The Effect of Tax Evasion and Avoidance On Revenue Generation in Nigeria

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Abstract:

The study aims to evaluate the effect of tax evasion and avoidance on revenue generation in Nigeria. The population of the study comprised of the federal Inland Revenue, central bank of Nigeria and national bureau of statistics of which a period of Ten (10) years was used from 2006-2015. The data generated from statistical bulletin and annual reports of the CBN, FIRS and NBS were analyzed by means of descriptive statistics, and regression analysis using Eviews 8.0. The result of the analysis was tested at 0.05 (5%) level of significance. The findings of the study show that tax evasion and avoidance have significant effect on revenue generation and the Nigerian economy. Therefore, the study recommends that, Government should use media platforms to enlighten citizens on the effects of tax evasion and avoidance on socioeconomic development. Furthermore, tax rates should be reduced to enhance and boost revenue generation which will increase the tax net to capture many individuals and small businesses. Also, the insignificance of penalties and tax authority bearing should also be tackled; Changes in tax legislations should also be communicated to citizens on time via any available media platforms. Qualified personnel should be recruited and trained to enhance the efficiency and effectiveness of tax operations. Also, tax authorities should engage in practices that are capable of attracting public confidence in eradicating the evasion and avoidance of taxes, Staff should be motivated to increase their morale in ensuring the insulation of fraud and corruption from tax operations. For example, good salary package should be designed for tax officials to discontinue corrupt practices. In so doing, evasion and avoidance of taxes will be minimal to ensure the socioeconomic development of Nigeria.

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1.0   Introduction

Taxation can be defined as the system of imposing a compulsory levy on all income, goods, services and properties of individuals, partnership, trustees, executorships and companies by the government (Samuel and Simon, 2011; Yunusa, 2003).

Government use tax proceeds to render their traditional function of provision of law and order, defense against internal and external aggression, regulation of trade and business, ensure social and economic justice, reduce income inequality among the various citizens, serves as a fiscal weapon to direct the economy, to attract foreign investment into the economy and so on (Abdulrazaq, M.T. 1993).

However, recent developments in the global and local economy which have significantly impacted Government revenue has directed focus on taxation as a sustainable source of income (FIRS, 2009). It is in line with this that the National Tax Policy intends to create awareness on the importance of the role, which taxation can play in securing a stable flow of revenue for Government. Nigeria is currently viewed as a mono-product economy with significant reliance on oil revenue due to historical developments in the Nigerian economy (FGN, 2009).

The serious decline in the price of oil in the world market, has contributed immensely to decrease in the fund available, hence the urgent need for government to generate adequate revenue through taxes especially corporate tax has therefore become a matter of urgency and importance Kiabel (2009).

However, taxation has been identified as an alternative to oil revenue and a more reliable source of revenue (McKerchar, 2003). The tax policy shall therefore promote and encourage a shift in focus from non-tax revenue to tax revenue by Governments at all levels of the Nigerian economy (FGN, 2009).

However, one of the greatest problems facing Nigerian Tax System as well as Africa is the problem of tax evasion and tax avoidance. While tax evasion 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 jurisdiction, tax avoidance is the active means by which the taxpayer seeks to reduce or remove altogether his liability to tax without actually breaking the law. (Adebisi, J. F, and Gbegi, D.O 2013).

Tax evasion and avoidance have adverse effect on government revenue. Tax avoidance generates investment distortion in the form of the purchase of assets exempted from tax or under-valued for tax purposes (Klabel andNwokah, 2009).

Therefore, this study seeks to investigate the effect of tax evasion and avoidance on revenue generation and how it affects economic growth and development and will also examines the reasons for the low level of tax collection as well as the challenges facing the federal Inland Revenue service to meet its revenue collection targets.

1.1 Statement of the Research Problem

Taxation played a vital role as one of the major sources of revenue to federal, state and local governments, not only in Nigeria but the world as a whole.

The act of evading and avoiding tax by most registered companies and some individuals has however affected the revenue base of the government especially in providing essential

services in the society. People naturally prefer to reduce their tax liabilities by deliberately overstating their expenses and make false entries in their books of account. Thus, their act however, causes tremendous reduction in the revenue accruable to the government which eventually shrinks revenue in the treasury of government.

Tax evasion and avoidance remains the greatest problem plaguing tax administration in Nigeria. Apart from salaried employees, most citizens in Nigeria pay in adequate taxes or no taxes at all and this has led to a substantial loss of government revenue. The reasons for such behavior could be attributed to several factors; the insufficiencies and complexities of tax legislation coupled with taxpayers taking advantage of loopholes in the tax law, high rates of taxation and a lack of sense of civic responsibility among the taxpayers.

In June 2011, the personal income tax act. (PITA) has been amended with effect from 2012 which lead to increase in tax rates and which may lead to increase in tax evasion and avoidance.

Tax evasion and avoidance have been menace which seems to have defied solution had bedeviled the Nigerian tax system right from colonial times. While some have blamed the situation on tax authorities for not living up to expectation with regards to tax administration, others attribute it to the unpatriotic attitude of the taxpayers.

This negative attitude continues in modern times and with taxpayers perfecting various methods of frustrating the tax authorities. This negative attitude to taxation is unpatriotic in view of the well-recognized role which taxation plays in the economy. It is undeniable today that every government depends to a large extent on taxation not for its socio-economic development but also as a means of eliminating existing inequalities of wealth in the society.

As the Nigerian economy is in the recession period, in which the reduction on total revenue generated and circulated in the economy is one of the factors that brings about the recession, taxation is one of major sources of revenue to the government and which can be significantly affected by tax evasion and avoidance.

The downward movements of Nigerian economy are traceable to inabilities of the government to achieve its potential tax capacity (Madugba, et al 2013).

The decline in price of oil in recent years has led to a decrease in the funds available to the federal government, and for distribution to the State Governments. The need for the federal government to generate adequate revenue from other sources of revenue apart from oil has therefore become a matter of extreme urgency and importance. This need necessitate the federal government to look for new sources of revenue or to become aggressive and innovative in the mode of collecting revenue from existing sources (Aimurie, 2012).

Aguolu (2004) states that though taxation may not be the most important source of revenue to the government in terms of the magnitude of revenue derivable from taxation, however, taxation is the most important source of revenue to the government, from the point of view of certainty, and consistency of taxation. Aguolu (2004) further mentioned that taxation is hence the most important source of revenue to the government. Owing to the inherent power of the government to impose taxes, the government is assured at all times of its tax revenue no matter the circumstances. Over the years, revenue derived from taxes has been very low and no physical development actually took place, hence the impact on the poor is not being felt. The generation of additional revenue is a key function of taxation as additional revenues to

government enable the government to provide qualitative and quantitative services and utilities to its people.

The inability of the revenue board to collect substantial amount of money from tax is as a result of evasion and avoidance of tax. This research work examines the problems facing the revenue board in collecting taxes and levies under its jurisdiction with a view to identifying possibilities of minimizing or even eradicating tax evasion and avoidance in Nigeria.

1.2   Objectives of the Study

The main objective of the study is to assess the effect of tax evasion and avoidance on revenue generation in Nigeria.

Sub- objectives: The specific objectives of the study are to:

a) To find out the effect of tax evasion and avoidance on total revenue generation in Nigeria.
b) To find out the possible effects of tax evasion and avoidance on the Nigerian economy.
c) To find out the impact of tax revenue on the Nigerian economy.

1.3   Research Hypotheses

To aid this research work the following hypotheses has been formulated, the null hypothesis is denoted by "H0" while the alternative hypothesis is denoted by "HI"

1. H0: Tax evasion and avoidance does not have significance effect on total revenue generation in Nigeria.

   HI: Tax evasion and avoidance have significance effect on total revenue generation in Nigeria.

2. H0: Tax evasion and avoidance does not have effect on the Nigerian economy.

   HI: Tax evasion and avoidance have effect on the Nigerian economy.

3. H0: Total Tax Revenue Generated does not have any impact on the Nigerian Economy.

   HI: Total Tax Revenue Generated has impact on the Nigerian Economy.

2.0 Literature Review

2.1 Concept of Taxation

Taxation is the life wire of every nation and the level of development of any nation most times depends on the amount of revenue generated through taxation. Taxation is therefore, one among other means of revenue generation of any government to meet the need of the both the government and citizens. According to Ifurueze&Ekezie (2014), tax is a compulsory levy imposed on a subject or upon his property by the government to generate the needed revenue for the provision of basic amenities and create enabling condition or the economic well-being of the society. To them, the enabling environment created by government encourages the establishment of new business, survival of existing business and infrastructures provided is a key determinant of political, economic and social well-structured tax system which provides government the needed fund for capital (infrastructure) and current (administrative) expenditure.

A good tax system comprises of the tax law, tax policy and tax administration. The Nigerian tax system is a good portfolio comprising of direct and indirect tax, status which regulate the various types of tax and their administration by both the Federal states and Local Governments. Azubuike (2009) believes that the Nigerian tax system is still far from efficiency as it is lopsided, dominated by oil revenue and poses formidable challenges to its usage as a macroeconomic regulating tool.

Taxation provides a platform for raising revenue for developmental projects in Nigeria. Taxation is an important factor in any program for economic development and growth of the economy and thus government imposes one form of tax or the other on its citizens to yield revenue for developmental projects.

According to the Oxford Advanced Learner's Dictionary (1995) tax is money that has to be paid to the government so that it can pay for public services. People pay tax according to their profits and it is often paid on goods and services. While Black's Law Dictionary (2010) defines it as monetary charge impose by the government on persons, entities or property, levied to yield public revenue. New Webster Dictionary of English Language describes tax simply as a charge imposed by governmental authority upon property, individuals or transactions to raise money for public purposes.

However, despite the various definitions, it should be noted that a proper tax within the above definitions must be one backed by legislation and must be a deduction that is given to treasury of the authorities concerned with revenue generally. Also the compulsory nature of tax should also be noted.

In conclusion, taxation is described as a form of a levy, imposed on all the residents living in, as well as non-residents doing business, within a tax jurisdiction. It is a responsibility of public to pay tax imposed, which also come to the government as income or revenue yielding device to finance the provisions of socio-economic and infrastructural amenities and also to enhance industrial efficiency.

2.2 Tax Evasion

According to Anyafa (1996) tax evasion is an attempt to escape tax (wholly or partly) by breaking the law. It is essentially, a criminal act since it is achieved principally by making false declaration such as under reporting income or over reporting relief and allowances.

The Red Cliff commission defined tax evasion as a situation which donates all those activities which are responsible for a person not paying the tax that are existing change on his income.

ASPREY COMMITTEE stated that the phrase "tax evasion" described an act in contravention at the law whereby a person who derives a taxable income either pay no tax or pay less tax then he should otherwise be bound to pay tax evasion include the failure to disclose in a return the true amount of income derived.

The definition offered by the Canadian Department at National revenue as quite comprehensive and at immense assistance in the quest for an acceptable definition. They stated that: "tax evasion is the commission or omission at an act knowingly with intent at decisive, so that the reported by the tax payer is less than the tax payable under the law, or a

conspiracy to commit such an offence. This may be accompanied by deliberates misrepresentation, concealment or with holding of material fact.

2.3 Tax Avoidance

According to Anyafa (1996), tax avoidance is an attempt to escape the liability by circumventing the law, not by breaking it.

Professor wheat craft says, in the attitude of the legislature and the court to tax avoidance, that tax avoidance is the act of winning games without actually cheating, thereby beating the internal revenue and the government to their own game.

Means legally reducing one's tax liability and it's another term for tax planning. Tax planning describes the techniques which tax payer minimizes or escape tax liability. The tax payer seeks to take full advantage of all exemptions, deduction, concessions, rebates, allowances, and other tax relies or benefits permitted by law.

According to Aronondole (2006) defined tax avoidance as a legal ways by which a tax payer reduces his tax liabilities.

2.4 Difference between Tax Evasion and Tax Avoidance

S/N	Tax Evasion	Tax Avoidance
1	Criminal act	Not criminal act
2	Tax evaders may be liable to penalties and at time imprisonment in addition to the payment of the tax lost through the tax payment act	Tax avoiders cannot be liable to fine either penalties or imprisonment since no offence has been committed.
3	Form of anti –tax evasion tool is back duty.	Back duty cases do not arise with tax avoidance.
4	Tax payer may not show up to tax authorities and therefore may not be subject to my assessment	Tax payer will show up and present all necessary paper to The revenue and subsequent assessment will be settled.

Sources C.S. ORA (2001)

2.5 Types of Tax Evasion and Avoidance

Ogbole A. Frank(2014) provide the following:

1. Customs duties: A typical area of tax evasion and avoidance in Nigeria is the attempt to evade or avoid customs duties. Typically importers try to evade or avoid customs duties by either under–invoicing or changing the product description to attract lower rates of duty. A lot of goods are brought into the country through unauthorized routes. This is intended to evade the payment of customs duties.
2. Personal Income Tax: Unscrupulous employers may try to evade or avoid paying employment taxes. Most often this is done by intentionally failing to remit to the tax authorities the employment taxes it collected from its employees. After a certain

amount of time, the employer will then dissolve the company or claim bankruptcy, leaving the employment taxes unpaid. Other methods are paying the employees in cash; filing false payroll tax returns, or failing to file payroll tax returns.

3. VAT Evasion: One of the simplest ways to evade or avoid VAT in Nigeria is to inflate the claims to deduct VAT paid at earlier stages or outright fabrication of fake invoices for purchases never made.

2.6 Causes of Tax Evasion and Avoidance in Nigeria

The practice of tax evasion and tax avoidance is not new in Nigeria. It is a phenomenon found everywhere. Nationally man is always pleased to receive but always unwilled to give. Therefore, tax payer will do everything within their tax liability (Liman 2003).

The reasons or causes of tax evasion and tax avoidance are numerous but some relevant ones for Nigeria are:

i. **Tax Rate:** Even though the rates in Nigeria are net high compared to other countries, tax payers will still complain of high rate of taxes.

ii. **Greed and Selfishness:** On the part of some tax payers even though many Nigeria tax payer live from hand to mouth, there are those that by an international standard they are rich. Those people who are rich in order to make themselves richer and to ensure that the wide gap between them and the poor is not only maintained but further widened, so that they will continue to control and manipulate the masses through the power of money.

iii. **Loopholes in Tax Laws: -** This also encourage the practice of tax avoidance (i.e.) tax payers take the advantage of the loopholes in the tax laws to minimize their tax liabilities in the belief that it is a lawful act.

iv. **Lack of Qualified Personnel:** According to Rabiu (1984) and (2003) rising of correct assessment and prompt collection of tax largely depends on quality and efficiency of the staff of the revenue departments. In most revenue department qualified and competent staff are inadequate, tax payers who do not want to pay their taxes will be happy to see a revenue officer who cannot raise correct assessment.

v. **Lack of Punishment for Evaders:** Though tax evasion is said to be a criminal act, evades are supposed to be punished when caught but it has not been the practice in Nigeria. This situation does not only make tax evades to continue in the act but also encourage other tax payers to emulate themselves.

2.7 Methods/Ways of Perpetrating Tax Evasion and Avoidance

While it is not possible to provide an exhaustive list of the various methods adopted to evade and avoid tax, apparently because new one's come into pay now and then, there are some common forms of tax evasion and avoidance and they are as follows.

i.   False claims for children, wife, capital allowances, dependent relatives, life assurance premiums etc.

ii.   Understating or false declaration of income receipt from trade, business, professional, vocation or employment.

iii.   Omission to state gross amount of dividends, rents etc. received in Nigeria from outside sources.

iv.   False claims of contribution to a pension scheme.

v.   Reduction of tax liabilities through fraudulent tax returns.

vi.   Giving incorrect information in relation to any matter or thing suffering the liability to tax of any taxable person.

2.8 Effect of Tax Evasion and Tax Avoidance on the Economy

It has been pointed out earlier that taxation is the most important of all sources of revenue to any country like Nigeria and to its economic development. Annual expenditure budgets are based largely as the projected tax revenue of the country. Where tax evasion and avoidance are the order of the day relevant tax authorities finds it difficult to meet their target collection resulting in less revenue to the country and details and this has serious effect on the Nigeria's economy.

There are two effects of tax evasion and avoidance identified in Nigeria as follows.

1.   **Decrease in Revenue:** This is drastic decrease in the amount of money that would have been realized by the government of Nigeria as revenue through taxation. The revenue loss because of tax evasion and tax avoidance cannot be accurately estimated which significantly affect the wellbeing of government and its people.

2.   **Inadequate Supply of Basic Service:** The Nigerian government finds it difficult to execute its socio-economic program like the provision of social amenities such as portable water supply, electricity, security, good health care, building of schools, construction of roads etc. for the general wellbeing of the people.

2.9 Curbing Tax Evasion

The federal and various states governments have commendably deployed several measures aimed at curtailing or minimizing tax evasion in Nigeria. Most of these measures are contained in various legislation empowering the government department, ministries, agencies or any commercial bank with whom any company has any dealing with respect to any kind of transaction or business to demand from such a person a tax clearance certificate of three years immediately preceding the current year of assessment. In a similar manner, the government introduction of provisional tax within 30 days by corporate entities or the declaration of interim dividends constitute a commendable anti-evasion endeavor. In some states, similar anti-evasion measures have been adopted.

Our tax laws are replete with punitive momentary measures as well as criminal sanctions aimed at solving this problem. One of such many provisions is section 66 of the Companies Income Tax Act which conferred on the Federal Inland Revenue Service (FIRS) the power to seize and sell defaulting taxpayers' goods, chattels as well as their premises in extreme cases in order to recover the amount of tax owned by such taxpayers.

Others are found in the FIRS ACT of 2007 which stipulates the following offences and penalties as follows:

i. Section 40 – FAILURE TO DEDUCT OR REMIT TAX
The penalty on conviction is pay tax withheld or not remitted. In addition to a penalty of 10 per cent of the tax withheld or not remitted per annum plus interest at the prevailing CBN rate and imprisonment for a period not exceeding three years.

ii. SECTION 41 – OBSTRUCTION, HINDERING, MOLESTING OR ASSAULTING AUTHORISED PERSON

Penalty – N200, 000 or three years imprisonment or both.

iii. FALSE DECLARATION

Penalty as in section 41.

iv. SECTION 43 – COUNTERFEITING DOCUMENTS, FALSIFICATION,

ALTERATION. Penalty as in section 41.

3.0 Methodology

3.1 Research Design

This study adopts the time series research design. This is to enable us establish the possible effect of tax evasion and avoidance on revenue generation in Nigeria. Ndiyo (2005) asserted that time series design is a better representation of periodic multiple observations of items, at different times. Consequently this design method was considered the most appropriate procedure to employ in this study.

3.2 Population of the study

The population for this study include: central bank of Nigeria, national bureau of statistics and Federal Inland Revenue Service

3.3 Sample Size and Sampling Technique

The sample size covers the entire FIRS, CBN and NBS, it also covers the period from 2006 – 2015 using the secondary data. Judgmental sampling was adopted for the study.

3.4 Method of Data Collection

For the purpose of this study, only secondary method of data collection was utilized which include CBN statistical bulletins and annual report, Federal Inland Revenue Service (FIRS), and national bureau of statistics records.

3.5 Technique of Data analysis

For the purpose of this study Simple regression model is used, the study will examine three

major models to measure possible effect of TEA on TREV as well as the GDP and impact of TTR on GDP over the periods of time.

The simple regression equation is stated thus;

Y = b0+ b1x1+ e.. (1)

Where, Y =dependent variable; X =independent variable; b0=intercept of Y; b1=slope coefficients; U=stochastic variables (Gujarati, 1995).

3.6 Model Specification

Model 1

We can establish a relationship between TEA and TREV. The functional relationship and the resultant model using the Simple regression method we have: Functional relationship

TREV = F(TEA) .... (1)

Converting this to a linear or stochastic model we

have TREV= b0 + b1 TEA + b2TTR+e .... (2)

Where b0= intercept, b1= slope, TREV= Total Revenue, TEA = Tax Evasion and Avoidance, TTR= Total Tax Revenue, e = Error Term or Stochastic term, expectation: b1 > 0

Model 2

Similarly we can also establish a relationship between TEA and GDP. The functional relationship and the resultant model using the Simple regression method we have: Functional relationship

GDP= F (TEA) 3

Converting this to a linear or stochastic model we

have GDP = b0 +b1 TEAb2TTR+ e................................4

Where b0= intercept, b1= slope, GDP= Gross Domestic Product, TEA= Tax Evasion and Avoidance, TTR= Total Tax Revenue, e = Error term or stochastic item, expectation = b1 > 0

Model 3

We can also show or establish a relationship between Gross Domestic product (GDP) and Total Revenue (TREV). The functional relationship and the resultant model using the Simple regression method, we have:

Functional relationship

GDP = F(TREV) .... (5)

Converting this to linear or stochastic model we have:

GDP = b0 + b1 TTR + b2OREV+e .... (6)

Where b0= intercept, b1= slope,GDP = Gross Domestic Product and TREV = Total Tax Revenue, OREV= Oil Revenue, e = Error Term or stochastic term.Expectation: b1 >0

3.7 Test of Hypotheses

H0: Effect of Tax Evasion and Avoidance on total Revenue Generation in Nigeria Table 4.1

Dependent Variable: TREV

Method: Least Squares
Date: 10/11/17 Time: 09:19
Sample: 1 10

Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TEA	0.366555	0.786844	0.465855	0.6537
C	2.215721	0.120928	18.32262	0.0000
R-squared	0.733259	Mean dependent var	8022.024	
Adjusted R-squared	0.699917	S.D. dependent var	2238.103	
S.E. of regression	1226.030	Akaike info criterion	17.23781	
Sum squared resid	12025194	Schwarz criterion	17.29832	
Log likelihood	-84.18903	Hannan-Quinn criter.	17.17142	
Durbin-Watson stat	0.591694			

Source: Computed by the researcher using E-views 8.0

In order to address the first hypothesis on total revenue (TREV) and tax evasion and avoidance (TEA), we shall analyze and interpret the result in table 4.1. The r-squared (r2) and adjusted r-squared (r-2) produced the following figures0.733259and0.699917respectively. Both figures represent a very high level of reliability of the model TREV =b0 + b1TEA+b2TTR + e. They indicated over70% level of reliability. The positive regression coefficient of TEA i.e. (0.366555) met the expected apriority statement showing a direct relationship between total revenue and tax evasion and avoidance. The t-statistic (0.465855) with its associated p-value (0.6537) is insignificant at 5% level of significance. This implies that we should reject the null hypothesis which states that TEA has no significant effect on total revenue generation and concluded that Tax Evasion and Avoidance has significant effect on total revenue generation in Nigeria. Therefore, the null hypothesis is rejected and alternate hypothesis is accepted.

H0: Tax evasion and avoidance does not have any effect on the Nigerian economy Table 4.2
Dependent Variable: GDP
Method: Least Squares
Date: 10/11/17 Time: 09:21
Sample: 1 10
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TEA	9.326610	8.667781	1.076009	0.3133
C	16.34587	1.332131	12.27047	0.0000
R-squared	0.706997	Mean dependent var	59768.90	
Adjusted R-squared	0.670372	S.D. dependent var	23523.85	
S.E. of regression	13505.80	Akaike info criterion	22.03648	

Sum squared resid	1.46E+09	Schwarz criterion	22.09700
Log likelihood	-108.1824	Hannan-Quinn criter.	21.97010
Durbin-Watson stat	1.140731		

Source: Computed by the researcher using E-views 8.0

From the above table, the coefficient of determination r2 measures the proportion of the total variations in the dependent variable that is explained by the independent variable. From the result in Table 4.2 above, r2 is0.706997. This implies that the model between GDP and TEA is 71% reliable given the adjusted degree of freedom. The t-value of 1.076009with its associated p-value (0.3133) indicates that tax evasion and avoidance has significant effect on the Nigerian economy. Therefore, the null hypothesis which says tax evasion and avoidance does not have effect on the Nigerian economy is rejected and alternate hypothesis is accepted which show that Tax evasion and avoidance have effect on the Nigerian economy.

H0: Total Tax Revenue Generated does not have any impact on the Nigerian Economy. Table 4.3
Dependent Variable: GDP_N_B
Method: Least Squares
Date: 10/11/17 Time: 16:38
Sample: 1 10
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TTR	26.80795	4.208408	6.370093	0.0002
C	-5.961562	2.502002	-2.382717	0.0444

R-squared	0.803817	Mean dependent var	59768.90
Adjusted R-squared	0.779294	S.D. dependent var	23523.85
S.E. of regression	11051.34	Akaike info criterion	21.63535
Sum squared resid	9.77E+08	Schwarz criterion	21.69587
Log likelihood	-106.1767	Hannan-Quinn criter.	21.56896
Durbin-Watson stat	0.984014		

Source: Computed by the researcher using E-views 8.0

Table 4.3 the R2 and adjusted R2 values of 0.803817 and 0.779294 respectively both indicated that there was a strong relationship between the Gross Domestic Product (GDP) and Total Tax revenue generated. It also means that 80% of variance in the dependent variable (GDP) can be explained by the regression model. The t-value of 6.370093 with its associated p-value (0.0002). Indicates that total tax revenue has significant effect on the Nigerian economy.

Therefore, the null hypothesis which says total tax revenue does not have effect on the Nigerian economy is rejected and alternate hypothesis is accepted which show that total tax revenue have effect on the Nigerian economy.

4.0 Recommendation and Conclusion

4.1 Recommendations

In the light of the findings the following recommendations are made:

1. Government should use media platforms to enlighten citizens on the effects of tax evasion and avoidance on socioeconomic development. Furthermore, tax rates should be reduced to enhance and boost revenue generation which will increase the tax net to capture many individuals and small businesses. Also, the insignificance of penalties and tax authority bearing should also be tackled.

2. Changes in tax legislations should also be communicated to citizens on time via any available media platforms. Qualified personnel should be recruited and trained to enhance the efficiency and effectiveness of tax operations. Also, tax authorities should engage in practices that are capable of attracting public confidence in eradicating the evasion and avoidance of taxes.

3. Staff should be motivated to increase their morale in ensuring the insulation of fraud and corruption from tax operations. For example, good salary package should be designed for tax officials to discontinue corrupt practices. In so doing, evasion and avoidance of taxes will be minimal to ensure the socioeconomic development of Nigeria.

4.2 Conclusion

In this study, effort has been made to analyze taxation as a tool for revenue generation in Nigeria in the three tiers of government namely: Federal, State and Local Governments for structural and economic developments. In this study, issues relating to taxation as a tool for wealth creation and employments, the role of taxation in wealth creation and employment, the role of taxation on economic and social development sustainability and government revenue generation were considered.

The study finds out why people evade and avoid taxes and suggested ways of minimizing the practice. The study established a relationship between tax avoidance, tax evasion Total Revenue generation in Nigeria. It also emphasized on the relationship between tax avoidance, tax evasion and Nigerian Economy (GDP). The government should therefore embark upon public enlightenment campaign and adequate utilization of tax revenues on public goods to discourage tax avoidance and tax evasion and also the reduction in tax rate. This will certainly enhance and boost revenue generation in Nigeria as is being pursue with vigor so as to survive in the present day economic meltdown, and inflationary setbacks. For Nigeria Government to meet up with its revenue targets especially now that the services of tax consultants have been discontinued it would be appropriate to take a look at the factors responsible for the incidence of tax evasion and avoidance since a check on these factors will go a long way in reducing if not eradicating the problem.

The research findings are in line with Adebisi, J. F and Gbegi, D.O 2013 whose conducted researchon the effect of tax evasion and avoidance on personal income tax administration in Nigeria, and also in line with Bismark A, Bismark A, Eric A and Isaac Q 2015The Effects of Personal Income Tax Evasion o Socio-economic Development in Ghana:
Onyeka, Virginia Nnenna 2016 conducted a research on the effect of tax evasion and avoidance on economic development in Nigeria, and concluded that tax evasion and avoidance has effect on the Nigerian economy as was concluded in this research.
Finally, the study concludes that tax evasion and avoidance has significantly impacted on revenue generation in Nigeria, and the Nigerian economy.

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APPENDIX

Appendix 1 Data for the analysis

YEAR	TAX EVASION & AVOIDANCE N b	TOTAL TAX REV. GENERATED N b	T.REVENUE GENERATED N b	GDP N b
2006	1,435.6000	1,866.2	5,965.1000	28,662.4700
2007	15.5000	1,846.9	5,727.5000	32,995.3800
2008	0.0000	2,972.2	7,866.5900	39,157.8800
2009	104.4000	2,197.6	4,844.5900	44,285.5600
2010	38.6000	2,839.10	7,303.6700	54,612.2600
2011	173.1700	4,628.48	11,116.9000	62,980.4000
2012	152.3133	5,007.6227	10,654.7500	71,713.9400
2013	211.4463	4,804.7463	9,759.7900	80,092.5600
2014	145.2252	4,712.5604	10,068.8500	89,043.6200
2015	991.0728	3,741.8	6,912.5000	94,144.9600

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