TAX FRAUD IN NIGERIA: A REVIEW OF CAUSAL FACTORS

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ABSTRACT
Tax fraud is a longstanding problem that has affected the government's ability to mobilise revenue needed to enhance growth and development. Billions of naira have been reported lost to tax fraud and mitigating this menace has become a high point of call to various tax authorities. Prior researchers have alluded that strategies to deterring tax fraud should be built on factors that influence taxpayers' non-compliant attitudes. On this premise, this study sets out the broad objective of examining the various causal factors of tax fraud in Nigeria. The study adopted the desk research design which involves a review of periodicals on tax fraud in Nigeria, journal articles on the subject of tax fraud, corporate reports and other related documents that address the vexed issue of tax fraud. The study revealed some factors against tax fraud; and these revolve around tax rate, income level, poor tax administration, corruption, low tax penalty, perceived use of tax revenue, tax fairness, and the level of tax payer's education. Each of these factors was found to impinge on tax fraud either separately or through a contribution of a number of factors to the flux of tax fraud in Nigeria. Further, though these factors contribute to the debacle of tax fraud as observed in the literature, they, however, present themselves as factors whose effect in tax fraud are felt in various degrees. In the light of the foregoing, it is suggested that clearly defined strategies and tax policies be required in terms of clear-cut incentives and tax cuts to reduce the burden of tax and to eliminate opportunities that facilitate tax fraud.

Keywords: Causal factors, fraud, taxation, tax fraud

INTRODUCTION
Maximization of tax revenue to meet accelerated growth and development of any economy remains one of the major goals of any government in both developed and developing nations. Hence, various governments have initiated several tax reforms to achieve a sustainable level of tax revenue. In Nigeria, the introduction of the Self-Assessment System (SAS) in 1992 served as a landmark reform policy meant to

ameliorate this goal. As opposed to the defunct Government Assessment System (GAS) where controversies abounded in the willingness to pay the tax due to the imposed assessment raised by tax authorities, the SAS allows taxpayers to recognize their tax obligations by computing and reporting honestly their tax positions to relevant tax authorities within a stipulated time frame. Onyegbule (2016) rightly observes, among others, that the system is aimed at creating conscientiousness towards a tax payer's obligations, encourage voluntary compliance, and increase efficiency in tax administration to increase government revenue.

Unfortunately, not all taxpayers are honest or report voluntarily all of their taxable incomes: they have resorted to various schemes to induce a lower tax liability or evade the payment of tax in entirety. This brings to the fore the vexed issue of tax fraud which appears common in the self-assessment processes lexicon. Tax fraud has been recognized as a means employed by taxpayers to neglect the fulfillment of their tax obligation. Albrecht et al. (2012) acknowledge tax fraud as misrepresentation or concealment of tax positions, and intentionally violating the legal duty of voluntarily filing income tax returns and paying the right amount of tax. In this context, tax fraud is tax evasion which is a surreptitious avoidance of payment of tax (Allain, et al., 2016). The Organization for Economic Cooperation and Development [OECD], 2017) could not agree more, noting that tax fraud reflects dishonest reporting, involving deliberate under reporting of income, falsification or omission of taxable income, overstating tax deductions, overstating expenses, claiming false allowances, as well as engaging in other efforts in a hidden economy to undermine legitimately- and legally-accrued income.

Today, tax fraud is prevalent in the Nigerian economy which has cost the government billions of naira (Adegbite et al., 2018). The cost of tackling it constitutes cost and burden to the government. Although the amount lost to tax fraud cannot be reliably estimated, several indices have been adopted to gauge the tax lost to fraud: it is estimated that not less than 15% ratio of tax to Gross Domestic Product (GDP) (tax-to-GDP ratio) for developing economies may be required to attain an efficient tax administration (Federal Inland Revenue Service [FIRS], 2018a). Meanwhile, Nigeria's tax-to-GDP ratio in 2018 stood at about 6% representing a shortfall of about 60% of recommended standard and compares unfavourably to India (16%), Ghana (15.6%) and South Africa (27%) (Adekunle & Dish, 2018). The implication of this low tax-to-GDP ratio indicates a drop, in significant amount, of tax revenue and unreported (Mohsen &Yazdan, 2016).

Similarly, the tax gap represented as the difference between the targeted tax revenue and actual tax collected provides further evidence of tax lost to fraudulent activities. The overall tax gap increased from 21.4% in 2017 to 27% in 2018 representing N1, 426.48 billion in tax revenue (FIRS, 2018b). Other studies have also estimated the total amount of tax revenue lost to the hidden economy where eligible taxpayers escape government regulation and the tax net. Nmesirionye and Ihendinihu (2016) have estimated that Nigeria has lost about N38, 357.3billion for periods spanning through 1980 to 2013 with an average of N1, 128.2billion annually. The situation is no better in recent years as Omodero (2019) reports an estimated loss of tax revenue to the hidden economy running up to N5, 960.15 billion in 2017 and N9, 860.18billion in 2018. The cumulative effect of these losses does not only deprive the government of the much-needed revenue but also undermines the purpose for which tax serve and generally affects the economy.

Several factors have been identified in the literature as being responsible for tax fraud (Kiri, 2016), describing these factors as traditional (including penalty, tax rate, and audit probability), institutional (including the cost of compliance, corruption, and crisis of confidence) or business characteristics, including size, ownership and industry. Other factors have been classified as social and demographic factors, largely determined by the perceived use of tax revenue and the educational level of taxpayers (Nangih & Nkemakola, 2018; Pratama, 2018).

Among the plethora of factors forenamed, there is a need to identify key and persuasive factors that apply to Nigeria for policy direction. It is in light of this that this paper sets out the broad objective of examining the causal factors of tax fraud in Nigeria to converge the policy thrust and efforts by government and other policy makers on the identified specific and persuasive factors and the situational circumstances from which these factors thrive. To achieve this, this paper is divided into five sections: the next section provides a conceptual review of tax fraud. This is followed by section three which discusses the factors that cause tax fraud in Nigeria. Section four presents some suggestions for mitigating tax fraud and section five concludes the study.

CONCEPTUAL REVIEW OF TAX FRAUD

Fraud is a broad concept that refers to an intentional deception to seek illegal gains. Fraud shelters all forms of financial malpractices including corruption; fraudulent reporting; asset misappropriations (Association of Certified Fraud Examiner [ACFE], 2018); employee fraud; investment fraud; and other miscellaneous fraud which takes advantage of the confidence of another person to deceive him or her (Albrecht et al., 2012). According to Skalak et al.(2011), fraud is established on the following elements: i) a false representation of material nature is made; ii) when knowledge that the representation was false when it was made; iii) when the person receiving the representation reasonably and justifiably relied on it; and, iv) when financial damages result from all of i-iii.

Accordingly, Olive (2018) identifies two positions that establish the existence of tax fraud: first, the presence of deception which involves an act of misleading tax authorities through concealment of a tax base or tax data that ultimately affect the determination of tax due. Second, the breach of duty or tax obligation which does not necessarily require an act of deception to be established but include any intentional act seen as an offence that deprives the tax authorities of due revenue. That is, to constitute tax fraud, a taxpayer must have intentionally breached his legal duty to compute, file and pay the related tax amount as prescribed by relevant tax laws. However, Olive maintains that the two positions highlighted are not mutually exclusive. This is because merely breaching a tax obligation may not on its own suggest that fraud has occurred. For instance, failing to file returns on or before the due date may be unintentional and with legitimate reasons (Ogbueghu, 2016). Such is the unavoidable absence of a taxpayer. Nevertheless, when a breach of duty is achieved through deception such that it prevents an accurate determination of a tax amount, leading to loss of tax revenue, then, tax fraud is manifested (Olive, 2018).Other authors have put forward similar conceptions of tax fraud. To Allain et al. (2016), tax fraud ensues when an individual or business firm evades tax (Adegbite et al., 2018), or when a business firm, through its officers, intentionally or willfully falsifies information on tax returns to limit the amount of tax liability, a development that is illegal (Lenz, 2017).

From the foregoing, tax fraud encompasses all illegal methods employed by taxpayers to misrepresent their tax affairs or conceal a tax base (asset or income) in order to induce a lower tax liability or pay no tax liability at all. In sum, tax fraud is achieved when a taxpayer makes false claims, such as declaring less earnings, profit or gains, overstating deductions (Gurama et al., 2015), overstating expenses, and over-reporting reliefs and allowances (Noor et al., 2012; Ogbueghu, 2016). Other tax fraud schemes include manipulating accounting records by maintaining two sets of books, making false entries in books of accounts, hiding or transferring assets or income to tax havens or third parties (Albrecht et al., 2012). It also involves collusion with tax authorities to escape or reduce the amount of tax payable (Ogbueghu, 2016), diversion of tax revenue by tax officials, and attempts to be invisible to the tax authorities (OECD, 2017) where self-employed individuals or where businesses have no legitimate books of accounts yet carry on business for profit-making. The above mentioned acts are, in the words of Olokooba et al. (2018), constitute criminal offences against the Nigerian tax laws as stipulated in the various tax Acts (Section 94 – 95 of the Companies Income Tax Act (CITA), 2012; Section 42 – 44 of Federal Inland Revenue Service Establishment Act (FIRSEA) 2007; Section 96 of the Personal Income Tax Act (PITA), 2011; and Section 28 of Tax Administration (Self-Assessment) Regulation, 2011).

OECD (2017) lends credence to two forms of tax fraud which are widespread and consistent amongst countries; they include under-reporting of income through sales suppression; and over-reporting of false deductions through false invoicing. Whereas sales suppression involves an omission or cancellation of cash sales with the intention of under-reporting the total amount of sales which in turn reduces the corresponding tax liability, over-reporting false deduction is evident in situations where businesses falsify or inflate invoices which allow them to fraudulently claim expenses for tax purposes that have not been incurred. Olokooba et al. (2018) is of the view that in Nigeria, incidences of tax evasion are manifested basically by fraudulent concealment of income through false entries and the failure to keep proper books of accounts. The FIRS (2017) recounts the use of complex structure in a business transaction, non-registration for VAT or failure to remit VAT withheld, and non-payment of capital gain tax on asset disposal as some of the major ways businesses evade tax in Nigeria (Adekunle &Disu, 2018). Besides, falsifying payroll records, such as the inclusion of non-existent workers, retaining retired and dead staff records on the payroll records and deliberate failure to file PAYE tax deducted, are common fraud schemes under the PAYE tax system.

These forenamed fraudulent practices, according to Mohammed et al. (2017) have become a threat to the generation of tax revenue in Nigeria. Such practices have deprived the government of billions of naira that would have gone into enhancing growth and development in the country (Olokooba et al., 2018; Omodero, 2019). Beside these economic effects, OECD (2017) argues that tax fraud puts compliant taxpayers in a disadvantaged position and makes it difficult for them to compete with their counterpart who do not bear the expenses of paying their fair share of tax.

Beyond the issues raised above, Eja et al. (2018) have argued that corruption among tax officials, inexperienced tax personnel, and lack of infrastructural facilities tend to fuel taxpayers' non-compliant attitudes and the difficulty in optimizing tax revenue collections.

FACTORS THAT CAUSE TAX FRAUD IN NIGERIA

A number of causal factors of tax fraud have been identified in prior studies (Adebisi & Gbegi, 2013; Aliyu & Sambo, 2016; Gurama et al., 2015; Nangih & Nkemakola, 2018; Okoye, Nwoye, & Abiahu, 2018; Obafemi, 2014) as responsible for tax fraud in Nigeria. These include high tax rate or tax burden, income level, absence of *quid pro quo*, poor tax administration, lack of adequate enforcement, misappropriation of tax revenue, low tax morale, gender, and the educational level of taxpayers. These factors are summed up as economic (Kanbiro, 2016; Kong & Wang, 2014), administrative (Ogbueghu, 2016; Oseni & Ehimi, 2019), social (Kanbiro, 2016; Mohammed et al., 2017; Albrecht et al. (2012), and demographic **(**Fukofuka, 2013).

Economic Factors

Those factors are so-called because of the deplorable and distressed economic situations which reduce a tax payer's income against increasing responsibilities (Ogbueghu, 2016). They represent perceived or actual pressures that can induce a taxpayer to defer tax expenses or evade tax. Economic factors include the economic situation of a taxable company's profitability, income level, source of income, and the amount of tax burden or tax rate (Kanbiro, 2016; Kong & Wang, 2014; Nangih & Nkemakola, 2018; Ogbueghu, 2016).

Tax Burden

Tax, is often perceived as a pecuniary burden which represents a loss to taxpayers. It deters consumption, investment and savings (Okoye et al, 2012) and when considered to be high, it discourages taxpayers from working hard, since a significant portion of their efforts will be taken away. In this regard, the burden of tax is reflected as the rate at which a taxpayer's income is taxed. Though companies have been segregated as small, medium and large with discriminatory tax rates, companies (in Nigeria) lament over the high Company Income Tax (CIT) rate with annual gross turnover of more than one hundred million in Nigeria, which stands at 30% (Finance Act, 2020) as against the OECD average rate of 25.32%. This rate is presumed to endanger growth among businesses. Mohammed et al. (2017), Okoye *et al.* (2012), and Olaoye et al. (2017) have all alluded and mused over the high tax rate in Nigeria; and argued that such a rate increases the cost of doing business in the country. Mohsen and Yazdan (2016) align this position with the classical view that higher taxation creates the incentive for people to misrepresent their earnings in an attempt to lower their tax liabilities.

Empirical evidence (Adebisi & Gbegi, 2013; Modugu & Omoye, 2014; Aliyu & Sambo, 2016) further reveal that high tax rate reflected in a reduction in the disposal income of taxpayers encourages tax evasion among individuals and businesses in Nigeria.

Income Level

Generally, individuals or businesses abhor the payment of tax due (Abiola & Asiweh, 2012). Taxpayers usually choose to evade tax to maximize their satisfaction or comfort, given their level of income. Although, it is popularly assumed that high-income earners will exhibit their wealth by being compliant and more responsive to the payment of tax as their level of income increases (Aliyu & Sambo, 2016; Nangih & Nkemakola, 2018), a good number of taxpayers in the higher income bracket have also been found to be more inclined to evade tax in Nigeria (Mansor & Gurama, 2016); they minimize the amount of tax paid through excessive claims on tax liabilities and exemptions (Mansor & Gurama, 2016). This is evident in the past when the Voluntary Assets and Income Declaration Scheme (VAIDs), concluded in 2018, showcased a large number of high net-worth individuals in Nigeria who were pardoned for misrepresenting their tax affairs and short-changing the government of legally due tax running (Odimegwu, 2019). This, therefore, confirms that a high level of tax income may be associated with tax fraud. However, a low income may facilitate tax fraud as poverty may resist further extraction (Agbonika, 2012; Nwocha, 2017); and not to even pay where expenses outweigh income in the case of financial distress (Kanbiro, 2018).

Administrative Factors

Administrative factors and tax evasion have been linked (Ibadin & Eiya, 2013); such factors can constitute a source of strengths or weaknesses in the tax system. For instance, efficient-poor tax administration, corrupt and corrupt-free tax administration, up-to-date or out-dated tax laws, and low or no tax penalties or lack of effective prosecution are some administrative factors identified in the literature as influencing tax fraud (Ibadin & Eiya, 2013; Ogbueghu, 2016).

Poor Tax Administration

Tax administration should enhance maximum compliance (Oseni & Ehimi, 2019). However, a large number of taxpayers, especially in the hidden economy, escape the tax net (Nmesirionye & Ihendinihu, 2016; Omodero, 2019) with the informal sector largely unregulated (Oseni & Ehimi, 2019).These facts are amplified by the International Monetary Fund [IMF], (2018) statistics.

While it presupposes that a good tax administration is built on a well-designed tax system and a strong technical capacity (Olaoye et al., 2017), ill-equipped personnel (Muhrtala & Ogundeji, 2013), weak implementation of tax policy as a result of insufficient staff capacity, poor use of tools, poor financial support and inaccessibility to major rural areas where tax ought to be collected (Abiola & Asieweh, 2012). Even with the introduction of information technology initiatives, such an electronic filing, electronic payment, issue of electronic tax clearance certificate to facilitate easy remittance, the level of compliance across the country remains low (Ofurum et al., 2018).

Given these lapses, Abiola and Asiweh (2012) conclude that with lack of effective administration and proper implementation, taxpayers would be less concerned with reporting their true position and will resort to tax evasion.

Corruption in Tax Administration

The weakness in tax administrative system leads to high level of corruption, manifested by extortion, bribery and expropriation among tax officials who create the opportunity for taxpayers to engage in tax fraud (Agbonika, 2012). Taxpayers may consider evading taxes when the cost of bribing a tax official is less than the expected benefit from engaging in tax fraud. Most tax officers and administrators have been criticized for diverting a huge percentage of tax funds into their private coffers by colluding with taxpayers who negotiate for the payment of lesser (Nwocha, 2017). Ogbueghu (2016) considers this a bilateral evasion as taxpayers collaborate with tax officials and offer them bribes to be exempted or under-assessed.

Empirical evidence (Saidu & Dauda, 2014) shows that 75% of participants as taxpayers had received fake certificates from tax administrators in exchange for a negotiated fee while 20% indicated that they had paid bribes to obtain tax clearance certificates. In line with this, Akeju (2018) reports that 39.4% of respondents evade the payment of tax because they believe that tax officials do not remit the money to the government. Ibadin & Eiya (2013) find a significant relationship between tax evasion and personal income tax administration.

Tax Penalty

Tax penalty is a legally-due punishment for violating the provisions of a tax law. It can be in the form of fines and imprisonment or both. Penalties, as a deterrent factor, have been widely examined as a major determinant of tax fraud. In their pioneer work on tax evasion, Allingham and Sandmo (1972) argue that rational individuals will opt for the choice of declaring their full income to avoid being detected and sanctioned for non-compliance. Further research suggests that it is an adequate penalty that can serve as a deterrence and not mere penalty (Larps & Bruno, 2006). So when taxpayers perceive that penalties are weak, they tend to evade tax (Modugu & Omoye, 2014). The implication of this finding suggests that the level of punishments or penalties assigned to non-compliant behaviour is inadequate and unable to curtail wrongdoings (Oladipupo & Obazee, 2016).

Culminating from the issue of low penalty, tax authorities do not appear to attach strict criminal liability to tax evaders as emphasis seems to be more on fine than imprisonment (Agbonika, 2012). They are more interested in the revenue than ensuring punishment and are ready to compound any offence since it is allowed under the tax law (Olokooba et al., 2018). That is, the tax authority may accept from the taxpayer a sum not exceeding the maximum sum prescribed for the offence and letting the evader walk home freely rather than prosecuting the evader. The negative effect of this according to Olokooba et al. (2018) increases the number of tax criminality and offences and serves as a clog in government developmental effort.

Social Factors

Tax fraud can result from social factors, such as perceived use of tax revenue, perceived equity or fairness of the tax system, and other tax payers' attitudes towards tax compliance (Kanbiro, 2016; Mohammed et al., 2017). These factors are typical to an individual taxpayer such that they rely on the personal judgement of a taxpayer. According to Albrecht et al. (2012), taxpayers justify tax fraud act when they perceive that they pay more tax more than their fair share, the government wastes the money, and the wealthy people do not pay enough tax as they work hard for the money they earn.

Perceived Use of Tax Revenue

Taxpayers' perceptions on the use of tax revenue have been identified as a major driver of tax fraud. According to Onoja and Iwarere (2015), an average Nigerian has no faith in the government; and they are not encouraged to entrust their resources, hence, payment of taxes are ranked among the least obligation they owe to the government. This is because taxpayers perceive that tax revenue generated is used to cater for the needs of government functionaries and their close associates rather than the needs of taxpayers (Nwocha, 2017; Saidu & Dauda, 2014). Whenever tax revenue is not rationally spent or properly utilized for the benefit of the citizenry, it creates mistrust between tax authorities and taxpayers (Nwocha, 2017) and the willingness to pay tax suffers and leads to tax fraud.

Akinyomi and Okpala (2013) observe that the inadequate provision of basic amenities and security in the country is a major concern for all. These questions the usefulness of tax remitted to the government. The level of infrastructure and social welfare services provided by the government in the country does not elicit voluntary compliance (Oseni & Ehemi, 2019). Wastages of public funds are still evident in the inflated prices of contracts without execution, including other criminal methods employed to exhaust funds voted to government agencies (Adebisi & Gbegi, 2013). It is therefore aptly expected that a taxpayer who sees his contribution being misused by top public officials will question the need for further compliance; and this have been demonstrated empirically (Akinyomi & Okpala, 2013; Aronmwan et al.,2014 and Mansor & Gurama, 2016).

Fairness of the Tax System

Tax fairness is a system that creates a clear, equitable and just treatment to all taxpayers (Oseni & Ehimi, 2019). Accordingly, tax fairness can be viewed from two different dimensions (Nicoleta, 2011): one, the benefits one receives from the tax paid and, two, the taxpayer's perception of the vertical equity of the tax system. Though there is no *quid pro quo* reciprocity, that is, something of value given by the government for tax paid (Adebisi & Gbegi, 2013); tax is met for the general benefit of the people. Obafemi (2014) confirms the absence of a *quid pro quo* in the tax-benefit relationship. Nevertheless, fiscal social contract of taxation is built on the premise that individuals will contribute to a common government purse where their collective welfare will be catered for (Mohammed et al., 2017).

In relation to the vertical equity of tax system, if taxpayers were to feel that they pay more than their fair share of tax when compared to wealthy taxpayers, they are more likely to see the payment of tax as a burden (Nicoleta, 2011). Middle and low-income taxpayers tend to be tax evasive when these taxpayers perceive that the tax laws are unfair and inequitable (Akinyomi & Okpata, 2013). This unequitability creates a sense of distress especially for victims, and tax fraud is seen as an option to restore equity (Ogbueghu, 2016). Empirically, Oseni and Ehimi (2019) aver that the positive relation between tax fairness and compliance found in their study intuitively suggests that a fair tax system will no doubt deter dysfunctional behaviours that is inimical to effective tax compliance.

Low Tax Moral

Tax morale constitutes a moral obligation of contributing to society by paying tax. It represents a tax payer's willingness to pay tax. It expresses the guilt and regret of tax evasion (Kong & Wang, 2014). This implies that, making a false declaration may generate anxiety, guilt, or if caught, may result in shame and a prejudice to a taxpayer's self-image. Thus, it is assumed that when a taxpayer feels these moral costs, more tax-paying and honest people and friends around one, the more guilt and regret, hence the stronger the tendency to comply with tax obligations and vice-versa (Nwocha, 2017; Ogbueghu, 2016).

This is corroborated in the 'Theory of Reasoned Action' by Ajzen and Fishbein (1980) that an individual's intention and attitude (Sinnasamy, Bidin, & Ismail, 2015) in a polarized and tax-evasive environment, might very likely lead to a low morale of other taxpayers and vice versa (Nangih & Nkemakola, 2018).

Demographic Factors

Demographic factors include the gender of the taxpayer (whether male or female), age, and the level of education, to mention but a few. These factors have been largely examined as influencers to taxpayers' non-compliant attitudes (Ibadin & Eiya, 2013). Fukofuka (2013) explains that the characteristics of an individual are crucial to the identification of corporate tax compliance or evasion. They provide information about how easy a tax evader can influence others to support an evasive behaviour.

Gender

Various studies have provided evidence suggesting differences in the behaviour of male and female when it comes to tax fraud (Ibadin & Eiya, 2013; Nangih and Nkemakola, 2018). Nangih and Nkemakola (2018) have argued that the gender of taxpayers is a prime determinant of tax compliance or evasion. However, Aladejebi (2018) reveals that female entrepreneurs have a higher percentage level of compliance than their male entrepreneurs, concluding that female entrepreneurs are more disposed to registering their businesses and complying with government tax regulations. According to Olay et al. (2017), females have been identified with conforming to rules, moral restraint and a conservative life pattern that reinforces their compliant attitude as opposed to their male counterparts. However, the study of Ironman et al. (2014) reveal that gender is not a significant determinant of tax compliance because both male and female are not considered different when it comes to issues of tax; and such, a tax regime may not show any discrimination of any particular gender.

Age

Generally, ageing taxpayers are more likely to comply with tax compliance rules than younger taxpayers. Panama (2018) in a study, however, argues that an increase in age tends to decrease with the level of tax knowledge amongst respondents surveyed; young taxpayers tend to take more risk, indifferent to sanctions, and may be more anxious and ambitious to acquire wealth and less committed to payment of tax (Olay et al. (2017). On the other hand, older people are considered risk-averse, experienced and endowed with more wisdom and knowledge which drive their compliant attitude (Otis et al., 2017). Implicitly, the absence of these characteristics makes the younger individuals non-compliant.

Educational Level

Education is considered one of the most potent demographic factors that shape a tax payer's compliant behaviour. The level of education attained by a taxpayer is crucial to determining the extent to which taxpayers understand the requirement of tax laws

(Ibadan & Eiya, 2013; Oladipupo & Obazee, 2016). Ibadin & Eiya (2013) and Mansor and Gurama (2016),in their study, show that educational level is positively related to tax evasion; more educated taxpayers are able to intensify efforts towards interpreting and manipulating tax laws to their advantage. Notwithstanding, Aliyu and Sambo (2016) report that taxpayers with less education tend to evade tax. This is because, low (or lack of) tax education brings about misunderstanding of the tax laws and the various tax processes and procedures. Beyond the knowledge of Personal Income Tax and Company Income Tax manifested in the income of salaried workers and profit of companies (Nwocha, 2017)) respectively, very little is known about other sundry taxes such that these businesses are unaware of their tax obligation to the government (Akeju, 2018; Aladejebi, 2018).

MITIGATING TAX FRAUD IN NIGERIA

Statistics have shown that despite the efforts geared towards the reduction of tax fraud, not much has been achieved to eradicate tax fraud in the Nigerian tax system (Adekunle & Disu, 2018; FIRS, 2018b). Reducing non-compliant behaviour requires an understanding of the reasons for the non-compliance. This can serve to evolve strategies that are appropriate and effective to increase tax compliance. On this note, the following suggestions are therefore made.

Reduction in the Pressure of Tax Burden

Taxpayers should be granted tax waivers or tax cuts for early filing and remittance to cushion the pressure of tax burden. Besides, the government can issue a policy statement stating that taxpayers who voluntarily file and pay the correct amount of tax within a stipulated time will be granted a tax waiver from their tax liabilities. Besides, taxpayers, especially the civil servants and other salaried employees whose taxes are deducted at source should be incentivised because of the perceived more burden of tax on them than any other class of taxpayers. On the whole, proper distribution of tax burden will encourage fiscal morality

Elimination of Opportunities for Tax Fraud

Tax audit is one of the most effective policies against tax fraud. It is a policy designed to complement the self-assessment system. It serves as an enforcement tool to ensure that computed tax liabilities are accurate and reported in accordance with applicable tax standards. Perceived probability of audit is an important component of the tax payer's decision to comply with the requirement of the law. Risk-based audit that is more likely to reveal the incidences of tax evasion than the traditional random audit and the risk assessment audit that provides every audit case a chance of being selected, should be deployed by the relevant tax authorities.

Besides tax audit, tax investigation is also another enforcement tool that limits the opportunities for tax fraud. The fact that taxpayers and officials are rarely investigated and prosecuted for their fraudulent act contributes to the culture of impunity experienced in the country. The thrust of a tax investigation is to classify a taxpayer as guilty, not guilty or negligent given all facts and evidence needed to pursue a case in court. Although tax agencies believe in compounding offences and pursuing tax fraud civilly, it is believed that letting crime go unpunished conflicts with the principle of equality as entities fulfilling their tax obligations will be worse off than fraudulent entities. Hence, it is necessary to adopt a criminal prosecution approach to send strong deterrent messages to evaders as penalties and sanctions are often perceived as weak and inadequate to reinforce compliance.

Responsiveness to the Social Needs of Taxpayers

Promoting an atmosphere of trust between the taxpayer and government will enhance compliance in the payment of tax. If the government rationally spends taxpayers' money by being responsive to their needs, a higher level of compliance can be achieved amongst citizens. The government must demonstrate full commitment and selfless service by being productive, transparent and accountable with the amount of tax paid by citizens. One way of being transparent and accountable especially in the state and local level is by holding periodic transparency briefing or forums where information on the amount of tax revenue generated and how it has been utilized is made available to the public. It is also important that tax revenue is evident in the contending socio-economic needs of the people including the provision of infrastructural facilities, educational facilities, healthcare, electricity, security, and employment.

Adequate Sensitization, Enlightenment and Education

There is a need for the government to embark on greater sensitization on the benefits and the civic obligation to pay tax as a good number of eligible taxpayers especially amongst the growing SMEs and younger individuals have been found to have less knowledge of their tax obligations. Taxpayers will not comply with tax laws unless they understand the law and what is required of them. Taxpayers should be educated on the requirement of relevant tax laws, how to compute tax liabilities, due dates for filing, how to file returns and the punishments associated with failure to comply. This can be achieved by organizing public education programmes in the media, including the use of posters and billboards. An outreach approach can also be adopted to keep taxpayers constantly informed daily. With this approach; tax authorities are expected to visit taxpayers at their places of work and convenience to educate them on the tax system and their obligations. There should be an appreciable level of sensitization; taxpayers should be kept on constant reminders via bulk messaging shortly before filing date; tax education should be a course in every level of education, including higher institutions, and the use of traditional and religious institutions as a tool for moral persuasion will go a long way to instilling an ethical culture of tax compliance.

CONCLUSION

The ability of government to meet the desiring needs of her citizens is a function of the availability of revenue to achieve such a goal. Among the various sources of revenue available to the government, the tax has been regarded as the most reliable to achieve a sustainable level of development in an economy. Unfortunately, the level of tax revenue generated in Nigeria is far below the optimal level envisaged by relevant tax authorities. This lapse in potential tax revenue results partly from tax fraud which involves the use of illegal methods to induce a lower tax liability or escape the payment of tax. In prior studies, it is observed, among others, that tax burden, income level, weaknesses in tax administration and perceived use of tax revenue are key factors that give rise to tax fraud in Nigeria. These factors have affected greatly government revenue and serve as a clog on government developmental efforts. It is, therefore, canvassed that efficient tax strategies are required to reduce the pressure of tax burden, eliminate opportunities that facilitate tax fraud, meets the needs of citizens, and provide adequate sensitization and enlightenment to taxpayers. For a future research, it is advised that an empirical investigations be undertaken, using the factors examined in this study and/or additional factors either to give credence to or disconfirm the persuasiveness or otherwise of the factors.

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