ETHICAL, LEGAL PERSPECTIVES AND TAX EVASION AND AVOIDANCE IN NIGERIA

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ABSTRACT

The association between ethical beliefs, legal frameworks, tax literacy, tax evasion, and avoidance practices in Nigeria were examined in this research. Out of the 677 participants in the study, 144 respondents were selected using the purposive sampling technique. Using regression analysis, correlation matrix, and descriptive statistics, the study revealed significant negative relationships between the independent variables and tax evasion and avoidance. Specifically, it found that ethical beliefs, a robust legal framework, and tax literacy were crucial factors in reducing tax evasion and avoidance. Ethical beliefs significantly impact tax behaviour, with individuals holding stronger ethical values being less inclined to evade taxes. Similarly, a well-structured legal framework, characterized by clear tax laws and penalties, significantly deters tax evasion. Tax literacy also plays a vital role, as individuals with higher tax awareness have the tendency to meet tax requirements. From the outcomes, it was recommended that ethical tax behaviour, legal framework, and public tax literacy should be promoted to foster a more transparent and accountable tax system.

Keywords: Ethical Belief, Legality, Tax Evasion, Avoidance, Literacy.

1.0 INTRODUCTION

Tax evasion and avoidance represent persistent obstacles to Nigeria's fiscal stability, contributing significantly to the nation's chronically low tax compliance rate. Despite being the largest economy in Africa, Nigeria's tax-to-GDP ratio remains below 7%, far beneath regional and global benchmarks (Adedeji, 2025). This substantial gap between potential and actual revenue impedes national development and weakens the government's capacity to deliver essential public services.

Tax evasion refers to the unlawful act of intentionally avoiding tax obligations, while tax avoidance involves exploiting legal loopholes to reduce tax liability. Although avoidance is technically lawful, it raises ethical concerns, particularly in resource-constrained economies like Nigeria where both practices collectively erode the revenue base (Animashaun & Chitimira, 2023). The line between evasion and avoidance often becomes blurred in Nigeria due to ambiguous laws, limited enforcement, and widespread taxpayer cynicism.

Beyond legal definitions, compliance behaviour in Nigeria is shaped by interrelated structural and behavioural drivers. These include a lack of trust in public institutions, perceived corruption, and the absence of visible returns for paid taxes. Ethical beliefs influence whether taxpayers feel a moral obligation to comply. In a society where governance is distrusted, tax payment may be viewed as optional or even irrational. As Nwadighoha (2020) observes, Nigerian taxpayers frequently justify evasion on the grounds of poor service delivery and systemic injustice.

Legal structure is also fundamental. Strong tax laws, if clearly articulated and fairly enforced, can deter evasion and reduce avoidance. However, when enforcement is inconsistent or laws contain exploitable gaps, taxpayers may act opportunistically (Animashaun & Chitimira, 2023). Tax literacy further compounds this issue. Many Nigerian taxpayers lack sufficient understanding of their obligations, which increases the likelihood of both intentional evasion and unintentional non-compliance. Recognising this, the Federal Inland Revenue Service (FIRS) recently called for integrating tax education into school curricula to foster long-term behavioural change (FIRS, 2025).

Despite these well-documented influences, most empirical studies in Nigeria have treated the legal, ethical, and educational drivers of tax compliance as isolated variables. For example, Nwadighoha (2020) explored moral justifications for evasion but did not link these to knowledge or legal enforcement. Similarly, Animashaun and Chitimira (2023) focused on statutory reforms without incorporating behavioural perspectives. The fragmented nature of these analyses leaves a significant gap: a holistic model that captures how ethical beliefs, legal structures, and tax literacy interact to influence evasion and avoidance in real-world settings.

This study addresses that gap by empirically examining the combined influence of ethical beliefs, legal-tax frameworks, and taxpayer knowledge on tax evasion and avoidance in Nigeria. Specifically, it seeks to answer the question: to what extent do ethics, law, and literacy influence tax compliance behaviour, individually and collectively, under Nigeria's current tax system? By providing an integrated behavioural-institutional analysis, the study offers a more accurate representation of taxpayer motivations than prior isolated models.

The contribution of this paper is threefold. First, it advances tax compliance literature by bridging normative (ethics), institutional (law), and cognitive (literacy) perspectives in a unified empirical framework. Second, it generates timely, policy-relevant insights, drawing from post-2020 realities including fiscal strain from COVID-19 and reforms in digital tax administration. Third, it offers practical guidance for tax authorities and policymakers by identifying which drivers most strongly affect evasion and avoidance. This helps inform targeted interventions with stronger behavioural traction.

In sum, this paper provides a comprehensive behavioural model of tax evasion and avoidance in Nigeria, drawing on fresh survey data and grounded in contemporary realities. The rest of this study is organised as follows: Section 2 presents the literature review and hypothesis development. Section 3 outlines the methodology used. Section 4 discusses the data analysis and results. Section 5 concludes with policy implications, limitations, and recommendations for future research.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Ethical Perspective

The ethical dimension of taxation relates to a taxpayer's internalised beliefs about right and wrong, particularly in the context of civic responsibilities. Ethics in taxation refers to the degree to which individuals perceive tax evasion or avoidance as morally acceptable or unacceptable. According to Olayungbo and Olayemi (2022), tax ethics encompasses personal integrity, societal values, and the extent to which individuals feel a moral obligation to contribute to public goods through tax payments. When citizens view taxation as a civic duty grounded in ethical values, they are less likely to engage in evasive behaviours (Kirchler et al., 2023). In Nigeria, weak institutional trust and frequent public sector corruption have eroded the ethical foundation upon which tax compliance rests. This has created a dilemma where taxpayers rationalise evasion by pointing to the poor use of public funds (Okoye & Ezejiofor, 2020). Studies also show that ethical norms are often shaped by informal institutions such as religion, family, and peer networks (Torgler & Schneider, 2021). Hence, where tax evasion is widespread and socially tolerated, even morally inclined individuals may follow suit. Therefore, enhancing tax ethics must go beyond legal deterrence to involve deliberate efforts in civic education and public value reorientation.

2.1.2 Legal Framework

The legal framework refers to the body of laws, regulations, and enforcement mechanisms that govern tax obligations and compliance in a country. An effective legal structure ensures clarity in tax rules, fairness in application, and consistency in enforcement (OECD, 2022). It also includes the presence of penalties for default and the institutional capacity to monitor and prosecute tax offences. The clarity and perceived fairness of the legal framework strongly influence taxpayers' willingness to comply (Alm et al., 2021). Nigeria operates a multi-tiered tax system with federal, state, and local government tax jurisdictions. This complexity often leads to overlaps and confusion among taxpayers, especially among small businesses (FIRS, 2022). The lack of simplified guidelines and weak enforcement mechanisms further contribute to the prevalence of both tax avoidance and evasion. While the Federal Inland Revenue Service (FIRS) has made efforts to automate tax administration, legal loopholes, discretionary application of penalties, and judicial delays continue to weaken the deterrence effect of tax laws (Aguolu et al., 2023). Thus, a robust and transparent legal environment is essential not only for deterrence, but also for building trust in the tax system.

2.1.3 Tax Literacy

Tax literacy refers to the extent to which individuals and businesses understand tax obligations, processes, rights, and implications. It includes knowledge of filing procedures, payment schedules, penalty systems, and taxpayer rights and responsibilities. A high level of tax literacy empowers citizens to make informed decisions and reduces the likelihood of unintentional non-compliance (Saad & Natrah, 2021). It also minimises the chances of exploitation by tax consultants and increases confidence in engaging directly with tax authorities.

In the Nigerian context, limited awareness of tax regulations, especially among the informal sector, is a major contributor to low tax morale (Omodero, 2022). Tax education programmes remain insufficient, and many citizens remain unaware of changes in rates or legal obligations. Moreover, digitalisation has created a knowledge gap between tech-savvy taxpayers and those who are not, further exacerbating inequality in compliance. Therefore, improving tax literacy is a strategic imperative for enhancing voluntary compliance, particularly through school curricula, public sensitisation, and small business training programmes (Agbi et al., 2023).

2.1.4 Tax Evasion

Tax evasion involves the wilful and illegal non-payment or underreporting of tax liabilities by individuals or corporations. It includes activities such as under-declaring income, inflating expenses, falsifying documents, and outright refusal to file tax returns (OECD, 2022). Tax evasion is a criminal offence in most jurisdictions, and it undermines revenue generation, distorts market competition, and weakens public institutions (Hanlon et al., 2023).

In Nigeria, tax evasion is prevalent across both the formal and informal sectors. The informal economy, which constitutes over 50% of the country's workforce, operates largely outside the tax net (World Bank, 2023). Meanwhile, within the formal sector, multinational corporations and high-net-worth individuals often exploit poor enforcement and corrupt practices to underpay taxes. According to the FIRS (2022), the country loses billions of naira annually due to evasion-related activities. Combating tax evasion requires not only punitive measures but also systemic reforms to improve detection, reporting, and prosecution mechanisms.

2.1.5 Tax Avoidance

Unlike evasion, tax avoidance refers to the use of legal means to reduce tax liability, often by exploiting gaps or ambiguities in tax laws. While tax avoidance is not illegal, it is often viewed as unethical, especially when it contradicts the spirit of the law (Slemrod & Gillitzer, 2021). Examples include profit shifting, use of offshore tax havens, and aggressive deductions. In many jurisdictions, tax avoidance is tackled through anti-avoidance rules and transfer pricing regulations. In Nigeria, the thin capitalisation rules, outdated tax treaties, and limited capacity for international tax audits have made the system vulnerable to avoidance schemes (Adebisi & Gbegi, 2020). Multinational corporations often use complex structures to shift profits to lower-tax jurisdictions. While some argue that tax avoidance is a rational response to high tax burdens, others maintain that it reflects a breakdown in social and fiscal responsibility (Nnadi et al., 2023). Strengthening anti-avoidance regulations and increasing transparency in corporate reporting are key to curbing this practice.

2.2 Theoretical Framework

2.2.1 Slippery Slope Framework

This study adopts the Slippery Slope Framework because it explicitly integrates legal and ethical determinants of tax behaviour, making it especially well-suited to examine both tax evasion and avoidance in Nigeria. Slippery Slope Framework proposes two interacting pathways to compliance: enforced compliance, driven by the perceived power of tax authorities, and voluntary compliance, driven by taxpayers' trust in authorities and internalised ethical norms (Kirchler, Hoelzl, & Wahl, 2008). Where enforcement is weak or fragmented but trust and ethical norms are strong, voluntary compliance may sustain revenue collection; conversely, strong enforcement with low trust can produce compliance that is brittle or circumvented through avoidance. This theory therefore allows the researcher to model how legal instruments (penalties, institutional reform, digital enforcement) and ethical orientation (moral norms, perceptions of fairness and legitimacy) jointly, rather than independently, shape taxpayers' cost-benefit calculations and normative motivations.

In Nigerian, this context further permits incorporation of contemporary institutional changes (tax harmonisation proposals, digitisation, post-2020 reforms) as modifiers of authority power and perceived legitimacy; while also accommodating behavioural measures (ethical orientation, tax literacy) as predictors of voluntary compliance. Empirically, this has the tendency to yield testable implications; for instance, stronger perceived authority power should reduce evasion, while higher trust/ethical orientation should reduce avoidance motivated by normative concerns. Slippery Slope Framework thus supplies a parsimonious, integrative theoretical foundation for the study's joint investigation of ethical, legal, and cognitive drivers of tax evasion and avoidance in Nigeria.

2.3 Empirical Review

Several empirical studies have demonstrated a significant relationship between ethical disposition and taxpayers' willingness to comply. Adebayo et al. (2022) examined the role of ethical orientation in Nigeria and found that taxpayers with stronger moral convictions were less likely to engage in tax evasion, even in the absence of strict enforcement. Similarly, Owolabi et al. (2023) revealed that ethical tax behaviour is positively associated with religious commitment and social upbringing, especially among small business owners.

In a cross-country panel study, Torgler and Schneider (2021) showed that higher tax morale significantly reduces tax evasion, even when audit probabilities are low. Their findings reinforce the role of internalised ethical standards in fostering voluntary compliance.

Several studies have examined the relationship between legal deterrence measures and tax evasion. Sani and Abubakar (2021) employed a structured survey to analyse the impact of penalty enforcement and discovered a strong negative correlation between penalty severity and the tendency to evade taxes. Their regression analysis showed that stricter penalties reduced evasion tendencies by up to 37% in their sample of SMEs in Kaduna State.

Likewise, Hassan et al. (2022) studied audit frequency and taxpayer compliance using data from Lagos and Abuja. Their findings revealed that audit probability and taxpayer awareness of enforcement significantly predict compliance. The study found that taxpayers who believed they were likely to be audited had a 28% higher compliance rate than those who did not perceive any such risk.

However, not all results favour deterrence. Ali et al. (2020) found that enforcement-based strategies tend to lose their effectiveness when corruption and distrust in tax institutions are prevalent, as taxpayers may believe they can bribe their way out of audits.

Tax knowledge plays a vital role in taxpayer decisions. Akomolafe and Ogunleye (2021) investigated how literacy influences tax compliance among informal sector workers in Ogun State. Their logistic regression analysis showed that higher tax awareness increases compliance probability by approximately 41%, controlling for age and income.

Similarly, Ibrahim et al. (2023) used a quasi-experimental design to measure the impact of taxpayer education programmes and found that education significantly improves both voluntary registration and remittance behaviour. The study recommended that tax education be incorporated into civic education and financial literacy initiatives to enhance behavioural outcomes.

Several studies have noted that the Nigerian tax system is constrained by a lack of trust in public institutions, weak enforcement, and poor service delivery. Modugu and Anyaduba (2014) earlier observed that many Nigerian taxpayers perceive tax payment as a waste due to poor infrastructure and corruption. Building on this, Okafor et al. (2022) conducted a survey among 500 urban-based taxpayers and found that distrust in government significantly predicted non-compliance. The study showed that perceived misuse of tax revenue reduced voluntary compliance intentions by over 30%.

Also, Alemu (2020) found that systemic corruption dilutes the effects of legal enforcement and undermines ethical persuasion campaigns. His study concluded that unless institutional integrity is improved, neither legal deterrents nor ethical appeals will be fully effective in reducing tax evasion.

Recent literature has embraced advanced methods, including behavioural experiments and machine learning models, to predict compliance patterns. For instance, Uche and Agbaje (2023) developed a decision tree model using taxpayer demographics and compliance history to identify high-risk evaders. Their model achieved over 82% prediction accuracy and supported the argument for data-driven enforcement policies.

Furthermore, studies are increasingly recognising gender, digitalisation, and informality as emerging variables of interest in tax behaviour research. For example, Bello et al. (2023) noted that digital payment adoption increased traceability and reduced evasion in mobile-based microbusinesses.

2.4 Research Gaps and Hypotheses Development

Prior studies have explored ethical orientation, legal enforcement, and taxpayer awareness as determinants of compliance, but they often examine these factors in isolation, rely on outdated datasets, or employ weak analytical approaches (Adebayo et al., 2022; Sani & Abubakar, 2021; Oboh et al. (2017). Consequently, their findings may lack robustness and contextual relevance in light of recent fiscal reforms and digitisation initiatives. This present survey addresses these deficiencies by adopting an integrative empirical model that jointly evaluates ethics, legal structures, and tax literacy, while applying a linear regression technique to generate more reliable and current insights into Nigerian taxpayers' behaviour.

Fragmented treatment of compliance determinants, the absence of behaviourally informed and quantitatively tested models, and the reliance on pre-reform evidence that may no longer reflect Nigeria's tax environment are the three important gaps this study intends to fill. The research aims to contribute fresh empirical understanding by employing structured behavioural indicators and recent data. Guided by these gaps, the study formulates null hypotheses to test whether ethical orientation, legal enforcement, and taxpayer knowledge significantly influence tax evasion and avoidance. These hypotheses collectively capture the normative, institutional, and cognitive dimensions of tax compliance behaviour that provides a comprehensive framework for statistical validation using the Ordinary Least Squares method.

3.0 METHODOLOGY

This study adopted a survey research design to collect and analyse structured quantitative data on the ethical, legal, and cognitive dimensions of tax evasion and avoidance in Nigeria. This design was chosen for its suitability in gathering primary data from a large population within a relatively short timeframe. It allows for an objective examination of the relationships among variables using statistical techniques.

Data were obtained using a structured questionnaire developed around the study's key constructs. The questionnaire was divided into five sections. Section A gathered demographic information, while Sections B to E each contained five items measured on a 5-point Likert scale, ranging from Strongly Disagree (1) to Strongly Agree (5). These items were adapted from validated constructs in prior research and were reviewed by experts to ensure clarity, content validity, and relevance to the Nigerian context.

The population for this study comprised 677 professionals who are actively involved in the Nigerian tax ecosystem. These included tax administrators, consultants, corporate finance staff, and legal practitioners with responsibilities related to tax planning or enforcement. This population was chosen to ensure that the views collected would reflect both taxpayer and enforcement perspectives across ethical, legal, and cognitive dimensions.

To determine an appropriate sample size, the study adopted a purposive sampling approach. This method was selected based on its effectiveness in capturing informed views from individuals with practical experience in the subject matter. Consistent with empirical recommendations for studies lacking full sampling frames, a minimum of 20 to 25 percent of the population was deemed adequate for statistical inference (Alemu, 2020; Ibrahim et al., 2023). Based on this, a final sample size of 144 respondents was selected, representing approximately 21 percent of the total population. This size is sufficient to permit robust statistical analysis and subgroup comparisons, while also ensuring feasibility for field administration.

The study investigated four core constructs:

i. **Ethical Beliefs (EB):** This construct measured the respondents' moral stance on tax compliance. Example items include: "It is morally wrong to evade taxes under any circumstance" and "Tax evasion is unethical even when tax laws are unfair."
ii. **Legal Framework (LF):** This variable examined perceptions regarding the adequacy and enforcement of tax laws in Nigeria. Sample items include: "Nigeria's legal system effectively penalises tax evaders" and "Current tax laws discourage avoidance behaviour."
iii. **Tax Literacy and Awareness (TL):** This measured the respondents' understanding of their tax obligations and entitlements. Example statements included: "I am aware of the tax deductions applicable to my income" and "I understand my responsibilities as a taxpayer."
iv. **Tax Evasion and Avoidance (TEA):** As the dependent variable, this construct assessed the perceived extent and justification of non-compliant behaviour. Example items were:

"Some taxpayers intentionally avoid taxes despite knowing the rules" and "Tax evasion is a common practice in Nigeria."

Each of these four constructs was represented by five items, resulting in a total of twenty Likert-scale questions across Sections B to E. Responses were scored and then aggregated by computing the mean for each construct per respondent, generating composite scores for Ethical Beliefs, Legal Framework, Tax Literacy, and Tax Evasion and Avoidance.

The demographic characteristics collected in Section A were analysed using descriptive statistics, including frequencies and percentages, to provide context for interpreting the study's findings. These demographics include gender, age, professional role, years of experience, and educational background.

To test the study's hypotheses, inferential analysis was conducted using Ordinary Least Squares (OLS) regression. This method was selected for its ability to estimate the effect of multiple predictors on a continuous outcome variable and to produce interpretable coefficients. OLS regression was used to examine the relationships between the independent variables (Ethical Beliefs, Legal Framework, and Tax Literacy) and the dependent variable (Tax Evasion and Avoidance). Prior to estimation, diagnostic tests were performed to confirm that the data met the assumptions required for OLS, including linearity and approximate normality of the composite scores.

This methodology allowed the researcher to explore how moral orientation, legal perceptions, and taxpayer awareness influence behaviour regarding tax evasion and avoidance within Nigeria's evolving tax landscape.

3.1 Model Specification

The following econometric model was formulated to test these relationships:

$$TEA_i = \beta o + \beta_1 EB_i + \beta_2 LF_i + \beta_3 TL + U_i \quad \ldots\ldots\ldots\ldots\ldots\ldots \text{(i)}$$

TEAi = *Tax Evasion and Avoidance*

EBi = *Ethical Beliefs*

LFi = *Legal Framework*

TLi = *Tax Literacy and Awareness*

U_i = *Error term*

β_0 = *Intercept*

$\beta_1 - \beta_3$ = *Coefficients of the independent variables*

The model estimates the linear relationship between tax evasion and avoidance and the three explanatory variables. The dependent variable is treated as a continuous approximation, which is acceptable for Likert-scale composites under OLS when normality assumptions are reasonably satisfied, as confirmed in the diagnostic tests.

A priori expectation

Ethical Beliefs, EB: Expected to have a negative sign. Stronger ethical orientation should reduce standards perceive noncompliance as unethical.
Legal Framework, LF: Expected to have a negative sign. A stronger, more transparent, and well-enforced legal framework (e.g., penalties, audits, enforcement certainty) discourages noncompliance, thereby reducing tax evasion and avoidance.
Tax Literacy, TL: Expected to have a negative sign. Improved tax knowledge and awareness of obligations, rights, and procedures make taxpayers less likely to evade or avoid, as they understand the benefits of compliance and the risks of sanctions.

4.0 RESULTS AND DISCUSSION

Table 4.1: Demographic Characteristics of Respondents *(N = 144)*

Variable	Category	Frequency	Percent (%)
Gender	Male	87	60.4
	Female	57	39.6
Age	30–39 years	58	40.3
	40–49 years	55	38.2
	50 years and above	31	21.5
Educational Level	OND	22	15.3
	BSc/HND	50	34.7
	MSc/MBA	46	31.9
	PhD	19	13.2
	Others	7	4.9
Marital Status	Married	67	46.5
	Divorced	20	13.9
	Widow	10	6.9
	Widower	6	4.2

	Complicated	41	28.5

Source: *Field Survey (2025)*

Out of 144 respondents, 60.4% were male while 39.6% were female, suggesting a modest male dominance in the sampled tax workforce. Most respondents were aged 30–49 years (78.5%), indicating that insights were primarily gathered from active professionals in their prime working years. In terms of educational qualification, a large majority held at least a Bachelor's degree (66.6%), with 13.2% holding a PhD, signifying that the sample had high academic exposure relevant to taxation. For marital status, 46.5% were married, while a notable 28.5% reported a "complicated" marital situation, possibly reflecting socio-personal stress factors which may influence tax perspectives. This demographic distribution enhances the representativeness and reliability of the study's behavioural and policy-oriented conclusions.

Descriptive Statistics of the Research Variable

Table 4.2: Legal Framework

S/N	STATEMENTS	SD	D	N	A	SA	Mean	S.D
1	The existing tax laws in Nigeria are clear and easy to understand.	36	40	31	29	8	2.53	1.223
		(25.0%)	(27.8%)	(21.5%)	(20.1%)	(5.6%)		
2	The penalties for tax evasion in Nigeria are adequate to deter individuals and businesses from engaging in such practices.	28	35	27	39	15	2.85	1.303
		(19.4%)	(24.3%)	(18.8%)	(27.1%)	(10.4%)		
3	There is effective enforcement of tax laws by the relevant authorities in Nigeria.	28	24	32	39	21	3.01	1.346
		(19.4%)	(16.7%)	(22.2%)	(27.1%)	(14.6%)		
4	There is sufficient legal guidance on distinguishing between tax evasion and tax avoidance.	25	46	31	32	10	2.69	1.196
		(17.4%)	(31.9%)	(21.5%)	(22.2%)	(6.9%)		
5	Nigeria's legal framework adequately addresses loopholes that	4	4	12	84	40	4.06	0.851
		(2.8%)	(2.8%)	(8.3%)	(58.3%)	(27.8%)		
		(4.9%)	(19.4%)	(18.8%)	(25.7%)	(31.3%)		

	facilitate tax avoidance.							
Average							**3.02**	Moderate

Source: *Researcher's computation from field survey (2025)*

The responses in Table 4.2 provide insight into participants' perceptions of the Nigerian tax legal framework. With an average mean of 3.02, the data indicates a moderate level of confidence in the system's effectiveness. Notably, 86.1% of respondents agreed or strongly agreed that current tax laws are addressing loopholes that enable avoidance (Mean = 4.06), reflecting growing support for recent regulatory reforms. However, other aspects are less encouraging. A majority (52.8%) disagreed that the laws are easy to understand, indicating that complexity remains a barrier to compliance. Furthermore, many respondents expressed doubt about enforcement, with the mean score for that item (3.01) suggesting inconsistency in the application of legal provisions. Equally, only about 37.5% felt that existing penalties deter non-compliance, showing limited faith in the deterrent effect of sanctions. Moreover, uncertainty remains regarding the legal distinction between evasion and avoidance (Mean = 2.69), suggesting ambiguity in both education and interpretation. Collectively, these results highlight the need for simplified tax laws, better legal education, and consistent enforcement to enhance the effectiveness of Nigeria's tax legal framework.

Table 4.3 Ethical Belief

S/N	STATEMENTS	SD	D	N	A	SA	Mean	Std. Deviation
6	Tax evasion is unethical, regardless of the reasons behind it.	1 (0.7%)	5 (3.5%)	8 (5.6%)	55 (38.2%)	75 (52.1%)	4.38	0.801
7	Businesses have a moral obligation to pay their fair share of taxes, even if they can	2 (1.4%)	10 (6.9%)	31 (21.5%)	51 (35.4%)	50 (34.7%)	3.95	0.985

S/N	STATEMENTS	SD	D	N	A	SA	Mean	Std. Deviation
6	Tax evasion is unethical, regardless of the reasons behind it. legally avoid some payments.	1 (0.7%)	5 (3.5%)	8 (5.6%)	55 (38.2%)	75 (52.1%)	4.38	0.801
8	Paying taxes is a civic duty that should not be avoided under any circumstances.	1 (0.7%)	3 (2.1%)	10 (6.9%)	54 (37.5%)	76 (52.8%)	4.40	0.768
9	Avoiding taxes using legal loopholes is still ethically wrong.	3 (2.1%)	6 (4.2%)	21 (14.6%)	55 (38.2%)	59 (41.0%)	4.12	0.950
10	It is ethically acceptable for individuals to reduce their tax liabilities through any legal means.	3 (2.1%)	12 (8.3%)	19 (13.2%)	58 (40.3%)	52 (36.1%)	4.00	1.010
		Average					5.0	High Extent

Source: *Field Survey, 2024*

Table 4.3 reveals strong ethical convictions regarding tax compliance among the respondents. The average mean of 4.17 indicates that most participants view tax evasion as morally unacceptable and believe in fulfilling civic responsibilities. The highest agreement was with the idea that paying taxes is a civic duty that should never be avoided (Mean = 4.40), followed closely by the belief that tax evasion is inherently unethical (Mean = 4.38). These findings show that moral orientation plays a significant role in shaping taxpayers' attitudes. Even when legal tax avoidance was mentioned, a majority still viewed it as ethically questionable, with 79.2% agreeing that exploiting loopholes is wrong (Mean = 4.12). Interestingly, many also supported the view that businesses should pay their fair share of taxes regardless of technical legal allowances (Mean = 3.95), highlighting support for distributive justice. The results suggest that ethical perspectives can be used strategically in policy communication, especially in contexts like Nigeria, where trust in government is low. Strengthening ethical tax messaging through campaigns and civic education may therefore enhance voluntary compliance beyond legal enforcement alone.

Table 4.4 Tax Literacy and Awareness

S/N	STATEMENTS	SD	D	N	A	SA	Mean	Std. Deviation
11	I am well-informed about the tax obligations that apply to individuals in Nigeria.	12 (8.3%)	40 (27.8%)	18 (12.5%)	28 (19.4%)	46 (31.9%)	3.39	1.395
12	I understand the consequences of tax evasion under Nigerian law.	19 (13.2%)	52 (36.1%)	46 (31.9%)	17 (11.8%)	10 (6.9%)	2.63	1.076
13	There is sufficient public education on how to accurately calculate and file taxes in Nigeria.	3 (2.1%)	20 (13.9%)	27 (18.8%)	41 (28.5%)	53 (36.8%)	3.84	1.132
14	I am aware of the different types of taxes in Nigeria (e.g income tax, VAT, corporate tax).	21 (14.6%)	60 (41.7%)	24 (16.7%)	20 (13.9%)	19 (13.2%)	2.69	1.259
15		10	55	24	37	18	2.99	1.194

	I am familiar with the legal distinctions between tax evasion and tax avoidance.	(6.9%)	(38.2%)	(16.7%)	(25.7%)	(12.5%)		
	Average						**3.22**	Moderate

Source: *Author's computation from field survey (2024).*

The results in Table 4.4 reflect a moderate level of tax literacy among the respondents, with an average mean of 3.22. While some aspects of tax knowledge show improvement, other areas reveal significant educational gaps. Respondents demonstrated the highest awareness regarding the availability of public education on tax filing (Mean = 3.84), possibly due to recent efforts by the Federal Inland Revenue Service (FIRS) and advocacy groups. However, a large proportion of participants indicated poor understanding of legal consequences for evasion (Mean = 2.63), and many lacked clarity on distinguishing tax evasion from avoidance (Mean = 2.99). These are critical areas because poor comprehension may lead to both unintentional non-compliance and susceptibility to manipulation. Furthermore, awareness of various tax types such as VAT, corporate, and income taxes was relatively low (Mean = 2.69), reflecting the need for more accessible tax information, especially among non-professionals. Overall, while some progress has been made, the findings underscore the importance of integrating tax education into public policy, including school curricula and professional training, to build long-term awareness and improve voluntary compliance in Nigeria.

Table 4.4: Tax Evasion and Avoidance

S/N	STATEMENTS	SD	D	N	A	SA	Mean	Std. Deviation
16	Tax evasion is a widespread practice among businesses in Nigeria.	1	9	18	51	65	4.18	0.929
		(0.7%)	(6.3%)	(12.5%)	(35.4%)	(45.1%)		
17	It is common for Nigerian businesses to exploit loopholes in tax laws to avoid paying taxes.	2	17	33	44	48	3.83	1.067
		(1.4%)	(11.8%)	(22.9%)	(30.6%)	(33.3%)		

18	The complexity of the Nigerian tax system makes it easier for individuals and businesses to evade taxes.	4	15	35	44	46	3.78	1.091
		(2.8%)	(10.4%)	(24.3%)	(30.6%)	(31.9%)		
19	Many individuals in Nigeria deliberately underreport their income to evade taxes.	6	55	41	27	15	2.93	1.075
		(4.2%)	(38.2%)	(28.5%)	(18.8%)	(10.4%)		
20	I believe that the high tax rates in Nigeria encourage tax evasion and avoidance.	3	16	41	43	41	3.72	1.062
		(2.1%)	(11.1%)	(28.5%)	(29.9%)	(28.5%)		
	Average						3.7	Moderate

Table 4.5 presents respondents' perceptions of the prevalence and causes of tax evasion and avoidance in Nigeria. The average mean of 3.69 reflects widespread awareness that tax non-compliance is a persistent issue in both individual and corporate practices. A substantial majority (over 80%) agreed that tax evasion is common among businesses (Mean = 4.18), suggesting that non-compliance is viewed as normalised in the business environment. Likewise, the perception that businesses regularly exploit legal loopholes to reduce their liabilities was strongly supported (Mean = 3.83), reinforcing concerns about regulatory weaknesses. The complexity of the Nigerian tax system also emerged as a contributing factor (Mean = 3.78), consistent with prior findings in Table 4.2. However, perceptions differed on whether individuals deliberately under-report their income (Mean = 2.93), indicating that corporate tax avoidance is viewed as more intentional than individual evasion. Additionally, many respondents believed that high tax rates incentivise non-compliance (Mean = 3.72). These results point to the structural and behavioural roots of the problem and suggest that both simplification of tax policy and stronger ethical engagement are needed to curb tax evasion and avoidance in Nigeria.

Table 4.5: Correlation Matrix

Variables	Ethical Belief	Legal Framework	Tax Literacy	Tax Evasion & Avoidance
EB	1.000	-.556	-.578	-.629
LF	-.556	1.000	-.632	-.654
TL	-.578	-.632	1.000	-.611
TEA	-.629	-.654	-.611	1.000
N	144	144	144	144

Source: *Author's SPSS Output (2024)*

The results in table 4.4 show significant negative correlations between ethical beliefs and tax evasion and avoidance ($r = -0.629$, $p < 0.01$), legal frameworks and tax evasion ($r = -0.654$, $p < 0.01$), and tax literacy and tax evasion ($r = -0.611$, $p < 0.01$). This implies that improvements in ethical beliefs, legal frameworks, and tax literacy lead to a reduction in tax evasion and avoidance practices.

Regression Analysis

Table 4.6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Durbin-Watson
1	.721a	.519	.512	.497	1.854

Predictors: *(Constant), Ethical Belief, Legal Framework, Tax Literacy*

Based on the R-squared value of 0.519, ethical beliefs, the legal system, and tax literacy account for roughly 51.9% of the variation in tax evasion and avoidance. There are no significant autocorrelation problems in the equation, according to the Durbin-Watson value of 1.854.

Table 4.7: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	18.257	3	6.086	24.564	.000b
Residual	26.873	140	0.192		
Total	45.130	143			

The ANOVA table suggests that the regression model is significant ($F = 24.564$, $p < 0.01$), indicating that ethical belief, legal framework, and tax literacy significantly explain tax evasion and avoidance practices.

Table 4.8: Coefficients

Model	**Unstandardized Coefficients (B)**	**Standard Error**	**Standardized Coefficients (Beta)**	**t**	**Sig.**
Constant	1.126	.251	-	4.487	.000
EB	-.321	.078	-.314	4.115	.000
LF	-.379	.092	-.370	4.120	.000
TL	-.286	.084	-.294	3.405	.001

The coefficient table shows that ethical belief ($\beta = -0.314$, $p < 0.01$), legal framework ($\beta = -0.370$, $p < 0.01$), and tax literacy ($\beta = -0.294$, $p < 0.01$) all have significant negative impacts on tax evasion and avoidance. This suggests that as ethical beliefs, legal frameworks, and tax literacy improve, the prevalence of tax evasion and avoidance decreases.

Hypotheses

H0[1]: There is no significant association between ethical beliefs and tax evasion and avoidance.

The regression result in Table 4.7 shows a statistically significant negative relationship between ethical beliefs and tax evasion and avoidance ($t = -4.115$, $p < 0.01$). This implies that stronger ethical convictions are associated with reduced tendencies to evade or aggressively avoid taxes. Thus, the null hypothesis is rejected.

This finding aligns with prior research suggesting that ethical orientation is a powerful internal determinant of tax compliance. Adebayo et al. (2022) found that ethical norms and personal values significantly reduce the likelihood of non-compliance among self-employed taxpayers in Ogun State, Nigeria. Similarly, Okafor et al. (2020) concluded that when taxpayers perceive taxpaying as a moral and civic responsibility, compliance rates improve regardless of enforcement. Globally, Torgler and Schaffner (2019) emphasised that tax morale driven by fairness, civic duty, and societal norms serves as a key explanatory factor in reducing evasion. In another African context, Mutai and Kegoro (2021) observed that taxpayers with strong ethical orientation in Kenya were more inclined to voluntary compliance.

These studies collectively reinforce the conclusion that ethical belief systems shape behavioural intentions toward taxes. In Nigeria, where formal controls may be weak, cultivating a culture of ethical compliance through civic education, religious values, and institutional trust could serve as an effective alternative pathway for reducing tax evasion and avoidance.

H0[2]: There is no significant association between the legal framework and tax evasion and avoidance.

Table 4.7 reveals a significant inverse relationship between the strength of the legal framework and tax evasion and avoidance ($t = –4.120$, $p < 0.01$). This suggests that stronger and more coherent legal provisions discourage tax non-compliance. Therefore, the null hypothesis is rejected.

Empirical literature strongly supports this. According to Animashaun and Chitimira (2023), Nigeria's legal tax structure has historically lacked the clarity and enforcement strength necessary to deter evasion, allowing for both willful non-compliance and the exploitation of legal gaps. Their study advocated for the harmonisation of statutory provisions and administrative enforcement to enhance deterrence. Similarly, Okoye et al. (2019) found that effective law enforcement, coupled with clearly defined penalties, significantly reduces tax evasion among SMEs in Nigeria. The OECD (2022) also stressed that clear and consistently enforced legal frameworks are fundamental to improving compliance, particularly in developing countries. In another Nigerian study, Ibadin and Oladipupo (2021) demonstrated that legal ambiguity and inconsistent enforcement directly contributed to the persistence of tax avoidance.

These findings validate the argument that tax law reforms alone are insufficient unless they are accompanied by consistent judicial interpretation and robust institutional enforcement. A sound legal system must not only close statutory loopholes but also instil the perception that tax violations carry tangible consequences.

$H0_3$: There is no significant connection between tax literacy and tax evasion and avoidance.

Table 4.7 presents evidence of a statistically significant negative relationship between tax literacy and tax evasion and avoidance ($t = –3.405$, $p < 0.01$). This means that better-informed taxpayers are less likely to engage in tax offences. Consequently, the null hypothesis is rejected.

This finding is consistent with research by Alabede (2019), who reported that low tax knowledge significantly hampers voluntary compliance in Nigeria, especially among informal sector participants. Similarly, Mgbame and Ikhatua (2020) found that many Nigerian taxpayers lack understanding of their obligations, leading to both unintentional evasion and avoidance. The FIRS (2021) noted that persistent gaps in taxpayer education remain a major challenge in broadening the country's tax base. Internationally, the African Tax Administration Forum (ATAF, 2022) highlighted that tax literacy correlates strongly with self-reported compliance levels across multiple African states, including Nigeria. Moreover, Ayuba et al. (2019) demonstrated that tax education has a positive and significant effect on compliance behaviour, suggesting that well-informed citizens are more likely to fulfil their tax duties.

In light of this evidence, enhancing public tax knowledge through civic education, media campaigns, and simplified tax guides remains essential for improving compliance behaviour in Nigeria's tax system.

5.0 CONCLUSION AND RECOMMENDATIONS

This study investigated the influence of ethical beliefs, legal frameworks, and tax literacy on tax evasion and avoidance in Nigeria. The findings confirmed that all three factors exhibit significant negative relationships with tax evasion, underscoring their central role in shaping compliance behaviour. Strong ethical orientation reduces the likelihood of tax dishonesty, thereby affirming the moral dimension of fiscal responsibility. Similarly, a robust legal framework with clear laws and stringent penalties discourages noncompliance by increasing the costs of evasion. Tax literacy also emerged as a critical determinant, as greater awareness of obligations and consequences enhances voluntary compliance. Collectively, these results align with international evidence and highlight the importance of integrating ethical, institutional, and cognitive dimensions in tackling tax noncompliance.

Based on these insights, several policy measures are recommended. First, government should promote ethical tax behaviour through targeted public campaigns and integrate tax ethics into school curricula to instil responsibility among future taxpayers. Second, tax laws should be simplified, regularly updated, and enforced with meaningful penalties to close loopholes and strengthen deterrence. Third, public tax literacy programmes should be intensified using mass media, digital platforms, and civil society partnerships to provide accessible, interactive education. Despite its contributions, the study acknowledges limitations, including reliance on self-reported data, cross-sectional design, and restricted scope of predictors. Future research should incorporate broader variables such as digitalisation and institutional trust, adopt longitudinal approaches, and consider mixed methods to provide richer insights. Strengthening these areas will enhance the fight against tax evasion and improve Nigeria's fiscal capacity for sustainable development.

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