

## Minimizing Tax Evasion and Avoidance in Personal Income Tax Administration in Plateau State

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### **Abstract**

*The paper examines the twin problems of tax evasion and avoidance and their consequences on revenue generation in Plateau State. Conceptual and theoretical issues were critically reviewed. Data were gathered through questionnaire administered to 50 tax officials and 125 self-employed tax payers drawn using purposive sampling method. The analysis involve the use of percentage, Anathematic means and standard deviation applying the central limit theories. Several factors were identified as been responsible for the high level of tax evasion and avoidance prominent among them being high tax rates/multiple taxation, lack of authorities, lack of public enlightenment and poverty. The ways tax evasion and avoidance are perpetrated were identified to include the failure to keep adequate records, claiming of fictitious dedications and concealment of profits. The study recommended harmonization and codification of all tax laws to reduce multiplicity of taxes, strengthening of tax enforcement machinery, collaboration with opinion leaders (traditional rulers) by sensitizing the citizens on standardized assessment system as well as ethical re-orientation to sustain fiscal transparency.*

**Keywords:** Tax evasion and avoidance, multiple taxation, standardized assessment, taxpayers

**JEL Classification Codes:** H26; H20; L15; H29

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### INTRODUCTION

Tax evasion and avoidance problems have generated a considerable interest and concern to the governments and finance experts recently; this is because of their socio-economic implications and the effects on government revenues and fiscal viability in the long run. According to Asada (1997) in Bassey (2014), it has long been evident that personal income tax in Nigeria has remained the most unsatisfactory, disappointing and problematic of all the taxes in the tax system today. In spite of the fact that tax reforms have of recent been a key element in economic reform which the country had undergone. A well organized society, say a country or state government owes some fundamental obligations to the people it governs, these obligations are in the forms of provisions of basic social amenities such as good roads, health, security of lives and properties, shelter, good water and others, the citizens on their own part are expected by the government to make equitable contribution in the form of tax. It is against these background that government levy taxes on its citizenry to pursue the above stated objectives it owes to the people.

The above assertion suggests that tax payers over the ages have demonstrated unpatriotic act through such means as concealment of profit and inference with revenue agents through corrupt practices, therefore, personal income taxation in Nigeria requires radical handling to ensure that large chunk of the taxable population

does not escape tax. Taxes have period because there is no choice (consider the pay-as-you-earn PAYE), due to the requirements of tax clearance certificates and, in most cases because of coercion by the government (use of task force and personnel), as a condition for recurring public sector benefits or social services rendered by the government even before attempting to contest elections, therefore, the desires to uplift one's society is the first desire of every patriotic citizen, the patristic citizen, however, pay taxes because it is a civic responsibility and for others because they want the government to succeed. This is perhaps due to the fact that the pace of development and growth in any economy is closely tie to taxes compliance rate. The payment of taxes is a civic duty and an imposed contribution by government on her subjects and companies to enable her finance or run public utilities as well as perform other social responsibilities. Taxes, thus constitutes the principal sources of government revenue, an effective tax system ought to satisfy the twin purpose of raising maximum revenue and at the same time encourage production. In an effectively managed tax system, the two purposes are not inconceivable provided the beneficial effect of government expenditure and incentives for production exceed the unfavorable effect of taxation. Adenkrah (2011) posits that an effective tax system aside from maximizing revenue for development, ought, if well structured and managed elicit a feeling of common

purpose, joint responsibility or obligation amongst the taxable persons in a state or a country.

However, one of the greatest problems facing the Nigerian tax system is the problem of tax evasion and avoidance, while tax evasions is the willful and deliberate violation of the law in order to escape payment of tax which is unquestionably imposed by law of the tax jurisdictions, tax avoidance is the native means by which the taxpayer seeks to reduce or revenue altogether his ability to tax without actually breaking the law. This "Twin devils' have created a great gulf between actual and potential revenue, the government has for the umpteenth time complained to the widespread incidence of tax avoidance and evasion in the country as companies and other taxable persons employ various tax avoidance devices to escape or minimize their taxes or deliberately employ fraudulent ways and means of evading tax altogether sometimes with the active connivance of the tax officials as pointed out by Likita (2013), since tax is a principal sources of government revenue, if persons are able to escape by legal or illegal means the tax to which they should logical be subject under the general scope of the tax, the theoretical equity of the tax to a long measure is lost. Tax evasion and avoidance no doubt deny any government the tax revenue, which result in a gap between the potential and actual tax collection, the major problem lies in the collection of taxes especially from the

self-employed such as the businessmen, contractors, professional practitioners like lawyers, Doctors, Accountants, Architects, and traders, Hence, the poser raise is on the efficiency and effectives of tax and tax Administration in Plateau State in particular, and Nigeria, in general with references to personal income tax amidst globaleconomic recession.

This paper is therefore aimed at investigation the causes of tax evasion and avoidance as it relates to personal income taxation and why despite concerted efforts by government, the problem of tax evasion and avoidance still persist. The objectives is to make suggestions for improve and a more efficient and effective system of tax collection, thereby, minimizing tax evasions and avoidance visa vis boosting of informally generated revenue in Plateau State and the country at large. It must be noted that the study focuses on tax evasion and avoidance as relating to personal income tax, using Plateau State as basis for inference on the whole country personal income tax system since the machinery, framework and components are the same for all states of the federation.

## **REVIEW OF RELATED LITERATURE**

### **Conceptual Framework**

Tax is sometimes defined as compulsory levy by the state on the citizens (Oladeji 2012). While Jones in Micheal (2011) defined tax as the charges imposed on a person, property or business payable to the state or local authority. Ogboru (2012) also

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sees tax as a compulsory levy imposed by the government on individuals and business firms and paid by them to the government. It is a special kind of payment in that it is compulsory and benefits for payment do not necessarily correspond (in magnitude) to the amount of tax paid. Tax could be direct or indirect. It is also classified into progressive, proportional and regressive. A good tax system should meet the principle of certainty, neutrality, flexibility, adequacy, equity, convenience, economic and administration (FIRS 2014). A means by which governments finance their expenditure by imposing charges on citizens and corporate entities (Mailafia 2011), government use taxation to encourage or Discourage certain economic decision, for example reduction in taxable personal (or household) income by the amount paid as interest on home mortgage loans results in greater construction activity and generates more jobs.

Government all over the world charge taxes, this is because taxation has being a very useful tool that can effectively be used for various purposes or reformation (Batagarawa 2014). Taxes are sources of revenue and can be used to discourage consumption of certain goods impact restrain, a careful balancing act to smoothen or even out slumps and booms, that is a characteristics of developing economies. Taxes are further used to induce and encourage nationally desirable economics activities through tax incentive to promote the Development of backward areas of an

economy. Moreso, taxes are used to redistribute income, protect infant/domestic industries as well as controlling inflation (Gizo 2013).

Taxation in Nigeria evolved through the various reformation processes the country witnessed (Popoola 2013). This reformation can be grouped into pre-colonial era, the colonial era and post independence periods. The Nigeria tax system in the pre-colonial era can at best be traced in the native customs examples in the West-Obas were paid "Isakole" in the North there was Zaka and community services which were common for development of society. There was no discernable taxation system in the East then. Tax was mainly not in monetary form but in kind in the form of food stiff, natural wealth and personal services (Dan-Ali 2010).

After colonization, the British Colonial government impressed by the well-organized system of taxation in the Northern part of Nigeria, consolidated all the taxes in operations under "land revenue proclamation law" of 1904 the colonial government found it difficult to enact any law in the southern part of the country due to the unorganized tax structure in the part of the country. In 1917, Native revenue ordinance was enacted after the 1914 amalgamation of northern and southern protectorates.

The east was not used to taxation and the colonial masters could only introduced personal income tax in that region in 1927 which was seriously resisted through the

Aba woman riot of 1929 (Micheal 2010). Soyode and Kojola (2014) Defined tax evasion and avoidance as a deliberate and willful practice of not disclosing full taxable income so as to pay less tax and as a contravention of tax due to reduce tax liability by making fraudulent or untrue claims on income tax form but acceding to Gyang (2013) tax evasion and avoidance is the use of illegal methods to educe or completely dodge one's tax liability e.g. Misstating or Omitting source of one's income it is also regarded as failure to pay one's tax or reduction of one's tax liability through illegal returns or failure to make returns or even failure to make reforms or even failure to pay tax on time.

In 1939, the first companies income tax Act were promulgated in 1940, all tax ordinance from 1904 to 1940 were consolidated into the direct taxation ordinance No 4 of 1940 and income tax ordinance No. 3 of 1940 which was repealed in 1943 with a more comprehensive income tax ordinance, when Nigeria, become a federation in 1954, the Pay-As-You-Earn (PAYE) was introduced. After independence, three (3) major tax laws were passed as part of constitutional reforms these were.

- i. Federal Income tax act (FITA) in 1961.
- ii. Income tax management act (ITMA) 1961, and
- iii. Companies income tax act (CITA) 1961.

In 1967, capital gains tax was enacted, Federal Board of Inland Revenue was established in 1985 following Raisman Commission's report, at present, the following are the various laws governing taxation in Nigeria, personal income tax decree (PITD) No 104 of 1993 as amended, companies income tax act (CITA) Cap 60 LFN 1990, capital Gains tax act (CGTA) Cap 42 LFN 1990, Petroleum Profit tax act (PPTA) No 102 of 1993, Industrial Development (Income tax Relief) Act (IDA) Cap 179, IFN 1990, value Added tax act (VAT) No 102 of 1993 and Education tax decree (ETD) No.7 of 1993.

All these laws are now being codified to what is now called "The Nigerian tax laws" from the provision of 1999 constitution; the Administration of taxation Nigeria is the responsibility of the Federal, State and Local Government. The Federal tax authority is the Federal Inland revenue services (FIRS) each state also has Board to internal revenue while each local government has a revenue committee, there is also a joint tax board that is charge with the responsibility of harmonizing the practice of taxation and promoting uniformity throughout the country of tax matters. There are basically two categories of taxpayers in Nigeria.

- i. Employed people, that is employee under the government and companies.
- ii. Self-employed people otherwise know as "trade" this is all people working on their own example,

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lawyers, Doctor, engineers, Architects, Accountants, Contractors, businessmen, landlords etc.

For the employed people, their personal income taxes in the form of levies and PAYE are often deducted at source on actual basis, but the problem lies on it regular remittances to the tax Authority of its jurisdiction. For the self-employed, tax is based on previous year's income (Preceding year basis) at the end of tax year. It is note worthy that major difficulty encountered by the tax authority is in respect of assessment and collection of the tax assessed on this category of tax payers because of the extensive nature of tax evasion and avoidance, either partial or total in the Direct assessment segment of the tax paying population personal income tax is collected by the various state government through the state board of internal revenue (SBIR) from individual resident in a tax territory. Taxes from certain categories of individual, members of the Armed forces, the Nigerian police, Residents of Federal capital territory (FCT), external affairs officials and non resident individuals are collected by the Federal Government via the Federal Inland revenue services (FIRS).

Goshit (2014) states that, by the provision of the approved list of collection decree (Decree No 21. of 2009) the following taxes/levies are collectible by state governments.

1. Personal income tax.

2. Pay-As-You-Earn (PAYE).
3. Direct Assessment (self and government).
4. Withholding tax (Individual only).
5. Capital gain tax (Individual only).
6. Stamp duties (Instruments executed by individuals).
7. Pool betting and lotteries, gaming and casino taxes.
8. Road taxes.
9. Business premises registration and renewal levy.
10. Development levy (Individual only).
11. Naming of street registration fee in the state capital.
12. Right of occupancy fees on land owned by the state government in the urban areas of the state.
13. Market taxes where state finance is involved.

### Distinction between Tax Avoidance and Evasion

Tax evasion is an outright dishonest action whereby the tax payer endeavors to reduce his tax liability through the use of illegal means (Dalis 2013). According to Farayola (2000), Nzotta (2010), Dan-Ali (2013) tax evasion is the fraudulent dishonest, intentional distortion or concealment of facts and figures with the intention of avoiding the payment of or reducing the amount of tax otherwise payable. Tax evasion is accomplished by deliberate act of omission or commission which in themselves constitutes criminal

acts under the tax laws. These acts of omission or commission include failure of pay e.g. withholding tax, failure to submit returns, omission or misstatement of items from returns, claiming relief (in personal income tax) for example of children that do not exist, understating income, documenting fictitious transaction, overstating expenses and failure to answer queries.

The most common form of tax evasion in Plateau State is through failure to render tax to the relevant tax authority. A tax evader may be charged to court for criminal offences with the consequent fines, penalties and at times imprisonment being levied on offender for evading tax (Faseun 2014) has this to say "Tax evading has become the favorite crime of Nigerians, so popular that it makes armed robbery seems like minority interest, it has become so widespread that there now exist a cash economy of vast proportions over which the tax man has no control and which growing and several times the rate of the National economy". Tax evasion is a practices that have eaten deeply into the revenue that ought to be generated by the government and hence affect the economic life of Plateau State and country as a whole.

Tax avoidance arises in a situation whose the tax payer arranges his financial affairs in a way that could make him pay the least possible amount of tax without infringing the legal rules. In short, it is a term used to denote these various devices which have been sheltering the tax payer's

income form greater liability which would have been otherwise incurred (Kiabel 2011). Ani, Okorodudu and Adinkrah (2011) has described tax avoidance as follows, the tax payer knowing what the law decides not to be caught by it arranges his business in such a manner as to escape tax liability partially or entirely, it is a lawful trick or manipulation to evade the payment of tax.

Research has revealed that less than 10% of the self-employed assessed heed any appeal to pay. Similarly, less than 5% even care to filed returns of income inspite of newspaper and gazette notice published in march of every year for taxable adults to do so (Sani 2013) by implication, it means direct assessment makes an insignificant contribution to the state's revenue. Thus tax evasion and avoidance has robbed the government at all tiers of substantial tax revenue.

#### **Causes of Tax Evasion and Avoidance**

Nzotta (2007), Onwgbu (2011), and Sani (2013) identified a number of factors accounting for the high level for tax evasion and avoidance in Nigeria, in the first instance, there is the absence of a "Quid Pro Quo" as the average human being abhors the payment of tax. He sees taxation as a discredited impositive and evidently obnoxious, this stems mainly from the absence of a "quid pro quo" that is something of value given a return (by the government) for the taxes paid. Taxes it is commonly argued, should not be paid as the authorities do not provide amenities which

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are in any way commensurate with the taxes paid.

Secondly, the basic cause of tax evasion and Avoidance is the high level of corruption by government officials at all levels and lack of fiscal transparency. This affects the willingness to pay taxes in two ways. In the first instance, taxpayers watch in amazement as top government officials and public office holders openly pocket their tax money with little or no sanctions, this affects the willingness to make further payment, as the general public believes that all the governments of the federation are corrupt. In spite of the much published Anti-Corruption legislation the general public believes that public office holders are not entirely accountable to them for their actions, similarly, the corrupt practices of some tax officials encourage tax evasion and avoidance since dishonest members of the public believe that a small payment to corrupt tax officials is better than a larger payment to the government.

According to Mailafia (2011) another major reason for the high level of tax avoidance/evasion in Nigeria/Plateau State is the shortage of experienced and highly motivated personnel in the internal revenue services of the various governments, this hampers the task of assessment investigation and administration of taxes, thus efficiency is undermined creating room for tax evasion and avoidance. Similarly, the complexity of tax laws and bye-laws in Nigeria creates room for evasion. The average citizens,

Most times does not appreciate the requirement of the different laws, the method of tax assessments or the rights and duties of a taxpayer under the different tax laws, Hence, they resort to a tax adviser who eventually assists in achieving avoidance.

But the nature of tax Administration in Nigeria/Plateau State creates room for evasion, the Internal Revenue Departments and Federal Inland revenue of the various government of the federation lack adequate data base and information system for effective tax planning, correct tax assessment, timely investigation and follow up. The tax laws are not properly confied and are not constantly revised based on prevalent economic realities, these variables affect the ability to optimize the return on taxes and the level of efficiency achieved in the revenue mobilization process.

Another factor that has contributed to tax evasion and avoidance in Nigeria/Plateau State is the absence of strong deterrent punishments and the willingness to prosecute offenders. The various governments do not show a willingness to prosecute tax evaders and the very rich members of the society who are obviously the greatest culprits. The legal system itself has recently manifested so much corruption that it even becomes difficult to obtain conviction of tax evader. The punishments in the tax laws exist only on paper, for example, the offences in the various tax laws in Nigeria according to

Adesola (2009), could be summarized as follows:

- i. Failure to comply with notice, delivering an incorrect return of statement willfully misleading an assessment authority in supplying information or neglecting or refusing to supply information.
- iii. Delivering, making or producing false returns statements for the purpose of obtains a reduction in the amount of tax payable or a refund of the tax paid.
- iii. Failure to pay tax or failure to pay taxes deducted and source.
- iv. Failure to pay tax collected or demanding tax in excess of what is due (this applies to the tax collection agents). Various penalties are specified for each of the above offences, these range from fines to person terms. Unfortunately, offences under the different laws are not strictly pursued; this should not be the case. Another reason for the high level of tax evasion and avoidance is the deteriorating standard of living of the citizens, especially those in the rural areas. The introduction of the structural adjustment programme and the various forms of reforms since 1986 lead to a reduction in income levels of the average citizen generally in the country and indeed the real income (Nzotta 2011). Faced with a high inflationary rate and reduce

purchasing power. Most tax payers outside the PAYE system resort to tax evasion to enhance the level of their disposable incomes, albeit, illegally.

Inadequate information and improper education of the citizens on their obligations to the state Vis-à-vis taxes also affect the willingness to pay taxes. There is also the issue of a general law level of patriotism among the citizens in the country, which affects the attitude to taxes and the willingness to pay. Tax evasion and avoidance also assets the rich to enjoy undue material prosperity as a result of their anti-social activity.

#### **METHODOLOGY**

This paper adopts a survey design method together with data for statistical analysis and secondary sources for review of related literature. The survey was carried out at the Plateau State Board of Internal Revenue and various tax payers draw across the state. Data for the statistical analysis were obtained with questionnaire and personal interviews on the sample respondents, drawn from the population of study comprising tax authority officials as well as taxpayers assessable to paying personal income taxes in Plateau State. From this population, one hundred and fifty (150) various tax payers all self-employed and fifty (50) revenue authority staff were drawn using purposive sampling method of the questionnaire copies administered, thirty five (35) were properly

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completed and return by the tax officials and one hundred and twenty five (125) copies were duly completed and retrieved from the tax payers, making a total of one-hundred and sixty copies used for the study. The questionnaire was designed in such a manner as to solicit responses in the following areas:

- Causes (or reasons) of tax evasion and avoidance.
- Identification of the problems militating against tax assessment and collection.
- The various ways through which tax evasion and avoidance are perpetrated.

were analyzed, using percentage, arithmetic mean and standard deviation. The standard deviation enables us to determine with a great deal of accuracy where the values of a frequency distribution are located in relation to the mean, it also help us with the mean of normal population density function to determine probabilities of events, as the sample size is sufficiently large (greater than 30) the central limit theorem was applied. According to the central limit theorem, even if the population is not normally distributed as the sample size increases, distribution of sample means approaches normality. Thus the application of this theorem enabled us to use the sample size to draw inferences about the population of the study.

### RESULTS AND DISCUSSIONS

Data collected and used in the study

**Table 1: Analysis of the Causes of Tax Evasion and Avoidance**

S/NO	Variables	X	$\bar{x}$	$x-\bar{x}$	$(x-\bar{x})^2$	%
1	No public enlightenment campaign	150	123.4	26.6	707.56	94
2	Illiteracy	110	123.4	-13.4	179.56	69
3	High tax rates/multiple taxes	160	123.4	36.6	1339.56	100
4	No existence of an efficient tax system	110	123.4	-13.4	179.56	69
5	Lack of qualified personnel	125	123.4	1.6	2.56	78
6	Poor method of accounting	95	123.4	-28.4	808.56	59
7	Lack of adequate tax incentives	155	123.4	31.6	998.56	97
8	Poor relationship between tax payer and authority	135	123.4	11.6	134.56	84
9	Lack of adequate enforcement for default	120	123.4	-3.4	11.56	75
10	Poverty	144	123.4	20.6	424.36	70
11	Non-provision of social services	105	123.4	-18.4	338.56	66
12	Inter-district mobility	100	123.4	-23.4	547.56	63

13	Absence of tax conscience	115	123.4	-8.4	70.56	72
14	Proliferation of taxes	130	123.4	6.6	43.56	81
15	Loopholes in the tax laws	97	123.4	-26.4	696.96	61
	Total	1851				6481.60

**Source:** Survey data, 2016

$$X = \frac{\sum X}{N} = \frac{1851}{15} = \underline{\underline{123.4}}$$

$$\text{Variance } (\Sigma^2) = \frac{\sum X - 1(x - \bar{x})^2}{n-1} = \frac{6,481.60}{14} = 462.97$$

$$\Sigma \text{Standard Deviation } (\Sigma D) = \sqrt{462.97} = \underline{\underline{21.52}}$$

Applying the central limit theorems

$$Z = \frac{X - \bar{X}}{\Sigma D}$$

is exactly standardized whose  $n = \geq 30$

Where  $X = 160, \Sigma = 21.52, \bar{X} = 123.40$

$$Z = \frac{160 - 123.40}{21.52} = 1.701.$$

$$\begin{aligned} \text{Pr } (Z \geq 1.701) &= 1 - \text{Pr } (Z \leq 1.701) \\ &= 1 - (0.5000 + 0.4564) \\ &= \underline{\underline{0.0436}} \end{aligned}$$

From the above computations, the mean ( $X$ ) = 123.4, the Standard Deviation (SD) = 21.52, and the Distribution = 0.0436. This shows that there is 0.0436 probabilities that the mean will lie outside the standard deviation. In other words it means that there is about 95% probability that all the variables listed as cause of tax evasion and avoidance are correct, since the probability of it correctness is by far greater than it non-acceptance. It can be concluded that these reasons are actually the causes of tax evasion and avoidance.

It also observed from table 1 that there are four (4) major causes of tax evasion and avoidance namely; high rate of taxes, lack of adequate tax incentives to both the tax payers and the tax authorities, lack of public enlightenment campaign poverty. All the these cause have a percentage of 90% and above as indicated in the table above.

**Table 2: Analysis of ways tax evasion and avoidance are perpetrate**

S/NO	Variables	X	$\bar{x}$	$x - \bar{x}$	$(x - \bar{x})^2$	%
1	Omission of taxable income	95	121.08	-26.08	680.17	60
2	Failure to keep adequate records	150	121.08	28.92	836.37	94
3	Inflating expense against profits	104	121.08	17.08	291.73	65
4	Submission of false accounts	140	121.08	18.92	357.97	88
5	Artificial disposition	130	121.08	8.92	79.57	81
6	Improper characterization of income	110	121.08	-11.08	122.77	69

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7	Interference with revenue authority	80	121.08	-41.08	1687.57	50
8	Fleeing the country to avoid tax	79	121.08	-42.08	1770.73	49
9	Claiming of fictitious deductions	150	121.08	28.92	836.36	94
10	Failure to pay proper amount to authority	120	121.08	-1.08	1.17	75
11	Concealment of profit	160	121.08	38.92	1514.77	10
12	Purchase of more fixed assets	135	121.08	13.92	193.77	84
	Total	1,453				8,372.95

Source: Survey data, 2016

$$\text{Means } (\bar{x}) = \frac{\sum X}{N} = \frac{1453}{12} = 121.08$$

$$\text{Variance } (\Sigma^2) = \frac{\sum X - 1(x-x)^2}{n-1} = \frac{8372.95}{12-1} = 761.18$$

$$= \frac{462.97}{\underline{\underline{\quad}}}$$

$$\text{Standard Deviation } (\Sigma D) = \sqrt{761.18} = 27.59$$

Applying the central limit theorems

$$Z = \frac{X - \bar{X}}{\Sigma D, n \geq 30}$$

is exactly standardized whose  $n \geq 30$

Where  $X = 160, \Sigma = 27.59, \bar{X} = 121.08$

$$Z = \frac{160 - 121.08}{27.59} = 1.41$$

$$\begin{aligned} \text{Pr } (Z \geq 1.41) &= 1 - \text{Pr } (Z \leq 1.41) \\ &= 1 - (0.5000 + 0.4207) \\ &= \underline{\underline{0.079}} \end{aligned}$$

From the above computation, the mean = 121.08, the standard deviation (SD) = 27.59 and the distribution = 0.0793, the

result shows that there is 0.0793 probability that the mean will lie outside the standard deviation, this implies that there is about 92% probability that all the variables under study has ways through which tax evasion and avoidance are perpetrated. Since the probability of its correctness is by far greater than its non-acceptance, it is concluded that these are the various ways through which evasion and avoidance of tax are perpetrated. Also, as show in table 2 above, tax evasion and avoidance are perpetrated through three major means; failure to keep adequate records, claiming of fictitious deductions and concealment of profit which recorded 90% and above responses.

### CONCLUSION AND RECOMMENDATIONS

Tax evasion and avoidance is a very various societal problem that has reached an alarming proportion in contemporary Plateau State and Nigeria as a whole. It has a major set back on revenue collection in Plateau State in particular and Nigeria in general, thus the paper has sought to critically examine this problem and proffer

solution, the paper addressed some basic conceptual issues relating to taxes and taxation, historical antecedent of tax in Nigeria, functions, distinction between tax evasion and avoidance and their causes and reasons. Data were collected using survey design through questionnaire. Although several variables were identified as causes, four major ones were high tax rates, lack of adequate incentives to both taxpayers and tax authorities, lack of public enlightenment campaign and poverty. This paper also reveals that tax evasion and avoidance are perpetrated through three major means, failure to kept adequate records, claiming of factitious deduction and concealment of profit.

Based on the findings, the following recommendations are proffered:

- i. Tax avoidance can largely be checked by plugging the loopholes in the tax laws in the country and by a careful redrafting of all new tax legislations. All the tax laws should be further codified and harmonized in Plateau State and Nigeria as a whole. Cases of multiplicity of taxes must be removed, it is immoral for the different tiers of government to levy various taxes under various guises simultaneously thus sending the wrong signals to the public.
- ii. The tax enforcement machinery should be strengthened in Plateau State and Nigeria as a whole, the

level of deferent punishment should also be made stricter, the legal provision for punishing an offender be clarity spelt out, there should also be vigorous prosecution of offenders to instill a wholesome respect for the tax laws in the minds of the taxpayers.

- iii. Special drive should be undertaken to arouse public consciousness on tax obligations by enlisting the co-operation of opinion leaders and traditional rulers of various communities and cities.
- iv. There should be sustained effort at fiscal transparency and accountability by the various governments agencies as well as reduction in wasteful practice/corruption through ethical re-orientation.
- v. There should be standardized assessment system for all self employed taxable person back up by proper enlightenment or sensitization on tax matters couple with reasonable incentives that can encourage taxpayers to voluntarily file returns with accurate details. This will go a long way in minimizing tax evasion and avoidance in personal income tax administration in Plateau State and Nigeria in general.

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