in gathering data. Finally, information on ethical behavior and tax administration were sourced from journals, textbooks and the world-wide web.

3.6 Research instrument

A structured questionnaire was designed with an interview guide with the aim of obtaining data on ethical behavior and tax administration. The questionnaire was categorized into two sections. Section A contained information/bio data of respondents while section B captured core questions on the proxies of ethical behavior and tax administration. The responses were measured on a five-point Likert-scale of Strongly Agree (SA), Agree (A), Undecided (U), and Disagree (D) and Strongly disagree (SD).

3.6.1 Validity of the instrument

Validity refers to the degree to which an instrument measures what it is intended to measure or the extent to which a true and accurate measure of a trait is possible. In order to ensure content and face validity of the research instrument, the questionnaire was designed and structured to cover all the interest areas of the study. Afterward, it was reviewed by the researcher's supervisor and other lecturers in the Department of Accounting and by extension Faculty of Management Sciences at the University of Calabar, Cross River State for corrections and criticism. On the basis of this, changes were made accordingly to some of the questions.

3.6.2 Reliability of the research instrument

Reliability refers to the degree of consistency an instrument demonstrates in measuring what it does. To ensure the reliability of the research instrument, the survey questionnaire was tested in order to determine if the scale consistently reflects the construct it is measuring. This will be achieved based on a pilot study conducted using the test-retest method carried out in tax officers in Akpabuyo and Calabar South, Cross River State. One hundred copies of questionnaire were administered on one hundred tax administrators and tax payers in the two local governments. Two weeks later, the same set of questionnaire instrument was administered to the same set of respondents who participated in the first test. The central objective of this test was to determine the consistency of their responses to the questionnaire items. To compute the Cronbach alpha reliability coefficient, the individual scores for the items in section B of the questionnaire was scored, coded and imputed into the Statistical Package for Social Science (SPSS) software version 21 to determine the Cronbach alpha reliability index of the instrument. A high reliability was indicated by a high Cronbach alpha index. According to Asika (2004), a Cronbach alpha coefficient of at least 0.80 will be acceptable and the instrument will be considered to have a high reliability and therefore fit for the purpose of collecting data for the study.

3.7 Data treatment techniques

Data collected from the field will be edited for legibility, accuracy, completeness and conformity with the objectives of the study using simple tables and percentage. The data will be analyzed using descriptive statistics while the multiple regression analysis will be used to test the hypotheses at 5 percent level of significance. This is due to the fact that the study seeks to establish the effect of moral conduct on tax administration. In view of this, the regression analysis was the appropriate statistical tool because it tests the extent of effect between two or more variables. To conduct the qualitative research, two groups of experts were selected for interviews. One group represented taxpayers, whereas another group represented tax administrators. The respondents were given questions and asked to evaluate implementation of principles of moral conduct of the tax administrators. The interviews were followed by an analysis of compatibility of the expert evaluations and measurement of expert competences. The estimations were based

on some of the ethical principles such as fairness, integrity, equity and honesty to the state and its institutions. The gathered data was analyzed using Eviews 9.

3.8 Model specification

A model represents a simplified representation of real life phenomenon or situation (Ryan, 2009). The multiple regression models will be used to test tax equity, integrity, fairness and honesty on tax administration. The reason was to ascertain the effect of the independent variables on the dependent variable in order to determine whether they are good predictors. The multiple regression model was presented thus:

$$\begin{aligned}
 Y &= a + bx + \varepsilon && \text{(i)} \\
 Y &= f(x) && \text{(ii)} \\
 Y &= \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon && \text{(iii)} \\
 TA &= \alpha + \beta_1 TAE_1 + \beta_2 TPI_2 + \beta_3 TAF_3 + \beta_4 TAH_4 + \varepsilon && \text{(iv)}
 \end{aligned}$$

Where

($\alpha, \beta_1, \beta_2, \dots, \beta_4 \neq 0$) are regression coefficients.

TA = Tax administration.

TAE = Tax equity

TPI = Tax payers' integrity;

TAF = Tax fairness;

TAH = Tax honesty;

ε = error;

β = slope;

A = constant.

4. Analysis and presentation of results

4.1 Analyses of the respondents' demographic data

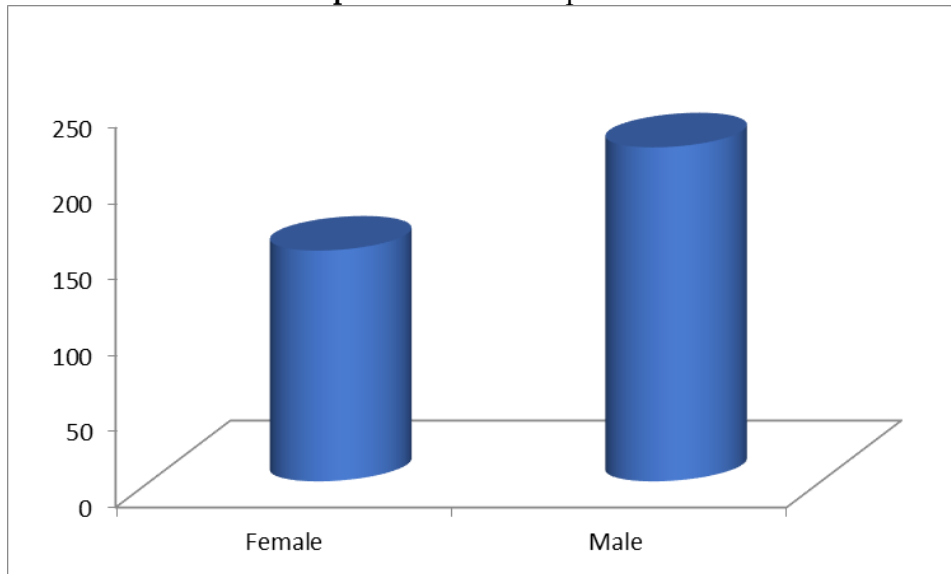
The tables below show the summary of the responses on the personal data of the respondents.

Table 4.1: Sex distribution

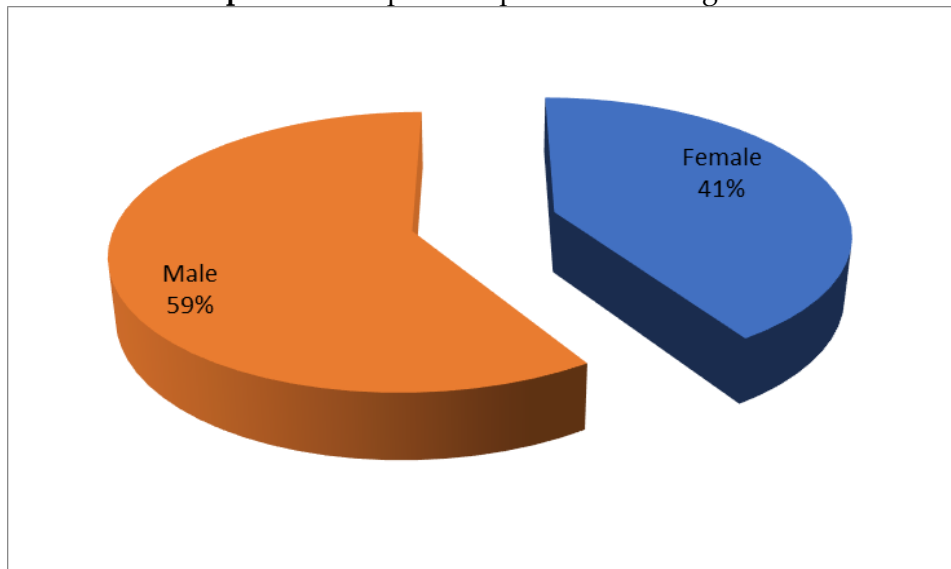
| Response | No. of respondents | Percentage (%) |
|----------|--------------------|----------------|
| Female | 152 | 40.9 |
| Male | 220 | 59.1 |
| Total | 372 | 100 |

Source: Field survey, (2021).

Graph 4.1a: Sex of respondents



Graph 4.1b: Graphical representation of gender



Source: Field Survey, 2021.

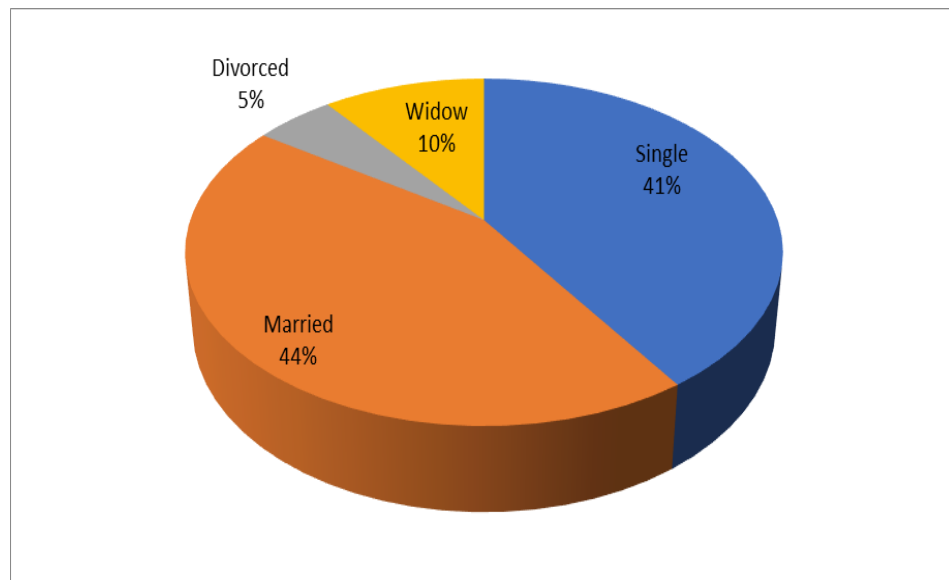
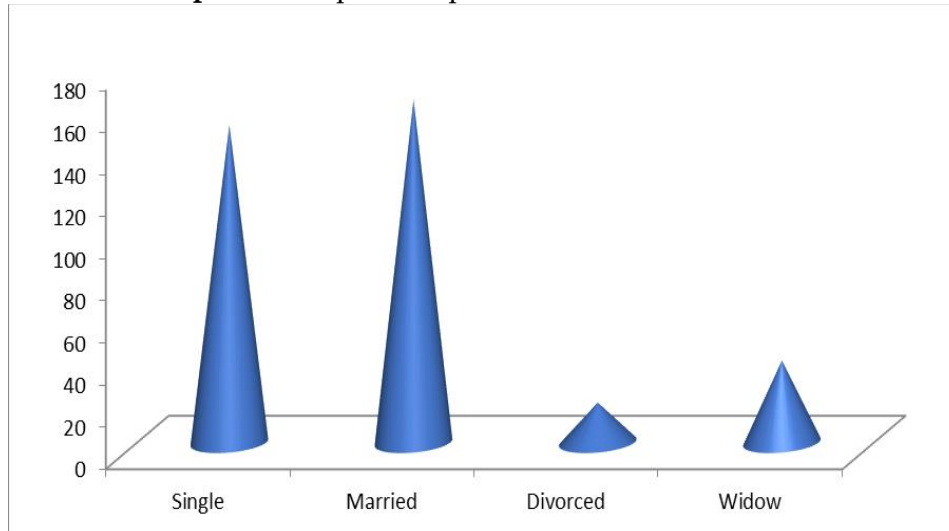
Table 4.1a,b and graph 4.1 shows the gender of the respondents. Of the three hundred and seventy-two (372) respondents, two hundred and twenty (220) were male which represents fifty-nine percent (59%) of the total respondents; while one hundred and fifty-two (152) were female which represents forty-one percent (41%) of the total respondents. The implication of this is that most of the respondents were male.

Table 4.2: Marital Status of Respondents

| Response | No. of respondents | Percentage (%) |
|--------------|--------------------|----------------|
| Single | 151 | 40.6 |
| Married | 163 | 43.8 |
| Divorced | 19 | 5.1 |
| Widow | 39 | 10.5 |
| Total | 372 | 100 |

Source: Field survey, (2021).

Graph 4.2: Graphical representation of marital status



Source: Field survey, 2021.

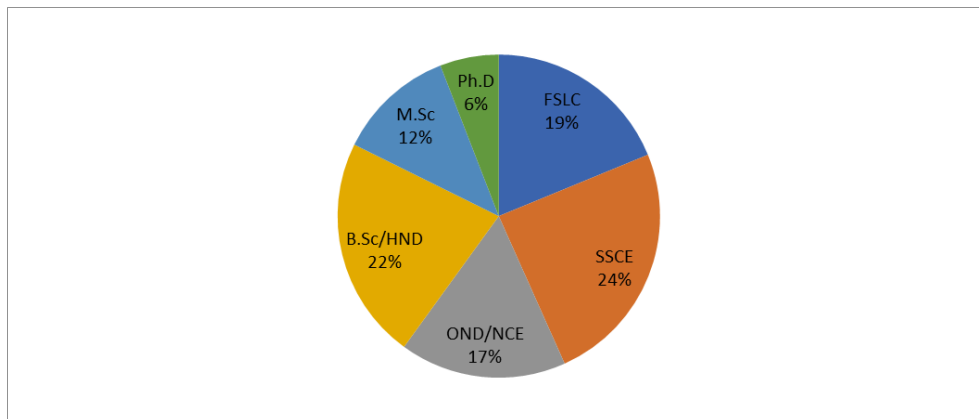
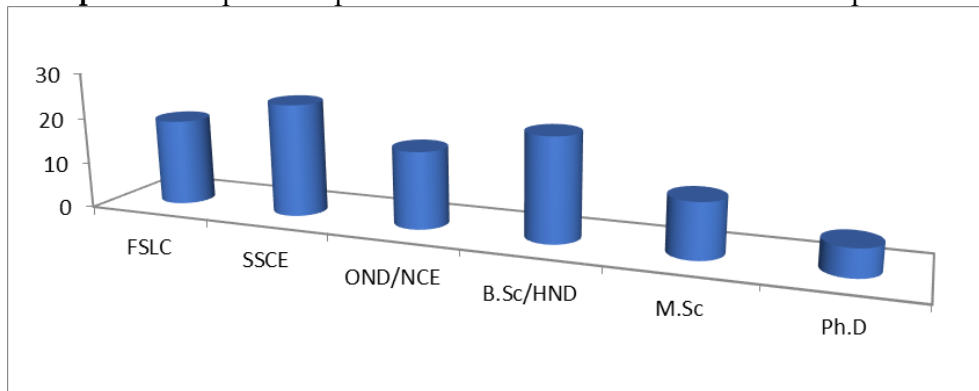
Table 4.2 and graph 4.2 show that one hundred and sixty-three (163) members of the respondents are married, which represents forty-four percent (44%) of the total respondents; while one hundred and fifty-one (151) respondents which represents forty-one percent (41%) of the total respondents are single. Thirty-nine (39) and nineteen (19) respondents representing ten (10%) and five (5%), respectively are widows and divorcees.

Table 4.3: Educational qualification of respondents

| Response | No. of respondents | Percentage (%) |
|--------------|--------------------|----------------|
| FSLC | 70 | 18.8 |
| SSCE | 91 | 24.5 |
| OND/NCE | 62 | 16.7 |
| B.Sc/HND | 83 | 22.3 |
| M.Sc | 44 | 11.8 |
| PhD | 22 | 5.9 |
| Total | 372 | 100 |

Source: Field survey, (2021).

Graph 4.3: Graphical representation of educational status of respondents



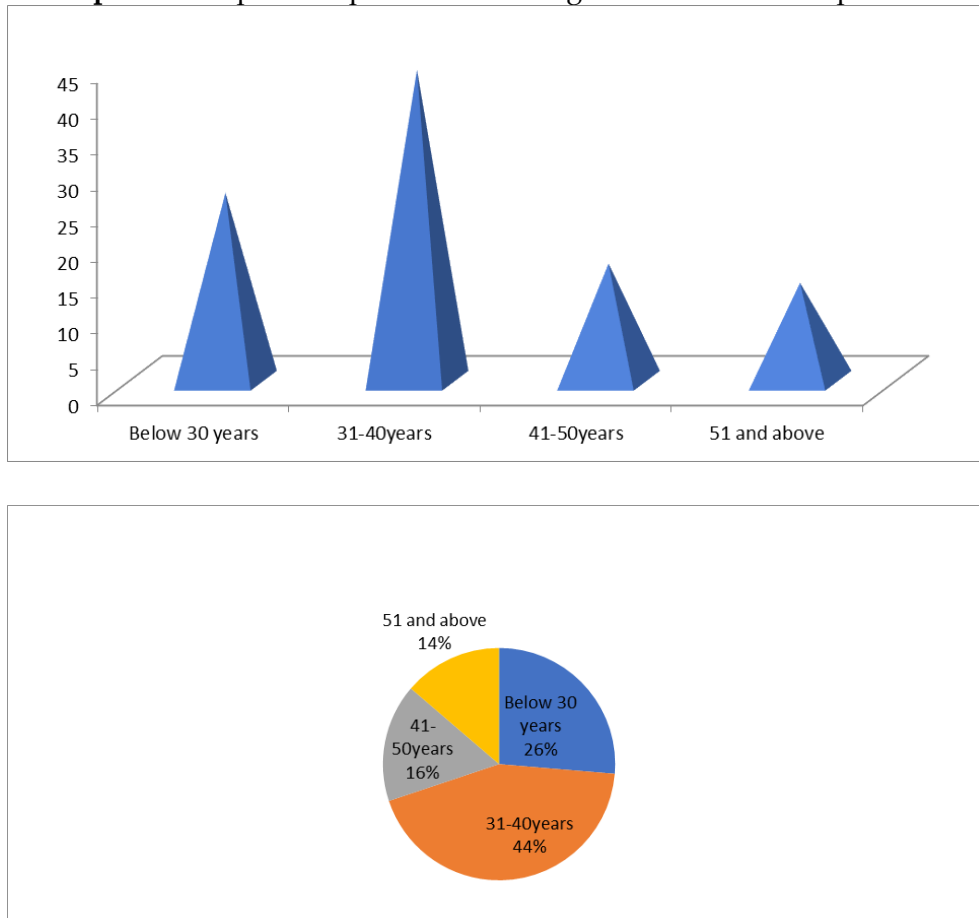
Source: Field survey, 2021.

In terms of educational level, table 4.3 and graph 4.3 shows that 91 respondents (24%) had SSCE; followed by 83 respondents (22%) that had completed their HND/B.Sc. 70 respondents (19%) had FSLC, 62 respondents (17%) had OND/NCE while 44 (12%) and 22 (6%) respondents have completed their master's and doctorate degrees respectively.

Table 4.4: Age of respondents

| Response | No. of respondents | Percentage (%) |
|----------------|--------------------|----------------|
| Below 30 years | 98 | 26.3 |
| 31-40years | 162 | 43.5 |
| 41-50years | 61 | 16.4 |
| 51 and above | 51 | 13.7 |
| Total | 372 | 100 |

Graph 4.4: Graphical representation of age distribution of respondents



Source: Field survey, 2021.

With respect to age of the respondents, table 4.4 and graph 4.4 shows that 98 respondents (26%) were thirty years or below, 162 respondents (44%) were between thirty-one years to forty years, 61 respondents (16%) were between forty-one years to fifty years, while 51 respondents (14%) were between fifty-one years and above.

4.2 Analysis of regression results

The regression result of the various constitutes of ethical behaviour such as tax equity, tax payers' integrity, tax fairness as well as tax honesty and tax administration is presented below.

Table 4.5: Regression results

| Dependent Variable: TA | | | | |
|------------------------|-------------|------------|-------------|--------|
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 0.033066 | 0.015245 | 2.168973 | 0.0087 |
| TAE | 0.506519 | 0.028138 | 18.00153 | 0.0000 |
| TPI | 0.024671 | 0.010658 | 2.314787 | 0.0034 |
| TAF | 0.009191 | 0.002131 | 4.311583 | 0.0041 |
| TAH | 0.490314 | 0.026500 | 18.50232 | 0.0000 |
| R-squared | 0.915896 | | | |

| | | | |
|--------------------|----------|--------------------|----------|
| Adjusted R-squared | 0.905851 | | |
| F-statistic | 22144.37 | Durbin-Watson stat | 2.002535 |

Source: Author's statistical analysis (2021).

The equation regressed TA (tax administration) on a set of ethical variables such as tax equity, taxpayers' integrity, tax fairness and tax honesty. Thus, from a careful examination of the regression results and related statistics the following facts emerged: The coefficient of the constant term is 0.033. The associated t-value is 2.16. The constant term is statistically significant at 5% percent level, implying that at zero performance of the independent variables, TA (tax administration) will increase by 0.033%. The regression coefficient of TAE (tax equity) carries a positive sign, and the t-value is statistically significant at 5% level of significance. This is confirmed by the P-value of the t-statistics for TAE which indicated 0.0000. The level of significance [0.05] is greater than the p-value [0.0000]. This implies that tax equity will enhance the efficiency of tax administration in Nigeria. The a priori test is in line with the findings as the ease in tax equity will help promote efficient tax administration.

The regression coefficient of TPI (tax payers' integrity) carries a positive sign and the t-value is statistically significant at 5% level of significance. This is confirmed by the P-value of the t-statistics for TPI which indicated [0.0034]. The level of significance [0.05] is greater than the p-value [0.0034]. This implies that ethically tax payers' integrity will enhance tax administration in Nigeria. The a priori test is in line with the findings as improvement in tax payers' integrity will enhance tax administration in the country. The regression coefficient of TAF (tax fairness) carries a positive sign and the t-value is statistically significant at 5% level of significance. This is confirmed by the P-value of the t-statistics for TAF which indicated [0.0041]. The level of significance [0.05] is greater than the p-value [0.0041]. This implies that ethically, effective tax fairness enhances the administrative status of taxation in Nigeria. The a priori test is in line with the findings as improvement in tax fairness has significant impact on tax administration in the country. The regression coefficient of TAH (tax honesty) carries a positive sign and the t-value is statistically significant at 5% level of significance. This is confirmed by the P-value of the t-statistics for TAH which indicated [0.0000]. The level of significance [0.05] is greater than the p-value [0.0000]. This implies that ethically, honesty of tax payers enhance the administrative status of taxation in Nigeria. The a priori test is in line with the findings as enhancement in tax honesty has significant impact on tax administration in the country.

The adjusted R² of 0.905851 is instructive and indicates a good fit for the model. Simply put, about 91 percent of the total variation in tax administration (TA) is accounted for by tax equity, taxpayers' integrity, tax fairness and tax honesty in the model. The value of Durbin Watson (DW) is 2.002. The tabulated DW at 5% level of significance using 372 observations indicated that lower limit of Durbin Watson statistics is 1.75 while the upper limit is 1.77. The calculated value (DW) = 2.002 is greater than the upper limit (Du) = 1.77, hence there is no evidence of autocorrelation. The F-statistic which shows the overall significance of the model indicates that the model is reliable with a coefficient of 22144.37.

Hence, the model can be relied upon in predicting the influence of the explanatory variables on the dependent variable.

4.3 Discussion of findings

The data for the study were tested with multiple linear regression analysis to determine the nexus between the ethical behaviour of tax payers and tax administration. The result revealed that tax equity, taxpayers' integrity, tax fairness and tax honesty affect tax administration in Nigeria. This finding is in tandem with the views of Nienaber (2010) who asserts equity in taxation is one of the ethical factors that could influence the conduct of tax administrators. The result on the relationship between tax payers' integrity and tax administration revealed that tax payers' integrity has much impact on the administrative nature of taxation. The finding corroborates the views of Frecknall-Hughes, Moizer, Doyle and Summers (2017) who opined that ethical behaviors such as tax knowledge and tax payers' integrity influences the activities of tax administrators. On the linear relationship between tax fairness and tax administration it was found that fairness influence tax administration. The findings affirmed the views of Anyaduba and Oboh (2019) that showed that fairness had a positive and significant impact on tax compliance conduct in Nigeria. The nexus of tax honesty and tax administration shows that tax offences and penalties influence tax administration in Nigeria. The findings corroborate with the views of Fagbemi, Uadiale and Abdurafiu (2010) examined the ethics of tax evasion with perceptive evidence from Nigeria. They opined that tax administrators should discourage wrong ethical behavior through the punishment of offenders and imbibe honesty and dutifulness in developing tax policies aimed at minimizing tax evasion and avoidance.

5. Conclusion

It is clear that many factors influence the ethical conduct of the tax administrator, ranging from tax equity, taxpayers' integrity, tax fairness and tax honesty to remit their tax liabilities. For countries with a weak tax effort like Nigeria, the policy implication is that every effort needs to be made to expand the tax base and to apply and enforce rates of tax which bring more yield consistent with the traditional canons of taxation: equity, efficiency and administrative convenience. In many developing countries including Nigeria, the tax system is neither equitable nor efficient, and is administratively cumbersome. Moreover, individual tax laws need to adhere to ethical internal and external standards, i.e., general legal principles such as equal treatment and principles imminent to a given tax, derived from its legal character. The moral quality or fairness of tax law is important because it determines the reach of the obligation of the constituents to pay taxes and the level of voluntary compliance. Tax law enforcement is important to ensure an adequate level of voluntary compliance, but methods used need to be balanced and proportional. The power to tax is intrusive and needs to be balanced by adequate taxpayers' rights and protections, which is vital in a global environment of digitalization and automatic information exchange.

5.1 Recommendations

Predicated on the findings of the study, the following recommendations are made: Great care should be taken in developing a code of best practice for tax administrators to ensure that all the ethical factors are effectively addressed within this code for efficient tax system; the public authorities and tax administrators should encourage taxpayers' knowledge and integrity through the provision of quality infrastructural facilities and other incentives to enhance its revenue generation. The motivation of tax payers through the provision of public goods and services will help to encourage them to remit their tax liabilities and hence improve on their moral deeds for efficient tax administration; individual tax laws need to adhere to ethical internal and external standards, such as equal treatment and principles imminent to a given tax, derived from its legal character to prevent fraudulent practices as argued by Asuquo, Dan & Effiong (2020b). The moral quality or fairness of tax law is important because it determines the reach of the obligation of the constituents to pay taxes and the level of voluntary compliance; the tax system should be fair and objective. High level of literacy and administrative capability should be enhanced through adequate sensitization and awareness on the part of the taxpayers, while the administrative competence of the tax collectors should be appropriately enhanced and a good welfare package, remuneration and guaranteed pension scheme should be established for tax collector ensure high productivity towards the development of efficient tax system; the government administrative approach toward tax compliance must address ethical conduct in devising policies to ensure compliance by motivating the collectors through good reward and pension scheme then the payers through provision of social amenities and tax incentives (Asuquo, Akpan, & Tapang, 2012; Asuquo, Tapang, Effiong, Linus, Uklala, & Duke, 2021). Consequently, a compliance strategy based only on detection and punishment may well be a reasonable starting point for tax administration. Hence, there is need for a multi-faceted administrative approach that emphasizes honesty, and also emphasizes the much broader range of actual motivations, including ethics, that explain why people pay taxes; it is essential to foster the culture of tax administration which is based on equal horizontal relationships between the taxpayer and the tax administrator, leading towards a timely collection of taxes by appealing to tax payers' conscience, social duty and using positive encouragement instead of ruthless enforcement; the tax authorities should increase the capacity of tax audit and awareness. This should be regular at least once annually. Tax authorities should create more awareness of offences and penalties through the mass and social media, and take advantage of this platform to create awareness; and the penalty rate needs upward review to deter taxpayers from tax savings due to noncompliance with the tax laws; and tax enforcement should be strengthened because weak enforcement encourages tax noncompliance.

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Conflict of Interest Statement

The authors declare no conflicts of interests.

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