

Tax Evasion and Nigeria Tax System: An Overview

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Abstract

Taxation is acknowledged as a very essential instrument for National Development and growth in many societies and nations in the world over centuries. Being among the main guides by whom development and growth ought to be measured in any civilization is the extent of wealth, which is generated by economic undertaken in that society. The main objective of this paper is to review the taxation and tax evasion concept and furthermore provide a brief overview of Nigerian tax system. The paper in an attempt to achieve it goals provide conceptual and empirical evidence of evilness of tax evasion and what motives behind the phenomenon globally. Furthermore, the paper provide brief but precise knowledge of Nigerian tax system, tax policy and underpinning tax law of the country. Similarly, objectives and guiding principle, driving institution of Nigerian tax system, administration and policy and concept of U-TIN where also discuss.

Keywords: Taxation, Tax evasion, system, Nigeria

1. Introduction

Taxation is machinery or process in which society and communities or group of individuals are contributing into an agreed sum which is important for the resolution, development and administration of the public (Ogundele, 1999). It can be conditional that the disbursement of tax will be in turn useful to the entire public. This interpretation is similar also to the description of Soyode and Kajola (2006) who defined tax as an obligatory exaction of money by a civic authority for public determinations and prosperity. Taxes are essential contribution levied by the government on citizens and corporate institutions for the provision of public expenditure (Nightingale, 1997). These different writers established that it is possible for tax payers not to accept anything detectable for their contribution but rather that, they must have enjoyed the value of living in a reasonably healthy, educated, prosperous and safe society. Nonetheless, according to Fafunwa (2005) the infrastructure which the taxpayers are thought to enjoy is in a dreadful condition. While Lambo (2005) and Obaji (2005) posit that expectation of taxpayers to enjoy social amenities such as educational system, health care system and transportation network are in disorder and disturbing position due to some situational condition. Therefore, these has been a commotion by leaders that an enormous of some of the resources which are available for use by the economy and henceforth to cut off the tax evasion is not properly harness effectively. Therefore, the main objective of this paper is to review the literature of tax evasion and taxation both theoretical and empirically. Similarly, the paper is aimed at reviewing the Nigerian tax system by taking into consideration the prevailing tax laws, tax policies, tax objectives and driving institutions to tax administration of the country.

The organization rest of the paper consist of section two conceptual definition and issues of tax evasion, theory of taxation, empirical investigation of tax evasion and institutional causes of tax evasion among taxpayers. Then section three provide overview of Nigerian tax system, tax policies, tax laws, objectives of Nigerian tax system, guiding principle of Nigerian tax system, driving institutions of tax administration and tax policy in Nigeria and concept of Unique Taxpayer Identification Number (U-TIN). Last part is conclusion

1.1 Concept of Tax Evasion

Tax evasion simply refers to an intentional effort by people, corporate bodies, trust and other institutions to illicitly refuse to pay their tax and reporting true and fair value of their earnings by a means of evading (Edwin, 2007). Tax evasion is characterized as an intentional wrongful attitude, or as a behaviour involving a direct violation of tax laws, norms and ethics regarding citizenry obligation to escape the payment of tax. The intentional underreporting of income, as well as over-claiming of a tax deduction, is an obvious example of tax evasion (Adebisi & Gbegi, 2013). Soyode and Kojola (2006) define tax evasion as an intentional and conscious practice of not revealing full taxable income. It is a violation of tax laws in which the tax rate due by a taxable person is unpaid after the minimum required period (Temitope, Olayinka & Abdurafiu, 2010). Tax evasion is clear evidence in a situation where taxpayers are reducing, making or proclaiming false statement about their liabilities on the revenue tax through exploiting ineffectiveness in the tax laws and regulations.

Tax evasion typically involves taxpayers consciously misrepresenting or hiding the true position of their affairs to the relevant tax authorities to ease their tax burden. However, tax evasion can be classified as fully evasion or partial evasion (Fakile & Adegbie, 2011). Partial evasion occur when individual or corporate entity under stated its earnings for the purpose of tax and declare low income. While fully evasion occur when the person or corporate entity qualified to pay tax but fail to register with tax authorities to enrol in the tax system. This act comprises, in specific, fraudulent tax reporting like declaring less earnings and overstressing deductions. In the face of law, tax evasion is a crime and subject to execution by way of fine, imprisonment or even both in many countries of the world. Therefore, in a nutshell, tax evasion is representing illegal practices by taxpayer to escape his civic responsibility enforce by the law and generally accepted by the society or nation. Due to this situation the taxable income and other tax activities are been concealed, the amount or sources of income are misrepresented and the reduction, relief or exemption are intentionally overstated (Chiumya, 2006). However, often tax evasion may occur mostly in an informal economy where activities of businesses and other trade transactions take place in an informal manner which eases the evasion. This may happened when business is not registered with tax authorities and hence in most cases are operating in remote areas moving from one location to another freely. According to Richardson (2008), tax evasion as an intentional, illegal and unacceptable behaviour or activities involving a direct violation of tax law to evade the disbursement of tax. Kim (2008) believes that tax evasion is illegal and violation of tax laws, whereas tax avoidance is a legal way of decreasing tax burden. Both the two are not acceptable but the later is less serious to the former in eroding the revenue generation use for financing public expenditure.

Olatunde (2007) and Sikka & Hampton (2005) identified that tax evasion is among the main social evils obstructing progress in developing nations and eroding the prevailing welfare of the public in developed markets in the world. This phenomenon has focussed to an increasing thoughtfulness among scholars, international agencies, western countries and policy makers globally. However, in the developing countries such as Nigeria very little consideration was devoted for curbing the problem to the detriment of public welfare (Temitope et al. 2010). Despite the fact that a fortunate society shall only be perceptible if its domestic tax revenue proceed would be generated for the purpose of social wellbeing of the public (Sikka & Hampton, 2005 and Olatunde, 2007).

Tax evasion became so widespread in many developing countries, and the situation is much deteriorated by the fact that many governments of these countries have not shown any effort and serious concern to determine and measure the cause's factors that encourage taxpayers in evading and behaving toward evasion. Moreover, they neglect the issue by concentrating on other sources of revenue like crude oil. A typical example of such circumstances' and country was Nigeria. With that, whenever required revenue needed to smoothen the government operation cannot be realized, this would verily affect the standard of living in the society. Those countries affected frequently, very possible, to increase tax rates or borrowings that may only not horde out the activities of private sector in their economies but it also drag them into an escalated debt traps (Chiumya, 2006). Meanwhile, tax evasion has the influence of misleading the allocation of resources and income redistribution taken into consideration of principle of market perfection. As a result of this situation economic growth will became stagnant and be far away of reaching socio-economic impact and benefits to the public.

2. Theoretical and Empirical Examination of Tax Evasion

2.1 Theory of Taxation

According to Evans, (2009) taxation has continuously been a matter of discussion between the taxpayers and government identically since the early years of mankind civilization. The concept of taxation has created a lot of dispute and severe political struggles over a long period of time. Considering to its significance, various economic theories have been suggested to manage an effective and clear tax system. Taxation is therefore, generally categorised under three main different theories as follows: principle of taxpayer ability to pay, principle of benefit or utility approach and principle of equal distribution. However, in this paper we provide discussion about these theories in brief as follows:

2.1.1. Principle of Ability-to-Pay: As clearly the name advocates, it means that the taxes should be imposed according to a person's ability to pay base on his or her earnings. It is widely known that public expenditure should be expected from those that have and not from those who have not. This principle originated since the sixteenth century. The principle was systematically stretched by the seventeenth century Swiss philosopher Jean Jacques Rousseau (1712-1778), and then the French political economist named Jean- Baptiste Say (1767-1832) and lastly the English economist John Stuart Mill (1806-1873). This is certainly the foundation of progressive tax, as the tax rate increases then the taxable amount is expected to increase also. This principle of ability to pay

is definitely the best equitable tax system, and this has been widely practice in industrialized nations. The common and most maintained reasoning of ability to pay is on the bases of sacrifice by one party to another. The disbursement of taxes is regarded as a dispossession to the taxpayer; this is because taxpayers submitted taken amount to the government which instead he may have utilise for another personals benefits. Conversely, there is no compacted method to the measure the fairness of sacrifice in this concept, as the case may be evaluating the absolute, marginal or propotional terms.

2.1.2. Principle of Benefit or Utility Approach: according to this theory about taxation, individual may be asked to summits their taxes in proportion to the utility they are enjoying from the services provided by the government. This should be based on the assumption that there is an interchange relationship between the taxpayer and the government. Government deliberate some benefits to the taxpayers by providing different services and others so-call social goods. Moreover, this theory profess and advocate that equity or fairness in taxation stresses that an individuals would be asked to submit a tax proportion to the welfares he receive in turn from the services provided by the government. Despite the theory is viewed as interchange relationship between taxpayer and the government, many difficulties was identified in applying the theory. The most serious problems confronting principle of utility or benefit approach is how to quantify and measure the received (enjoyed) benefit by taxpayer from the services provided by the government. For example, on which scale taxpayer benefit would be measured for enjoying national security and education, maintaining law and order and other social infrastructure-all provided by government. Furthermore, various expenditures incurred by government in providing services, there benefits are indivisible which course the expenditure also not possible to be divided. This could only shows that people are always encourages by paying taxes to the government for the continuity of the community prosperity. However, the theory can only be really applied in a situation where the beneficiaries are easily and clearly traceable. For instant it can be applied to the road taxes collected from owners of vehicles. Also principle of benefit approach can be applied to the workers who have a network of social security program. Therefore, this principle can only rendered restricted solution to the issue of equity and fairness in the domain of taxation.

2.1.3. Principle of Equal Distribution: According to this principle, tax liability should be so distributed between different persons that bordering cost of utility of each individual who are disbursing the tax should be the same. This method seeks to reduce the total sacrifice of the people as a whole. When many individuals pay ample tax that means their marginal sacrifice of benefit should be the same, as such the total utility loss of the society will be lowest. Therefore, the principle of equal distribution looks at the problem of apportioning the tax liability from the idea of view of benefit of the whole society. The social philosophy causal the principle is the entire sacrifice levied by taxation on the public have to be smallest. Thus, the equal distribution principle endorses a highly progressive tax structure. This taxation principle has been suggested among the scholars such as Edge worth, Musgrave and Pig-out who contemplate this as the crucial principle of taxation. It is said that Edge worth who is the elevator of this principle suggests that minimum submission is the supreme principle of taxation. The smaller the amount of the cumulative tax sacrifice, the more improved sharing of tax liability in the community. Then the more Government continue to exists and maximize human welfare.

2.2 Empirical Investigation of Tax Evasion

Tax evasion can be drawn back to the pioneer's study of Allingham and Sandmo (1972) in his work printed as income tax evasion. The study observed a positive connection between tax rates and evasion. This finding is additionally consistent with the discoveries of Soyode (2006) which distinguished causes of tax evasion. Firstly, he noted that the rates at which taxpayers are generally taxed effects on tax evasion. He observed that the higher the rate, the higher will be the probability for the taxpayers to evade, as this expands their tax load and subsequently brings down their disposable income. Besides, the likelihood of being detected in the wake of dodging taxes likewise has impacts on the choice of a taxpayer as whether to evade or not. This is straightforwardly connected to the level of how strict tax laws are generally implemented (Allingham & Sandmo, 1972; Soyode, 2006). Literature likewise gives a connection between tax evasion and defilement. Acconnia et al., (2003) exceptional that the level of debasement and tax evasion relies on upon such components as the wealth of the taxpayer and the pay of the tax officer. Morale (1998) further takes a shot at a model, which attempted to distinguish the ideal pay at which tax officers ought to be compensated. He argue that Governments confront the difficulty of distinguishing, a pay level which will guarantee that its tax officers are not tempted to pay off, as there is a connection between tax evasion and the pay level of tax officers through defilement (Acconnia et al., 2003; Morale, 1998).

According to Pashev, (2005), the disappointment of the Government to give fundamental bases which should be subsidized by the taxes being gathered may disturb tax evasion. Absence of straightforwardness and responsibility in the utilization of open trust has the impact of building open doubt both in the tax framework and

additionally the Government. Thus, this is accepted to expand the level of tax evasion (Pashev, 2005). Some of the studies, Armstrong & Robison (1998), Olivia (1998), McGee (2006) and Smatrakalev (1998) have taken diverse opinions on tax evasion. All these studies have one or more opinion depicted in their studies. These opinions incorporate philosophical opinion, experts' opinion and religious opinion. A few studies additionally have two opinions joined together. In the investigation of Morale (1998), tax evasion was examined from a philosophical perspective by social affair proof from Mexican specialists. His study inferred that Mexican specialists have a more vital obligation to their family than to the state. This perspective is also accepted to have a religious underlining as it has a holding on for the Catholic religious literature as recognized by Crowe in 1944 (Armstrong & Robison, 1998; Olivia, 1998; McGee, 2006; Smatrakalev, 1998; McGee & A, 2006; Crowe, 1944).

2.3 Causes of Tax Evasion

Different factors are the causal that encourage and make taxpayer acting toward evasion has been identified by various studies and authors. As the problems of tax evasion cut across many countries developed and developing the causes also seems to be unanimously universal. This is because tax is levied on the citizen and corporate entities as a contribution toward the redistribution of limited resources and taking care of public expenditure. Therefore, taxpayers share unique attitude in minimizing their tax liability through all the available and possible means to maximize their selfish interest. Adebisi et al., (2010) suggested the following as causes of tax evasion in many countries where taxes are levied:

- Unfair distribution of facilities (amenities)
- Poor management and misuse of tax collected
- Lack of essence of civic responsibility
- Taxpayer inaccessibility to government services

Unfair distribution of amenities provided with the tax revenue by government make some taxpayers feeling self of not belonging and isolated from the society. This situation may create grudges and misunderstanding between the taxpayer and tax authorities. The taxpayer may see that no reason any longer for him to pay any more taxes because the benefit expected from paying the tax is to get back services provided by the government. Ovute and Eyisi (2014) stress that mismanagement and misuse of collected taxes would create a suspicious situation between the tax stakeholders and the essence of continue paying. Whenever collected proceeds of tax are not properly utilized it result in mistrust between tax authorities and people, which finally led to evasion activities. Lack of essence or interest to pay tax may arise from illiteracy and act of un patriotic by the citizens. People are reluctant to pay their civic responsibility simply because of personal interest and ignorance (Leyira, Chukuma & Asian, 2012). Proper awareness and enlightenment would change the situation and encourage compliance. Taxpayer inaccessibility to benefit from the services provided by government change his view for paying tax. In this situation they see no reason for paying tax while the services provided by government they are not enjoying any more. This may happen where people are living in a remote areas and hence hardly to be reach by government infrastructure and services. This all led to evasion behaviours and to curb the situation right measures need to be considered at a right time.

Similar with slide different to Adebisi, Cobham (2005) identified five reasons for tax revenue losses (evasion) as follows:

- The domestic shadow economy,
- Foreign asset held by domestic residents,
- Income shifting by multinational firms over transfer pricing,
- Tax competition among countries which drives up tax rates, and
- Non-payment of taxes which are due but which are not collected for few reasons like e.g. shortcomings of the tax administration.

Other important factors that cause tax evasion from the literature are inflation rate, income level, unemployment, tax rate, poor tax system, the size of the government and weaknesses of tax policies, regulations and trade openness (Razieh Tabandeh et al., 2012). Furthermore, Fakile & Adegbe, (2011) while deliberating on tax evasion; they conclude that the following are among the main causes of tax evasion in many countries particularly developing one. These are: high tax rate that make evasion more attractive, encouraging and economical, absolute ignorance of tax laws, lack of physical benefits accruing to the taxpayer and lack of confidence and trust in government for effective management of the tax. Others are, reluctant and unwillingness to pay the tax by the taxpayer for personal interest, inability to detect the evaders by tax authority, bribery and corruption in the tax system and administration and lastly ridiculous low penalty set by the law for the late payment of due taxes. Therefore from the afore discussion about the factors that encourage and causes tax evasion seem to be interrelated and all are either default from tax laws, tax administration and even from the

government. Most of the identified causes are due to taxpayer dissatisfaction with the management and effectiveness of tax usefulness. Very few problems were identified from taxpayer attitudes and behaviour such as self-interest as a causal of tax evasion.

3. Overview of Nigeria Tax System

Nigeria Tax System is a system that is characterized with tax policies, tax laws and as well as tax administration. These coupled of policies and laws are expected to work together in concord with one another in order to achieve the overall objective for economic growth of the country. However, with reference to the presidential committee set on National tax policy in (2008), the overall focus and primary objectives of Nigeria tax system is to provide and contribute to the social and economic wellbeing of Nigerian. This is to be done either directly by improving existing and formulating new tax policies, and indirectly to appropriately make optimum utilization of tax generated from revenue for the benefit and development of the citizen. In order to achieve these objectives through the revenue generated, therefore, the tax system was expected to minimize the economy distortion in the country. Some other expectations of the tax system of Nigeria in line with the presidential committee on National tax policy (2008) are as follows:

- To pursue equity distribution and fairness in the country;
- To provide economic growth and development evenly;
- To provide economic stabilization to the public;
- To correct market failure and other imperfections thereof; and
- To generate stable revenue and other resources required by government to accomplish public project and make beneficent investment for the public.

In an attempt to achieve the blue print of this high expectation, the system is assumed to be in compliance with the taxation principles, which are serving as lubricant or engine oil for the real effective tax system. Ahunwan (2009), stress that Nigerian tax system has been surrounded by what is called multiplicity of tax and collecting bodies at the three tiers of government levels-federal, state and local governments. According to Ahunwan (2009) the main problem associated with tax system is the little precision about the jurisdiction capabilities that many view that if the country is truly observing the fiscal federalism system of government. The following are some of the frequent resolutions propose toward improving the tax regime in the country.

- Minimizing of tax evasion to the lowest level;
- Uniform, fair and unbiased administration of related tax laws;
- Encouraging voluntary compliance through effective tax system and;
- Inculcating public assurance in the truthfulness of the tax system.

However, it is well known that failure of the incumbent tax regime in the country can be measured with present of high rate of evasion from the corporate and private entities taxpayers (Ahunwan, 2009). Although many Nigerian citizens and often, corporate entities do not even value and respect the tax system of the country. Thus, government failure to provide fundamental amenities may be held responsible and the tax system too is ineffective and inefficient.

In order to reinforce the country tax system, it has been recommended that the Federal Inland Revenue Service (FIRS), the relevant tax collecting assistance of the Federal Government must consider some five strategic areas, namely;

- Enforcement activities of tax laws and tax compliance;
- Staff development and capacity-building;
- Improved tax collection indicators and parameters;
- Establishing measures to limit bribery and corruption between tax officials.

In Nigeria, some of the tax collectors often have a reputation for corruption. Therefore, by establishing computerized systems and boosting tax authorities to reward honesty and transparency would be accommodating and helpful. Also, the public should be encouraged to report dishonest tax collectors to their supervisors or prosecuting attorney for punishment and prosecution. The higher management of tax assistances in the country would engage in constant reviews and performance appraisal of field staff/officers (Ahunwan, 2009).

According to National tax policy of Nigeria (2008) the country tax system is associated with some inherent problems such as:

- inadequate information accessible to taxpayers concerning tax compliance necessities that result in losses/problems to the tax system;
- lack of tax revenue accountability for and its expenditure;
- problems of multiple taxation at all levels Government, which discourage investment in the country;

- lack of transparency on taxation powers at all level of Government / encroachment;
- applying of aggressive and unconventional methods for tax collection;
- lack of trained manpower and insufficient funding, which result to the system high cost of tax compliance;
- increased demand by the government to raise more internally generated revenue;
- lack of an efficient system and funds non-refund to tax payers due to excess taxes;
- obsolete tax laws and non-review of tax legislation which do not represent country current tax realities; and
- lack of unambiguous directional policy for tax matters in the country and the absence of put down practical guidelines for the process of the various tax authorities

These and some other problems are the most common issues to Nigeria's tax system which are not been sufficiently handle for many years. One and only the possible reasons for this was due to substantial reliance on revenues resultant from oil to the Government's, which in turn pay little or no attention for other sources of revenue especially taxation. But now the central government want to diversify the economy due to global challenges in oil market by considering more to non-oil tax revenue for the building sustainable and stable sources of revenue to shoulder capital project.

3.1 Tax Policy

The Nigerian Tax policy provides a set of rules, modus operandi and guidance, to which all the stakeholders in the tax system must subscribe (Presidential committee on National Tax policy report 2008). Formulation of tax policy in Nigeria is the duty and responsibility of the federal inland revenue services (FIRS), Nigeria customs, Nigeria national petroleum commission (NNPC), nation population commission (NPC), and other related agencies and parastatals but under the monitoring of the national assembly. That is the supreme Nigerian law making body. James & Moses (2012), it is enough to say that if there must be any actual application of Nigerian tax system or attainment of its goal, the use of the national tax policy manuscript remains indispensable. Nigerian needs a tax system that does not only designate the set of guiding rules and principle, but also provide a constant point of position for all the stakeholders in the country and upon which they can believe accountable (Presidential committee on National tax policy, 2008). James & Moses (2012) stressed that the incompetence of tax policy to meet up with efficacy and equity measures it is against the way it was judge thereof. It was further noted that, tax policy is repeatedly exposed to pressure and changes which most of the time does not pledge outcome that are in line with the overall goal (James & Moses, 2012; Afuberoh & Okoye, 2014).

Contrary to what is expected, policy changes mostly in Nigeria are not adequately considering the taxpayers, administrative alignment and the cost incurred plus other current taxes. This make it in one way of the other contributed to the hindrance of effective implementation and goal congruence of the country tax system. James & Moses (2012), the most appropriate method to refreshing taxes is one that takes into account taxation theory, empirical evidence, political and administrative actualities. In addition mixture them with a good dose of home grown knowledge and a sound evaluation of existing macroeconomic and international condition to produce a viable set of draft, adequately gorgeous to be implemented and suitably forceful to withstand inspiring time with reasons and still produce a positive outcome.

3.2 Tax Laws

The Nigerian tax laws are collections of rules and regulations concerning the revenue generation and other forms of tax related matters in the country. These rules and regulations are made by legislative arm of the government. The laws are subject to amendment periodically, but no doubt that the amendment is frequently a manifestation about inconsistencies that hinders the achievement of the set objectives.

Ayodele (2006), Kiabel & Nwokah (2009) and James & Moses (2012) outline some of the prevailing tax laws as follows:

- Personal Income Tax Act 1993 (PITA);
- Company Income Tax Act 1990 (CITA);
- Petroleum Profit Tax Act 2007 (PPTA);
- Value Added Tax (VAT) Act 1993 No 102 LFN;
- Capital Gain Tax Act 1990 Cap 42 LFN;
- Stamp Duty Act 1990 Cap 411 LFN;
- Education tax Act 1993 No 7 LFN (Now Tertiary Education trust Fund Act 2011).

These are the main laws underpinning Nigerian tax and from time to time amendment and adjustment are established to comply with the actual situation and condition at the prevailing material time. Moreover, new laws were formulated and those that are not suitable and became unproductive are abolished in order to upgrade and have an effective tax system.

3.3 Objectives of Nigeria Tax System

The Nigerian tax system is expected to contribute to the well-being of all Nigerians and taxes, which are collected by Government, should directly have impact on the lives of the citizens. This can be accomplished through proper and judicious utilisation of the revenues collected by government. In line with the above, there are certain objectives, which the Tax System is expected to achieve. These objectives include:

- To encourage fiscal accountability and responsibility

One of the main objectives of Nigerian National Tax Policy is to build a tax system, which warrants that Government clearly and judiciously accounts for, revenue it collected through taxation by devoting them in provision of infrastructure, social amenities and public goods and services. When this objective is achieved, Nigerians would be proud of a tax system that they can totally relate to and which serves as an instrument for National Development.

- To simplify economic growth and development.

The prime objective of the Nigerian tax system is to achieve economic growth and development throughout the country. Therefore, the system provides avenue for encouragement of the economy and not strangle growth, whereas only via continuous economic growth that the possible ability to offer improvements will be materialized. The tax system would then encourage investment and the tendency to save.

- To provide government with steady resources for the provision of goods and services to the public

For the country to have a vigorous agenda for development and perform basic functions of the government, the tax system must generate adequate resources to the government for the provision of social needs to the public such as infrastructure, education, security etc. However, as it is well known the basic objective of taxation is to furnish government with resources which is to be used in promoting and improving standard of living to its citizens.

- To abolish inequalities in income distribution

Nigeria's tax system by taking into consideration abnormal economic situation therefore seeks to taper the breach between the lowest income groups and highest group. This is through the process of highest incomes must pay the highest percentage of tax whereas lowest pay according to their earnings. Then the tax revenue would be utilised to offer Nigerians with reasonable basic infrastructure, social amenities and other services.

- To offer economic stabilisation

Nigeria ought to use its tax system to reduce the undesirable impacts of unstable booms and declines in the economy. Also use tax systems to assist supplement the determinations of monetary policy in directing toward achievement of economic stability.

- To administer equity and fairness

Nigeria's Tax system set to be fair and will establish horizontally and vertically equality before the law. Horizontal equity warrants equal dealing of every individual's taxpayer. The country Tax system must also shun away from discrimination alongside corporate similar entities. However, vertical equity considered the problem of fairness between different income groups. With that Nigerian Tax System means to distinguish the ability-to-pay principle of taxation, where people must be taxed in respect to their ability to endure the tax liability. The whole tax system therefore is fair and equitable whereas similar circumstances are treated equally. Furthermore, any conflicting or ambiguous provisions in the law intend to be resolved in a way as to confirm fairness to the tax authorities and the taxpayers.

- To rectify Imperfections or Market Failures

Among the objectives of the Nigerian tax system is the capability to correct market imperfections in circumstances where it most employs efficient device. Therefore, tax policies are to be revised upwards or downwards where necessary to achieve Government's objectives. Market failures which Nigerian tax system aimed and plans to address are the externalities which arise from natural monopolies.

3.4 Guiding Principle of the Nigerian Tax System

The Nigerian tax system fundamentally characterized with some distinctive features in administering taxes in the country. These features are expected to exist in any good tax system imposed by effective tax authority. The features are as follows;

- Clarity, Certainty and Simplicity
- Fairness

- Low Compliance Cost
- Low Cost of Administration
- Transparency and accountability
- Flexibility
- Economic Efficiency

3.5 Driving Institutions to Tax Administration and Tax Policy in Nigeria

In Nigeria, certain institutions are responsible for initiating the driving tax policies and administration in the country. They are partaking the task under the context of and aims for construction tax culture and educating the respective taxpayers. Also serve as overseers in administering and enforcing the tax policies as well as related tax laws. These institutions according to National Tax Policy (2008) are as follows:

- Ministries of Finance
- Revenue Authorities
- Educational Institutions/ Academia
- Tax Consultants
- National/State Assembly
- Office of the Auditor General of the Federation

This are the leading figures and institutions that have the obligation for instigating, enacting, adjusting and enforcing tax policies and administration in the Nigerian federation.

3.6 Concept of the Unique Taxpayer Identification Number

As an effort and commitment of Nigerian tax authorities to increase the revenue generation and eliminate the leakage of the taxes through evasion, the Federal Inland Revenue Services (FIRS) introduce a program called Unique Taxpayer Identification Number (U-TIN). The program is one of the basic steps set in the tax administration process to have a data base of all registered taxpayers in the country. The program was recoded as one of the mechanism toward having a pool of taxpayers' registration and proper unique identification. Nevertheless, in order to certify the effective application of this scheme of registration, there is a need for clear thoughtful of the concept and idea behind its introduction.

The main and paramount contextual to the institution of U-TIN in Nigerian tax system was the necessity to change the registration of taxpayers in the country from a manual process which is uncoordinated to an electronic or computerized, structured, harmonised and coordinated system. The former (which is manual) system was unreliable, boring, cumbersome and posed a main challenge to tax authorities as well as taxpayers. Thus, there was a need from the authorities to substitute that old system with a new modernizes and more effective system which is additionally taxpayer friendly.

The basic idea of U-TIN is to provide harmonized and coordinated taxpayer identification system that is based on computerized system and easily accessible to all relevant stakeholders' perspective (Ayodeji, 2014). It is a collective and integrated system for taxpayer's identification throughout the country and would incorporate a database meant for all registered taxpayers at both the Federal and State level (local government are under state registration). This program would generate proper linkages within tax authorities (federal and state) and yield co-operation and information dissemination about taxpayers thus, led to better compliance by taxpayers (Ayodeji, 2014). The followings are some of the benefits of the U-TIN system in Nigeria such as:

- Minimizing the cost and time needed for tax compliance from taxpayer by tax authorities.
- Having a single and effective taxpayer's data base for federal and state level.
- Expansion of tax system which is useful for national security and social planning purposes.
- A friendly tax system that is well coordinated and accessible to all stakeholders.
- Modernizes and efficient way of assessing and detecting taxpayer defaulters. and
- Increase voluntary compliance and discourage tax evasion.

It is anticipated that with the introduction of the program Governments and tax authorities at all levels (both federal and state) shall collaborate to ensure the positive implementation and the evenly establishment of U-TIN system in Nigeria, in relations to funding, platforms and personnel for the organization of the system, nationwide.

4.0 Conclusion

Taxation as earlier discuss in this paper, taxes are the essential instrument use by various nation from ancient life of human being in developing the community and redistribution of wealth within the country. However, this

wealth redistribution is been hindered by some constraint like evasion by un-patriotic citizens. Tax evasion is an illicit and intentional fraudulence of not reporting true and fair statement of income by taxpayer to evade paying the tax. The problem is well spread from developed to developing economy in the contemporary countries of the world. Several studies have been documented in the literature about the determinant factors and causes of the phenomenon and why it continues to be in existent. However, this paper tries to review and looked into Nigerian tax system, tax policies and tax laws. The paper presented some important concept underpinning the country's tax system and furthermore some point worthy to be acknowledging about the tax. Nigeria is among the few countries in the contemporary world where evading taxes is became a fashion by taxpayers. Various institutions in the country which are necessary to work collectively to make tax evasion hard by taxpayer are not accurately coordinated. For example, it is possible for a company not to register with tax authorities (FIRS) after registered with the Corporate Affairs Commission (CAC) while it is same condition for registering process of the companies (Temitope et al., 2010). Therefore, tax compliance enforcement (on all taxpayers including corporate entities) should be assumed adequate consideration and different government agencies must work together and share information to ease tax evasion. Moreover, Federal Inland Revenue Service (FIRS) should tired less collaborate with Corporate Affairs Commission (CAC) and share information about the taxpayers and registered corporate institution in the country. This would hold in minimizing the noncompliance and discouraging evasion thus, revenue generation would increase.

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