

Tax Evasion, Neglect/Avoidance and Its Socio-Economic Implications in Nigerian Economy

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Abstract:

One of the major problems confronting the growth of the nation's economy in Nigeria is the inability of a greater population of Nigerian citizen to pay tax or pay appropriately. Unlike Europe, America and some other advanced countries in the world, tax is paid as when due to enable their government to utilize it effectively for their development. Unfortunately, tax tends to be an optional exercise in Nigeria. Most citizens including some literates, semi-literate, illiterates, companies, industries and business people residing at a particular nation by the government for development. Tax evasion, neglect and Avoidance or Non-compliance to payment hinders the effective functioning of government such as the lack of provision of infrastructure, social amenity and insecurity, non-payment of workers salary, unemployment challenge and other social related issues. The paper therefore discussed the concept of tax, types of taxation, tax evasion, neglect and avoidance. It also discussed the need for tax payment, some areas of tax defaulters in Nigeria and the causes. The socio-economic implications of non-payment of taxes in Nigeria were highlighted. The paper recommends proper enlightenment campaign, provision of tax friendly environment /awareness and proper execution of legal action to the defaulters.

Key words: Tax Evasion, Socio-Economic, Economy, Neglect/Avoidance

INTRODUCTION

Tax is a compulsory levy imposed on adult citizen of any given country by law, it is also imposed on commodities, companies, industries and on importation and exportation of goods and services. Most of the countries in developed world do take their tax payment serious for the advancement and development of their economy, science and technology; unfortunately in developing nation like Nigeria, the issue of tax payment by the adults citizen, business center, companies and industries is like a child's play. Tax evasion, avoidance/neglect and non-compliance is the order of the day in a country Nigeria that is faced with numerous economic and social challenges.

Tax evasion, avoidance, and neglect or non-compliance system are common phenomenon that existed in Africa from pre-colonial, to colonial and post-colonial periods. It occurred in most African countries, it was not part of their tradition and economic culture. In some parts of Nigerian communities, tax was introduced by the colonial administration to enable them source out fund for the smooth running of their day to day governmental administration.

It later became a compulsory levy by law imposed on any taxable adult, business centers, workers, companies and industries, even on import and export goods and services.

There are different types of tax payment:

- A. Direct tax
- B. Indirect tax

The direct tax is one that is imposed on individuals, workers and companies such as pay as you earn (PAYE), i.e. Chilaka (2009). P 60

There are also other forms of tax such as:

- Income tax
- Wealth tax
- Profit tax and property tax.

While indirect tax is mostly the one imposed on commodities, goods and services.

Other type of tax includes:

- Petroleum income tax
- Capital gain tax
- Stamp duty

Penalties, import tax, withholding tax, tax in contracts and WAN while that of indirect tax includes: export duties, import duties, excise duties, vehicle/ driving license, insurance policy and road worthiness etc.

The tax collected is used by the government to perform certain functions in the state such as:

- A. Provision of infrastructure
- B. Security, social amenities
- C. Maintenance of law and order
- D. Improvement of education
- E. Science and technology
- F. Food security
- G. Protection of country's geographical boundary.
- H. Infrastructural development
- I. Building of industries, and Agricultural development
- J. Communication system and maintenance of health system and other needs of the nation, (Amaechi, 2009:p.18, Iheriohamma, 2003). Other include the provision of industries, improvement in transportation and other democratic dividends.

THE CONCEPT OF TAX EVASION, AVOIDANCE AND NEGLECT

Having seen what tax is, the types and need for tax payment, tax evasion, avoidance and neglect became phenomenon that frustrates the government's effort to function effectively.

Tax evasion according to Oxford learner's dictionary is avoidance of tax payment or inadequate and improper payment of taxes by the citizens. Tax avoidance on the other hand is the rejection to pay or reduction of tax payment to its minimum base through a legal means Amadi (2016 pp 75-77).

Tax neglect is a situation where the citizens and taxable adult refuse to pay or show interest to pay.

In another development tax invasion is a situation where an accurate tax payment is not rendered to the government because of the inability of people to give correct information on certain business issues.

The issue of tax evasion, neglect and non-compliances arose due to the fact that the Nigerian tax status provides no legislative definition of tax evasion, rather, there are various offences stated on an insight into what may be regarded as tax evasion as shown below:

- A. Failure to make returns for income tax, capital gain tax and value added tax (VAT) Amadi (2016 p 48).
- B. Failure to make returns for cooperation tax and
- C. Incorrect return of account by firms companies, and industries as fraud or neglect.

The three phenomena, thus tax evasion, avoidance and neglect or non-compliance have the goal or objective of reducing the tax liability of the state and tax reduction.

Some cases of tax evasion, avoidance and neglect in Nigeria . the joint tax board new letter of July 2016 volume 5 no 5 stated that FIRS in May 2016 shut down Globalcom limited office in Lagos for failure to remit N24.36 m in value added tax in the country. In another development, Erim

petroleum Nigeria limited office was closed for not remitting N107.3M and 10.6 million naira. Also in Abia state of Nigeria Governor Okezie Ikpeazu observed that out of 84,000 registered companies in his state, only 800 of the companies do pay their taxes while the remaining ones have tax evasion, (joint tax board newsletter July 2016 vol 5 no 5) to mention but a few. In order to correct tax evasion, avoidance and defaulters, the FIRS shut down the operational headquarters of HFP Engineering Nigerian limited over unsettled tax liabilities of N536 million, Meditarien Nigeria limited was also shut down for tax debt of N4 billion from 2008 to 2013. The same fate befell Dimension data and Sirius energy resources for owing N540m and N11million respectively, the premise of capitol oil was as well shutdown in Lagos for owing N30 million tax debt, while two eateries and hotels in Owerri, City chef restaurant is owing N2.1 million, mange eatery house is owing N20million and comet hotels and conference hall is owing N2.3 million. Also most of the small scale industries and private school at all levels do not remit their tax to the government correctly.

CAUSES OF TAX EVASION, NEGLECT AND AVOIDANCE IN NIGERIA

1. The attitude of the leaders:

Nigerian leaders are not serious in sensitizing the general public of the need and consequences of not paying tax in a country. Tax is an obligation which everyone needs to pay in order to enable the government carry out every developmental project in the nation. The government cannot carry out this functions effectively without adequate payment of taxes from its subjects. Sometimes the leaders do not utilize the one paid by some people and tax payers always get discouraged when the money they pay as tax is diverted into somebody's private purse or been misappropriated by the government.

2. The attitude of politicians:

Nigerian politicians earn huge amount of money but do not show interest in paying taxes accurately, this discourages some other citizens in the nation.

3. Lack of adequate public enlightenment:

The society needs to be educated on how, why and where to pay their tax in order to avoid fraud or their money going into wrong hands.

4. Poor utilization and slow development:

Government does not adequately utilize the tax realized for development projects especially to the rural areas. This always makes the citizens especially the rural dwellers not to develop their culture and interest in paying tax.

5. Lack of qualified tax personnel

The inexperienced tax officers lack adequate and correct approach to citizens for tax collection, the government should employ capable hands for tax collection. Tax personnels should also be honest, sincere and trust worthy. They should as well be dedicated to their job.

6. Lack of mobility for tax inspection officers:

Government does not know that the tax collectors need to visit people, reach out some companies, hotels, and large and small businesses operator for the proper tax assessment and payment which needs good mobility.

7. Lack of incentives for tax workers:

Tax workers should be provided with good working facilities, good offices, in service training to update their tax knowledge and experiences, they should also be well paid and their offices well equipped with computer facilities to enhance productivity. This will go a long way to enable the workers to provide adequate out door services to the government.

Other reasons for inadequate revenue collection include corruption, lack of interest by people, ignorance and illiteracy. Also, lack of execution of proper punishment to the tax payers or defaulters by the Nigerian government is another challenge.

THE SOCIO-ECONOMIC IMPLICATIONS OF TAX EVASION, NEGLECT AND AVOIDANCE

Most of the government functions and duties cannot be carried out effectively because of the non-compliance and remittance of tax to Government treasury or purse. The maintenance of law and order in the society and provision of the adequate security measure becomes a big challenge to the nation, poor provision of social amenities, infrastructural development and steady power supply becomes a history. No establishment of industries and companies that will absorb graduates become a mirage while unemployment becomes the order of the day with its associated problems of armed robbery, kidnapping, drug abuse, rape, poverty and hunger.

Most often, government may not meet up with the demands of the society such as prompt payment of workers salary, provision of educational facilities, introduction and improvement of science and technology, provision of social security, food security and good communication network to mention but a few.

Other challenges include poor medical services in the country, inadequate provision of enabling environment for good leadership and other associated challenges in Nigeria society.

Tax which is the major source of any country's revenue for development cannot be diverted or overlooked. Tax plays a vital role to every countries economic development, therefore its neglect, avoidance and evasion will result to poor result to development in many ways. Such as: lack of provision of adequate security measures in the country, poor infrastructural development in areas of poor road network, communication, transportation, provision of power, social amenities, good water supply and health system. It can as well reflect on educational system, poor governmental administration, lack of provision and establishment of industries, agriculture and agricultural facilities, equipments, machines and agro-based industries,

poor maintenance of law and order in the society and inadequate provision and improvement of science and technology in the country. fight against moral decency and social ills. It can as well bring about poverty and late payment of workers salary, even to defend the country's territorial integrity becomes impossible.

WAYS FORWARD

- Adequate enlightenment and sensitization campaigns must be provided among the tax officials to the tax payers.
- Corrupt practices must be shun by tax collectors
- Provision of democratic dividends must be ensured by the government at all levels to encourage the citizens to pay their tax appropriately
- Provision of tax law in order to make people comply and cooperate tax payment.
- Provision of tax friendly environment
- Every level of government at all times should give accountability and transparency to their subjects on tax management
- Introduction of the use of tax collection in order to reduce leakages
- Provision of steady power supply in Nigeria will go a long way to arrest tax evasion by the private sector, companies and industries in the country for more productivity.

CONCLUSION

Tax evasion, avoidance and neglect should be addressed by the nigeran government, it has contributed to the slow development in the country and should treated urgently even with the help of Nigerians in living outside the country.

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