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Effects of Tax Evasion and Avoidance on Oyo State's Internally Generated Revenue

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ABSTRACT: Tax evasion and avoidance are both phenomena that are probably as old as taxation itself. Literature revealed that tax avoidance and evasion represent some of the perplexing problems facing the Nigerian economy. The study adopts a quantitative research design, employing a standardized questionnaire as the primary research instrument. The study population comprises personnel from the Oyo State Internal Revenue Service. The findings revealed a significant positive relationship between tax evasion and IGR, indicating that tax evasion negatively impacts revenue generation. Similarly, tax avoidance is found to have a significant negative relationship with IGR, implying its detrimental effect on revenue. The study concluded that resistance towards tax obligations leads to the disturbance of the government's essential services, such as health services, education, sanitation, transportation, and infrastructure. The study recommends that urgent steps should be taken by public office holders to live up to expectation when it comes to transparency, accountability and the war against corruption.

KEYWORDS: Internally generated revenue, Tax fraud, Tax haven, Tax revenue, Whistle-blower policy

INTRODUCTION

Governments in various parts of the globe are under growing pressure to find sustainable ways to increase their income and cover their ongoing costs. From the pre-colonial period, when the country's budget was barely £1million, to the millennial age, when it has become N6 trillion, it is well-known that government expenditures in Nigeria have skyrocketed up with the rise in population, salaries, social and economic demands (Nnadi & Echefu, 2017). In funding budgets over these years, numerous sorts of income streams were used including revenues from taxes. This proves without a reasonable doubt that taxes are a legitimate and appropriate way for governments to raise money anywhere in the world (Matos et al., 2020).

National economies cannot function without taxation and revenue. Most economies of the world are founded on one sort of taxes or the other. Taxes is as old as civilization itself and essential to any thriving economy today. It is on this premise that nations of the globe have diverse fiscal policies that allow them to investigate the many forms of taxes and impose them on their population for the aim of boosting revenue collection, regulation, and control of the economy. The government of Nigeria being one of these nations has legislative authority to levy on its population, any sort of tax at whatever rate it deems appropriate (Amoh & Babonyire, 2019). This study aims to find the effects of tax fraud using the underlying elements of tax evasion and avoidance schemes on the internally generated revenue of Oyo State Government. The problem of tax evasion and its impact on the Nigerian economy and revenue collection has lately aroused the attention of several Nigerians. The enforcement apparatus of Nigeria's tax regulations seems to be so absorbent that taxpayers often violate them. Unquestionably, Nigeria's tax system is defined by economic actors that often avoid taxes. Tax payment is a transfer of resources and revenue from the private sector to the public sector to fulfil some of the nation's economic and social objectives (Hines, 2010).

To begin, tax avoidance occurs when a taxpayer arranges his financial affairs in a way that results in the payment of the least amount of tax possible without violating the legal rules. In other words, tax avoidance is a term used to denote the various devices that have been adopted to save tax and protect the taxpayer's income from a higher liability. Although technically legal, if everyone did this, the government would get a negligible amount of revenue since everyone would be content paying a lower amount of tax without the nation receiving enough revenue to satisfy its responsibility. Investment distortion in the form of buying tax-exempt or low-valued assets results from tax evasion. This covers the connection between tax evasion and the states' own money (Umanhonlen & Umanhonlen, 2020). This research investigated the impact of tax fraud, represented here by evasion, on Oyo

State's IGR. The objectives of the study are to determine how tax evasion affects the Internally Generated Revenue of Oyo State Government and to examine how tax avoidance affects the Internally Generated Revenue of Oyo State Government.

LITERATURE REVIEW

Concept of Taxation

Every country relies on tax income to function, and the degree of growth in each country often mirrors the amount of money collected in taxes. So, taxation is only one of several ways in which governments raise money to provide for their own needs and those of their inhabitants. To finance the provision of essential services and the development of favourable economic conditions for the general populace, governments across the world impose taxes on their citizens and their possessions. Tax legislation, tax policy, and tax administration all contribute to a well-functioning tax system. Direct and indirect taxes are part of Nigeria's well-rounded tax system, with separate laws governing each form of tax and its administration by the federal, state, and local levels of government. Because of its inequitable structure and reliance on oil money, Nigeria's tax system presents significant hurdles to its use as a macroeconomic regulatory tool (Azubike, 2019).

The Nigerian Constitution empowers the federal, state, and local governments to impose taxes, and these taxes are governed by various laws and regulations. The main laws that regulate taxation in Nigeria include the Companies Income Tax Act (CITA), Personal Income Tax Act (PITA), Value Added Tax (VAT) Act), and Petroleum Profits Tax Act (PPTA) (Adekunle & Disu, 2018). The CITA imposes tax on the profits of all companies operating in Nigeria, irrespective of whether they are resident or non-resident. The tax rate for resident companies is 30%, while non-resident companies are taxed at a rate of 20%. The PITA, on the other hand, imposes tax on the income of individuals, including employment income, rent, and interest income, among others. The VAT is a tax imposed on the value added to goods and services at every stage of production and distribution, while the PPTA imposes tax on the profits of companies involved in petroleum exploration and production (Azubike, 2019).

The Nigerian government has implemented various reforms in recent years to improve tax compliance and increase revenue generation. These include the deployment of technology-driven tax collection platforms, such as the Integrated Tax Administration System (ITAS) and the Taxpayer Identification Number (TIN) registration system. The government has also introduced tax incentives to encourage compliance, such as the Voluntary Asset and Income Declaration Scheme (VAIDS), which provides a waiver of interest and penalties for taxpayers who voluntarily declare their previously undeclared income and assets (Azubike, 2019). However, despite these efforts, tax compliance in Nigeria remains low, with a large informal sector and a culture of tax evasion.

Tax

Taxation is a tool used by the state to acquire monetary resources (Akeju, 2018). Taxes are monetary levies levied by the government on the earnings, profits, or assets of private citizens, partnerships, corporations, and other entities. The terms tax and taxation indicate the same thing: the involuntary exaction of money by a public authority for public purpose, and the method of obtaining money for government purposes via payments from individuals and corporations, respectively (Soyode & Kajola, 2006).

Tax Administration

Planning, imposition, collection, accounting, management, and coordination of staff charged with the obligation of taxes are all aspects of tax administration. The efficient supply of essential social amenities and services for taxpayers also falls under this category (Adekunle & Disu, 2018). Hence, the tax authorities and the organs of tax administration (Soyode & Kajola, 2006) make up tax administration and are tasked with carrying out the implementation of the tax laws in accordance with the established norms. The Federal Inland Revenue agency, a State board of internal revenue, or a local government revenue committee are all referred to as tax authority under Nigeria's tax legislation. The FIRS and the joint tax boards produce practise guidelines and fresh letters on a regular basis to clarify and interpret tax laws (Adekunle & Disu, 2018).

Tax administration plays a critical role in the effective collection and enforcement of tax regulations. The primary purpose of tax administration is to ensure that taxpayers comply with tax laws and regulations in a fair, transparent, and efficient manner. However, the tax administration system in Nigeria has faced several challenges over the years, which have contributed to its long-term failure. One of the main challenges faced by the Nigerian tax administration system is the lack of fairness, clarity, convenience, and motivation among tax officers. These factors have resulted in a lack of trust between taxpayers and tax officials, leading to a high level of noncompliance. Taxpayers often perceive tax officials as corrupt and unresponsive to their needs, which has created a culture of noncompliance and resistance to tax payment. The lack of proper planning and management of tax administration has also contributed to the failure of the system. The tax administration system in Nigeria is characterized by fraudulent activities, untrained and ill-equipped workforce, and public disenchantment. The workforce responsible for tax collection and enforcement is often poorly trained and equipped to handle the complex tax regulations, leading to errors and fraud in the system (Adekunle & Disu, 2018).

To address these challenges, the Nigerian government has implemented various reforms to improve tax administration. One of these reforms is the introduction of the Joint Tax Board (JTB), which serves as a platform for coordinating tax administration in Nigeria. The JTB has been tasked with the responsibility of harmonizing tax policies, developing tax administration systems, and improving taxpayer compliance (Adekunle & Disu, 2018). To improve tax administration in Nigeria, there is a need for greater transparency, accountability, and effective planning and management of tax revenue. The government must also ensure that tax officials are properly trained and motivated to carry out their responsibilities and that taxpayers are treated fairly and with respect.

Internally Generated Revenue

Internally generated revenue are revenues that is derived within the State from various sources such as taxes (pay as you earn, direct assessment, capital gain taxes, etc.) and motor vehicle license, among others (Anyafo, 2012). Internally generated revenues are those sources of government finance generated majorly by the Federal, States and Local councils, which help in broadening and widening the overall non-oil revenue structure of the State (Omodero, 2019). The current challenges of the three tiers of government in Nigeria is the dwindling level of revenue generation, mostly by the State governments and the absolute dependence on Federal allocation which is tilted more in favour of the Federal government, hence giving rise to annual budget deficits in the States and inadequate financial resources for meaningful growth and viable projects development (Chiamaka, Obinna, Friday, & Oraekwuotu, 2021). The poor financial status of States in Nigeria has escalated due to the non-provision of grants by the Federal government which under the constitution are needed to be made available annually during budgetary disbursement to leverage sub-national governments in crisis to address challenges of inadequate financial resources needed to cope with their ever increasing areas of assigned services which include; shelter, health services, water supply, food, as well as qualitative education at primary and post primary schools level which usually engulf huge sums of money (Onwe, Udeh, & Ngwoke, 2019). As such due to the poor funding at the grassroots level of government, internally generated revenue presents an effective alternative of revenue generation.

OBJECTIVE OF TAXATION

Raising of Revenue: The traditional purpose of a tax system is to generate the necessary funds to pay for government expenditures. This money is necessary to cover the costs of providing goods and services that the public cannot afford, such as defence and law and order, or that the federal and state governments believe are best provided by themselves, such as health services and education (Ogbeide & Iyafekhe, 2018). In addition to generating funds for government expenditures, the tax system can also be used as a tool for achieving certain economic and social objectives. For instance, tax policies can be used to promote economic growth and development, encourage investment, create jobs, and reduce poverty.

Wealth Redistribution: The goal of wealth redistribution has received a lot of attention in recent years. There are two separate kinds of this. The first is the idea that taxation should be based on ability to pay, which is summed up by the adage the largest burdens should be borne by the broadest backs. The second version assumes that the current distribution is unfair and comes to the conclusion that it should be changed. This second tenet considers seizure to be a justifiable goal of taxation (Ogbeide & Iyafekhe, 2018). The first goal of wealth redistribution through taxation is based on the idea that those who are more capable of paying taxes should bear a larger burden. This principle is often used to justify progressive taxation systems in which higher income earners are taxed at a higher rate than lower-income earners. The rationale behind this is that those with higher incomes have a greater ability to pay and therefore should contribute more to the government's revenue. The second goal of wealth redistribution is based on the belief that the current distribution of wealth and income is unfair and should be changed. This goal often entails using taxation as a tool to transfer wealth from those who have more to those who have less. This can take the form of progressive taxation, but it can also involve more direct forms of redistribution, such as welfare programs or the provision of public goods and services that benefit those with lower incomes.

Economic Price Stability: It has been claimed that providing a reasonable level of pricing stability within the country is the primary justification a government has for taxing its people. Most governmental and private sector expenditure is free of taxes, which leads to excessive demand and inflation. In this case, taxation's primary goal is to curb consumer spending to free up money for government spending without raising prices. Taxation is therefore essentially a deflationary measure. On the other hand, when aggregate demand is lower than the desired level, the government has two choices: either increase taxes and boost spending or reduce taxes and maintain steady spending (Ogbeide & Iyafekhe, 2018). Taxation can play an important role in stabilizing the economy by ensuring reasonable price levels within the country. When taxes are imposed on goods and services, the prices are driven up, leading to a decrease in consumer demand. This decrease in demand can help to curb inflation and stabilize prices. In this way, taxation is considered a deflationary measure, which helps to manage the overall economy.

Economic Growth and Development: The central government is responsible for the overall administration or control of the economy, and taxation is a key factor in this process. Governments are committed to encouraging the near-full employment of all national resources, including labour, and ensuring a satisfactory pace of economic growth in addition to preserving reasonable price stability. Programs for economic growth and development aim to enhance the economic and social conditions of the majority of the population in a nation in order to raise their standard of living. In certain ways, taxation prevents, delays, or lowers consumption while promoting private investment savings. The national development plans of emerging countries are thought to be crucial since this can only be accomplished when the government provides the fundamental necessities of life, such as security, law and order, education, and communication. Nigeria, where there is widespread unemployment of the labour force and economic resources, will benefit much from this goal (Ogbeide & Iyafekhe, 2018).

Challenges Facing State Government Revenue Generation

Non-Availability of Tax Statistics: Taxation has been the oldest governmental activity since the country's unification in 1914, so one would expect tax statistics to be readily available. This expectation, however, is misplaced. Except for the states of Delta, Lagos, Kaduna and Katsina and the Nigeria Customs Services, other agencies of the states and relevant federal tax offices have serious failures in data management. Moreover, there are no efforts to have the limited data that are available collated or analysed on a routine basis, not to mention, having it stored, or made more easily assessable or retrievable. This situation does not provide much input to policy process (Fatile & Ejalonibu, 2018).

Poor Tax Administration: Tax administration and individual agencies suffer from limitations in manpower, money, tools and machinery to meet the ever-increasing challenges and difficulties. In fact, the negative attitude of most tax collectors toward taxpayers can be linked to poor remuneration and motivation. The predominance of support staff in a professionally inclined agency like the FIRS does not augur well for the country. The situation at the local government level is more precarious. Anecdotal evidence shows that staffs are not provided with regular training to keep them abreast of developments in tax related matters. This makes the administration of taxes in terms of total coverage and accurate assessment very weak (Fatile & Ejalonibu, 2018).

Multiplicity of Tax: A major problem facing the country is the multiplicity of taxes. Individuals and corporate bodies complain about the ripple effects associated with the duplication of tax, this problem arose from the states' complaints about the mismatch between their fiscal responsibilities and fiscal powers or jurisdiction.

To compensate, some states took the initiative of levying certain taxes, which has led to arbitrariness, harassment and even closure of businesses. To rectify this embarrassing situation, the taxes and Levies Act of 1998 was enacted. Lagos state is a good example of efforts to offset the inequitable distribution of VAT proceeds: it imposed certain taxes and proposed a re-introduction of the sales tax. To contain the issue of multiple taxation, the joint tax board started to publish a list of approved taxes and levies and to declare another unspecified tax illegal. This has created a degree of harmony and checked the hitherto rampant taxation that had made the business environment in Nigeria so harsh.

Regulatory Challenges: Political risk and exchange controls pose by far one of the greatest business and regulatory challenges for companies during business in Nigeria. Also, company law, protection of intellectual property is challenging areas for companies. Protecting your investment and workforce, being able to extract profits and freely move the workface are often taken for granted when investing in first world countries. Not so in Africa and Nigeria in particular, where the possibility of forfeiture of the business, or ability to remit profits could overnight as political regime come and goes.

Structural Problems in the Economy: Since the early 1990s, Nigeria has been moving away from direct to the indirect tax considered to be less distortionary. VAT, for instance, is less distortionary because it is applicable to the value-added contents of imports and of domestically produced goods. The potential for maximizing the benefits of this taxation from however, is constrained by structural problems in the economy. The predominance of the informal sector, constituting more than 50 percent of the country's economy, enables most domestic production to circumvent VAT. Income tax also faces the same risk. Since operations in the informal sector are rudimentary without adequate recordkeeping tax assessments are difficult to make. Often tax administration resorts to estimates that are prone to a wide margin of error or open up tax evasion opportunities. Ariyo (2017) points out that the proportion of self-employed relative to the total working population is substantial, yet tax authorities have not devised appropriate means of collection effective personal income tax from this group. In fact, income from the self-employed or informal sector activities is grossly untapped. This situation applies equally to excise tax and VAT-retail trade in Nigeria is incredibly large but substantially informal. VAT collection at this stage is bound to be a logistical nightmare, particularly where a large depends largely on the extent of economic administration. The coverage of these forms of taxes depends largely on the extent of economic progress (Fatile & Ejalonibu, 2018).

Historical Background of Oyo State Board of Internal Revenue

The Nigerian Federal Inland Revenue Service, FIRS, was created in 1943. It was carved from the erstwhile Inland Revenue Department that covered what was then the Anglophone West Africa (including Ghana, Gambia, Sierra Leone) during the colonial era. Tax provides revenue to fund governance, ensures resource redistribution, streamlines consumption of certain goods and services, reduces inflation and generates employment. The Federal Inland Revenue Service is constitutionally empowered to collect taxes (Onyeka & Nwankwo, 2016). In 1958, the Board of Inland Revenue was established under the Income Tax Ordinance of 1958. The name was later changed in 1961 when the Federal Board of Inland Revenue (FBIR) was established under Section 4 of the Companies and Income Tax Act (CITA) No. 22 of 1961. FBIR operated then as a department in the Federal Ministry of Finance (Onyeka & Nwankwo, 2016).

A further transformation took place in 1993 when the Finance (Miscellaneous Taxation Provisions) Act No 3 of 1993 established the Federal Inland Revenue Service FIRS as the operational arm of FBIR. The Act also created the office of the Executive Chairman of the Board. In 2007, the Federal Inland Revenue Service Establishment Act, (2007), which granted autonomy to the service, was enacted.

Effects of Tax Evasion on Government Revenue

Tax evasion has adverse effects on government revenue. It generates investment distortion in the form of the purchase of assets exempted from tax or under-valued for tax purposes. Evasion takes the form of investment in arts collection, emigration of persons and capital. The taxpayer indulges in evasion by resorting to various Practices. These practices erode moral values and build up inflationary pressures (Richard, 1978). This point can be buttressed with the fact that because of the evasion of tax, individuals and companies have a lot of money at their disposal. Companies declare higher dividends and individuals have a high take home profit. This increases the quantity of money in circulation but without a corresponding increase in the goods and services. This then build up what is known as inflationary trends where large money chases few goods (Onyeka & Nwankwo, 2016).

Theory of Planned Behaviour

The Theory of Reasoned Action (TRA), which was developed into Theory of Planned Behaviour (TPB), explained that the antecedent of each behaviour is the intention to perform that behaviour. The stronger someone's intention is, the more that person is expected to try and the more likely that behaviour will occur (Hal et al., 1991). Two predictors of intention determination used in this study are a personal factor called attitude and a social influences factor that involves social pressure factors. Individual taxpayers' attitude to commit fraud concerning the TPB concept results from evaluating the assessment of the beneficial or detrimental consequences. The non-compliance decision results from gathering additional information about the benefits and disadvantages of tax fraud. Taxpayers' attitude to choosing not to comply is based on a belief supported by experience. An individual's beliefs in behaviour are based on a subjective assessment of the world around him and an individual's understanding of himself and his environment (Ramdhani, 2011).

Taxpayers' fraud can be influenced by the factors described in the FTT, in this case, the rationalization dimension. Rationalization attempts to justify committing a crime, not after. In crime cases (Tuanakotta, 2007), individuals try to minimize the conscience response that the actions taken are illegal and seek to justify themselves that the actions taken are not too wrong and are carried out to maintain self-esteem (Schuchter & Levi, 2016). Rationalization will make mistakes as if it is a natural action to take. The situation that underlies the rationalization of tax fraud can be related to, among others, weak supervision, low tax fraud detection rates, minor tax sanctions, a self-assessment tax collection system, and low fairness in the exchange of benefits. That means that conditions are considered favourable and unfavourable, and the taxpayers feel both benefited and disadvantaged.

The Theory of Planned Behaviour which is an improvement over the Theory of Reasoned Action predicts that the behavioural intention of an individual is influenced by three key variables: Attitudes; Subjective Norms; Behavioural Control. He argues that intention informs actual behaviour and in turn, intention is influenced by the three key variables. Attitude toward the behaviour is a person's overall evaluation of the behaviour (Oboh et al., 2013). It is assumed to have two components which work together: beliefs about consequences of the behaviour (behavioural beliefs) and the corresponding positive or negative judgments about each of these features of the behaviour (outcome evaluations). They argued further that; attitude is what shows whether an individual is in favour of his/her acts. Subjective Norms are a person's own estimate of the social pressure to perform or not perform the target behaviour. Subjective norms are assumed to have two components which work in interaction: beliefs about how other people, who may be in some way important to the person, would like them to behave (normative beliefs) and the positive or negative judgments about each belief (outcome evaluations).

Empirical Review

Paul (2021) assessed several factors that influence tax avoidance and evasion in Nigeria, with a focus on Wukari, Taraba State. This study adopts a survey research design with a sample size of 308 questionnaires administered, and 230 questionnaires were collected which represents 75% response rate. Descriptive statistics like mean, standard deviation and percentages, inferential statistics like multiple regressions were used. It was found that corruption, lack of transparency and accountability, tax system injustice and tax system complexity all have a substantial impact on tax avoidance and evasion in Nigeria. Urgent steps should be taken by public office holders in particular and government representatives in general to live above board when it comes to transparency and accountability. Conclusively, Nigeria government should make deliberate efforts to ensure the nation's financial statement is published depicting our revenue as well as expenditure incurred regularly (monthly basis, quarterly or annually). This study concentrated on only four factors identified to have an influence on tax avoidance and evasion in Nigeria. It is also constrained to Wukari, Taraba State which is just one amongst the sixteen local governments in the State and as such may not be applicable to other local governments within and outside the State.

Akinyomi and Kenneth (2013) examined the appraisal of factors influencing tax avoidance and evasion in Nigeria. The result of tax evasion and avoidance is tax revenue loss which may cause serious damage to the proper performance of the public sector, threatening its capability to finance public expenditure. The study adopts a survey research design. Six-point rating scaled questionnaire starting from strongly agree to strongly disagree was used to collect primary data from 120 selected small and medium scale businesses in Lagos. The results of the analysis revealed that the low quality of the service in return for tax does significantly influence tax avoidance and evasion in Nigeria. Furthermore, tax system and perception of fairness, low transparency and accountability of public institutions, and high level of corruption do significantly influence tax avoidance and evasion in Nigeria. The study recommends that urgent steps should be taken by public office holders to live up to expectation when it comes to transparency, accountability, and the war against corruption.

Adedeji and Oboh (2012) examined the economic implication of tax leakages on the Nigerian economy. A survey research design was adopted, and responses were obtained through the use of a well-structured questionnaire administered to 185 respondents. Findings from the empirical analysis using Kendall's w-test and Chi-square test statistics reveal that tax evasion and avoidance have adversely affected economic growth and development in Nigeria, and, that lack of good governance is the basis for which tax leakages activities is perpetrated. The study therefore recommends that the government should embrace and promote good governance to encourage voluntary compliance of tax liability by the citizenry.

METHODOLOGY

This study adopts a quantitative research design which is primarily informed by the positivist philosophy held by Davies & Fisher in 2018. This method was utilized to explore the relationship between tax evasion and tax avoidance on Oyo State's IGR. The tax division of the Oyo State Internal Revenue Service employs 350 workers, according to the administrative unit of the tax station. The researcher opted to include all replies because the population size is 350 and is thought to be small. The researcher created frequency distribution tables using the SPSS 26.0 software tool to visualise the data.

Table 1: The Reliability Coefficient of Items Related

Reliability Statistics	
Cronbach's Alpha	N of Items
.952	25

Source: Researcher's computation, 2023

The computed Cronbach's alpha coefficient of 0.952 of the questionnaires is notably high and bears considerable significance at 0.05 significance level. This coefficient reflects a robust level of internal consistency among the variables and statements adopted in the questionnaire. It essentially indicates that these questionnaire items exhibit strong correlations with one another.

The Regression formula is as follows, assuming a 5% significance level (0.05).

$Y = f(Xi)$

$IGR_i = f(TE_i, TA_i)$

$IGR_i = \beta_0 + \beta_1 TE_i + \beta_2 TA_i + e_i$

Where;

Y_i = dependent variable

F = function

X_i = independent variable

TE = Tax Evasion

TA = Tax Avoidance

Beta = unknown parameters

e_i = error terms

These findings were then related to the research objectives/questions in order to provide meaning and explanation for the study issue.

RESULTS

Table 2: Gender of the Respondents

Gender	Frequency	Per cent	Valid Percent	Cumulative Percent
Male	132	43.3	43.3	43.3
Female	173	56.7	56.7	100.0
Total	**305**	**100.0**	**100.0**	

Source: Field Survey, 2023.

Table 2 shows that 43.3% of the respondents were male while 56.7% were female, which indicates that the majority of the staff are female. This also shows that responses were not totally influenced by the whims of a particular gender, rather there was a mix of opinions and ideas from both genders. Therefore, it can be inferred that the majority of the respondents were female, and this implies that women constituted a large portion of the employees of the tax division of Oyo State Internal Revenue Service.

Table 3: Years of Experience of the Respondents working in the Tax Industry

Experience	Frequency	Per cent	Valid Percent	Cumulative Percent
1-5 years	91	29.8	29.8	29.8
6-10 years	151	49.5	49.5	79.3
11-15 years	40	13.1	13.1	92.5
More than 15 years	23	7.5	7.5	100.0
Total	**305**	**100.0**	**100.0**	

Source: Field Survey, 2023

As indicated in Table 3, the experience distribution of the respondents shows that 29.8% of the respondents had 1-5 years' experience working in the tax industry, 49.5% of the respondents had 6-10 years' experience working in the tax industry, 13.1% of the respondents had 11-15 years' experience working in the tax industry and 7.5% of the respondents had more than 15 years' experience working in the tax industry. This proves that the majority of the respondents had 6-10 years of experience working in the tax industry and have a fair knowledge of tax fraud about internally generated revenue.

Research Question One: What impact does tax evasion have on the Internally Generated Revenue of Oyo state Government?

Table 4: Tax Evasion and the Internally Generated Revenue of Oyo State Government

S/N	Tax Evasion	SD (%)	D (%)	A (%)	SA (%)	Mean	Remark
1.	Underreporting of income by tax payers reduces the income generated by the state	11 (3.6)	4 (1.3)	20 (6.6)	270 (88.5)	3.68	Agreed
2.	Falsification of income by tax payers reduces the income generated by the state	11 (3.6)	4 (1.3)	113 (37.0)	177 (58.0)	3.31	Agreed
3.	Wilful underpayment of taxes by tax payers reduces the internally generated revenue by the state	11 (3.6)	8 (2.6)	79 (25.9)	207 (67.9)	3.61	Agreed
4.	Refusal to declare an inheritance received by taxpayers prevents government from being aware of the untaxed income hence reduces the internally generated revenue by the state	11 (3.6)	8 (2.6)	43 (14.1)	243 (79.7)	3.52	Agreed
	Cumulative mean					**3.53**	

Source: Field Survey, 2023

Table 4 shows the distribution of the respondents' responses regarding the extent which tax evasion affect the internally generated revenue of Oyo State Government. It can be seen that majority of the respondents agreed that underreporting of income by taxpayers reduces the income generated by the state as indicated by the mean 3.68. Falsification of income by taxpayers and the wilful underpayment of taxes by tax payers was agreed by majority of respondents to reduce the income generated by the state as indicated by the mean of 3.31 and 3.61. Majority of the respondents agreed that the refusal to declare an inheritance received by taxpayers prevents government from being aware of the untaxed income hence reduces the internally generated revenue by the state and this was indicated by a mean of 3.52. the cumulative mean of 3.53 shows that the majority of respondents are of the opinion that underreporting of income, falsification of income, wilful underpayment of taxes and refusal to declare an inheritance by tax payers are some of the manners by which tax evasion affects the Internally Generated Revenue of Oyo State Government.

Research Question Two: What is the effect of Tax Avoidance on Oyo State Government Internally Generated Revenue?

Table 5: Tax Avoidance and the Internally Generated Revenue of Oyo State Government

S/N	Tax Avoidance	SD (%)	D (%)	A (%)	SA (%)	Mean	Remark
1.	Joining an employer sponsored Retirement Savings plan by the tax player reduces the amount remitted to the government	11 (3.6)	10 (3.3)	46 (15.1)	238 (78.0)	3.68	Agreed
2.	Not overlooking non-reimbursed employment expenses by the tax player reduces the amount remitted to the government	11 (3.6)	10 (3.3)	156 (51.1)	128 (42.0)	3.31	Agreed
3.	Gifting assets to one's children before death inhibits the tax payer from paying inheritance tax which reduces the amount remitted to the government	11 (3.6)	10 (3.3)	66 (21.6)	218 (71.5)	3.61	Agreed
4.	The declaration of a gain earned in a different tax year with lower tax rates rather than in the tax year earned reduces the amount remitted to the government	15 (4.6)	8 (2.6)	86 (28.2)	196 (64.3)	3.52	Agreed
	Cumulative mean					**3.53**	

Source: Field Survey, 2023

Table 5 shows the distribution of the respondents' responses regarding the extent which tax avoidance affect the internally generated revenue of Oyo State Government. Majority of the respondents agreed that joining an employer sponsored retirement savings plan by the taxpayer reduces the amount remitted to the government as indicated by the mean 3.68. The majority of the respondents were also of the opinion that not overlooking non-reimbursed employment expenses by the tax player reduces the amount remitted to the government and gifting assets to one's children before death inhibits the tax payer from paying inheritance tax which reduces the amount remitted to the government as indicated by the mean of 3.31 and 3.61. The declaration of a gain earned in a different tax year with lower tax rates rather than in the tax year earned was indicated by majority of the respondents to reduce the amount remitted to the government by the mean value of 3.52. the cumulative mean of 3.53 shows that majority of the respondents were of the opinion that joining an employer sponsored retirement savings plan, not overlooking non-reimbursed employment expenses, gifting assets to one's children before death and the declaration of a gain earned in a different tax year with lower tax rates rather than in the tax year earned are some of tax avoidance manner that may affect the amount remitted to the government.

$H_0$1: There is no significant relationship between Tax Evasion and Internally Generated Revenue of Oyo State Government.

Table 6: Regression Output of the Relationship between Tax Evasion and Internally Generated Revenue of Oyo State Government.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.910[a]	.828	.827	.94208	.828	729.000	2	302	.000	1.898

a. Predictors: (Constant), Falsification of income, Underreporting of income

b. Dependent Variable: internally generated revenue

Source: Field Survey, 2023

Effects of Tax Evasion and Avoidance on Oyo State's Internally Generated Revenue

Table 6 shows the regression output to test the relationship between Tax Evasion and Internally Generated Revenue of the Oyo State Government. R square value of .828 realized is an indication that 82.8% of the variation in tax evasion was explained by the variables of falsification of income and underreporting of income and the remaining 17.2% is as a result of other variables that are not included. The result shows that the model is fit since 0.828 is close to 1.

Table 7: ANOVA Table of the Relationship between Tax Evasion and Internally Generated Revenue of the Oyo State Government

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1293.986	2	646.993	729.000	.000[b]
	Residual	268.027	302	.888		
	Total	1562.013	304			

a. Dependent Variable: internally generated revenue

b. Predictors: (Constant), Falsification of income, Underreporting of income

Source: Field Survey, 2023Table 7 shows the result of the relationship between tax evasion and Internally Generated

Revenue of the Oyo State Government. The calculated F-value of 729.00 was derived with a corresponding probability value of 0.000 showing that the model is statistically significant which means that the independent variable is statistically significant at 0.05 alpha level to explain the dependent variable. The null hypotheses are rejected since the p-value of 0.000 is less than 0.05 which implies that there is significant relationship between tax evasion and Internally Generated Revenue of the Oyo State Government.

Table 8: Coefficients of Relationship between the Falsification of Income and Internally Generated Revenue of the Oyo State Government

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.538	.334		4.601	.000
	Underreporting of income	2.424	.116	.680	20.942	.000
	Falsification of income	.966	.105	.300	9.231	.000

a. Dependent Variable: internally generated revenue

Source: Field Survey, 2023

Table 8 shows the relationship between the falsification of income as well as underreporting of income with Internally Generated Revenue of the Oyo State Government. The table revealed that falsification of income as well as underreporting of income has a significant relationship with the Internally Generated Revenue of the Oyo State Government since a p-value of 0.000 realized was less than 0.05. This implies that falsification of income as well as underreporting of income has a significant relationship with the Internally Generated Revenue of the Oyo State Government.

$H_0$2: There is no significant relationship between Tax Avoidance and Internally Generated Revenue of Oyo State Government.

Table 9: Model Summary of the Relationship between Tax Avoidance and Internally Generated Revenue of the Oyo State Government

Model Summary[b]

				Std. Error of	Change Statistics					
Model	R	R Square	Adjusted R Square	the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.790[a]	.625	.622	1.39343	.625	251.236	2	302	.000	1.393

a. Predictors: (Constant), Assets gifting, Sponsored retirement saving

b. Dependent Variable: internally generated revenue

Source: Field Survey, 2023

Table 9 shows the regression output to test the relationship between Tax Avoidance and Internally Generated Revenue of the Oyo State Government. R square value of .625 realized is an indication that 62.5% of the variation in tax avoidance was explained by the variables of Assets gifting and Sponsored retirement saving and the remaining 37.5% is as a result of other variables that are not included. The result shows that the model is fit since 0.625 is close to 1.

Table 10: ANOVA Table of the Relationship between Tax Avoidance and Internally Generated Revenue of the Oyo State Government

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	975.632	2	487.816	251.236	.000[b]
	Residual	586.381	302	1.942		
	Total	1562.013	304			

a. Dependent Variable: internally generated revenue

b. Predictors: (Constant), Falsification of income, Underreporting of income

Source: Field Survey, 2023

Table 10 shows the result of the relationship between tax avoidance and Internally Generated Revenue of the Oyo State Government. The calculated F-value of 251.236 was derived with a corresponding probability value of 0.000 showing that the model is statistically significant which means that the independent variable is statistically significant at 0.05 alpha level to explain the dependent variable. The null hypotheses are rejected since the p-value of 0.000 is less than 0.05 which implies that there is significant relationship between tax avoidance and Internally Generated Revenue of the Oyo State Government.

Table 11: Coefficients of Relationship between Assets Gifting, Sponsored Retirement Saving with Internally Generated Revenue of the Oyo State Government

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.456	.439		10.145	.000
	Sponsored retirement saving	1.688	.180	.528	9.382	.000
	Assets gifting	.960	.177	.306	5.436	.000

a. Dependent Variable: internally generated revenue

Source: Field Survey, 2023

Table 11 shows the relationship between assets gifting, sponsored retirement saving with internally generated revenue of the Oyo State government. The table revealed that assets gifting and sponsored retirement saving has a significant relationship with the internally generated revenue of the Oyo State government since a p-value of 0.000 realized was less than 0.05. This implies that assets gifting as well as sponsored retirement saving has a significant relationship with the internally generated revenue of the Oyo State government.

The analysis of the first hypothesis demonstrated that the null hypothesis was rejected, that is there is no significant relationship between tax evasion and internally generated revenue of Oyo State government and the alternative hypothesis was accepted, that is there is a significant relationship between tax evasion and internally generated revenue of Oyo State government. The p-value of 0.000 which is less than the alpha level of 0.05 implies that there is a significant relationship between tax evasion and internally generated revenue of the Oyo State government.

The analysis of the second hypothesis also demonstrated that the null hypothesis was rejected that is there is no significant relationship between tax avoidance and internally generated revenue of Oyo State government, and the alternative hypothesis was accepted that is, there is a significant relationship between tax avoidance and internally generated revenue of Oyo State Government. The p-value of 0.00 which is less than the alpha level of 0.05 implies that there is a significant relationship between tax avoidance and internally generated revenue of the Oyo State government.

Overall, the relatability of the study's findings is enhanced using direct responses from respondents and the careful construction of the questionnaire based on the literature analysis. However, the limitations of the study's methodology suggest that future research should consider using a combination of primary and secondary data collection methods to enhance the accuracy and completeness of the data collected.

CONCLUSION AND RECOMMENDATIONS

Resistance towards tax obligations leads to the disturbance of the government's essential services, such as health services, education, sanitation, transportation, and infrastructure. In addition, tax fraud through illegal acts such as underground economy activities contribute to decreasing tax revenue. This study examined the relationship between tax evasion and tax avoidance on the internally generated revenue of the Oyo State Government. Based on the analysis and findings, the study recommends that; Oyo state government should look inward on how more internal revenue will be generated extensively in the state to achieve micro-objectives of the government, and to eradicate the paucity of government revenue. Also, the government should efficiently utilise the tax revenue in the provision of public goods and encourage taxpayers through enlightenment and tax incentives to reduce the incidence of tax avoidance, tax evasion, and shifting of income to tax havens outside the state. Urgent steps should be taken by public office holders to live up to expectation when it comes to transparency, accountability and the war against corruption.The study recommends that government should enforce tax laws and regulations on tax fraud and tax evasion with strict appropriate punishment on tax evaders and ensure transparency and accountability on tax revenue. Finally, the government should endeavour to embrace and promote good governance to encourage voluntary compliance of tax liability by the taxpayers.

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