THE EFFECT OF TAX ADMINISTRATION ON TAX EVASION IN LOCAL GOVERNMENTS OF ADAMAWA STATE, NIGERIA

Ahmad A. Abubakar
Department of Accounting, Adamawa State University, Mubi.
aabubakar202@gmail.com

Abstract

Tax is the most important and reliable source of revenue to the government. However, the incidence of tax evasion reduces the amount of tax revenue generated by the government and by extension socio-economic development. This study examines the effect of tax administration on tax evasion in Adamawa state local governments. Nine local governments out of the 21 local governments in the state were sampled. Data was generated through questionnaire distributed to 200 tax administrators and tax payers out of which 188 were duly completed and returned. Descriptive statistics (percentage and mean), regression analysis and the mann whitney u-test were utilized to analyze the data. The result of the analysis shows that tax administration has no significant effect on tax evasion and that several reasons contribute to tax evasion at the local government such as poor remuneration and corruption by tax officials, inadequacy of tax personnel and ineffective sanction. It was also revealed that the

view of tax administrators and tax payers significantly differ with regards to the reasons of tax evasion. The study concludes that in order to enhance the revenue base and achieve the desired level of development, tax evasion must be controlled, if not, eliminated. The study recommended among others that an independent committee be set up by the legislative arm of government for the evaluation of the effectiveness of revenue collection and that stiffer punitive measures be melted on tax offenders in order to serve as deterrence to others.
Key words: Tax Administration, Tax Evasion, Tax Payers.

INTRODUCTION

Tax evasion is one of the most common economic crimes and has been present since the introduction of taxes. People do not like paying taxes and they pursue many avenues to reduce their payment. Tax evasion represents illegal and intentional action by which evaders fail to pay legally due obligations. Individuals and firms evade taxes by underreporting incomes, sales, wealth or by overstating deductions, exemption, or credits or by failing to file appropriate tax returns.

Tax evasion reduces tax collections thereby affecting taxes that compliant tax payers face and public services that citizens receive. Evasion creates misallocation in resource use when individuals and firms alter their behaviors to cheat on their taxes. Its presence requires that government expend resources to deter noncompliance to detect its magnitude and penalize its practitioners. Tax evasion alters the distribution of income because, unless tax evaders are caught, they pay fewer taxes than honest tax payers. Evasion may contribute to feelings of unfair treatment and disrespect for the law, creating a self-generating cycle that feeds upon itself and lead to even more evasion. It affects the accuracy of macroeconomic statistics (Sandmo, 2004).While it immediately presupposes that there are legal frameworks put in place to punish tax evaders it perhaps raises a poser on the efficiency and effectiveness of tax laws and tax administration in Nigeria (Odutola, 2003). Governments at state levels put effort towards solving problems of tax evasion to the extent of engaging the services of tax consultants. With this government effort, notwithstanding, the problem of tax evasion still persists (Okwonko & Nnenna, 2016). There is no doubt that revenue due any government will be reduced by the unpatriotic act of tax evaders which can be attributed to corruption and inefficient tax laws. It has been argued that the ability of government to generate sufficient revenue to meet their demands depends on the political structure, the type of society and the perception of citizens and business of the ruling elites (Bakare, 2006). Taxation has been fingered as most viable option and major source of revenue to replace revenue from oil and the much needed revenue from taxation leaks away through tax evasion, tax avoidance and fiscal corruption which had been a major concern for government in both developed and developing countries (Spicer, 1975; Cobham, 2005; Okafor, 2012).

Taxes thus constitute the principal of the government revenue. However, one of the greatest problems facing the Nigeria tax system is the problem of tax evasion. Tax evasion is willful and deliberate violations of the law in order to escape the payment of tax which is unquestionably imposed by law of the tax jurisdiction. The evasion of tax has created a great gulf between and actual potential revenue. The Nigerian government has for number of time, complained of the widespread incidence of tax evasion in the country as companies and tax payers employ various way to evade tax. According to Sanni (2005), inefficiency in tax administration is responsible for the incidence of tax evasion in the country. There is no doubting the facts that an effective tax administration will pay a role in reducing or eliminating tax evasion. This study assesses the effect of tax administration on tax administration on tax evasion particularly in Adamawa state governments.

Generally, tax is seen as a burden on taxpayers (Go, 2005). Thus, unless the tax administration is effective enough to prevent tax evasion, most tax by either not disclosing less than their actual incomes. Therefore, ineffectiveness of tax is not just about meeting revenue targets but bring all taxpayers under the tax basket and ensuring the supposed amount to be paid as tax. Several studies have been conducted on tax evasion among these studies are kakwani (1998), Clotfelter (1983), Scotchnur (1989, Mustafa(1999), Joulfaian(2000), Degideu R.O (2000), Pg 97

Alm(2006), Bathre (2006), McGee & Maraniyan (2006), Bird (2008) Muhammad (2009), Okafor (2012), and Okwonko and Nnenna (2016) However, these studies were not specifically focused on the relationship between tax administration and tax evasion especially as it relates to local government revenue generation. This current study fills this gap. The study therefore examines the effect of tax administration on tax evasion at the local government level in Adamawa state.

LITERATURE REVIEW

Concept of Tax Evasion

To understand the concept of tax evasion requires first understanding of what tax is. Tax is compulsory levy imposed by governments on individuals and companies of various legitimate function of the state (Olaoye, 2009). This insight show that tax is an amount of money imposed by the government on individuals and business for the purpose of financing its activities.

Muhammad (2009) construed tax evasion as the reduction of once taxes in a way that is contrary to existing tax laws. According to Go (2005) tax evasion involves a deliberate violation of the provision of the tax law through fraud or concealment at avoiding paying all or part of due taxes. Both these explanations indicate tax evasion to be willful and geared at not paying due taxes to the government.

Green (2004) was more vivid in describing tax evasion when he states that tax evasion requires not only payment of taxes but also a willful attempt to evade or to defeat the tax, conceal income or mislead the authorities. According to Sanni (2005) the criminal act of tax evasion is perpetuated due to ignorance of law, high tax rate, non-judicious use of tax revenue by government, visible benefits for tax payers paid, and inefficiency of tax administration and absence of strong deterrent punishment of defaulters.

Olatunde (2010) defined tax evasion and tax evasion as deliberate and willful practice of not disclosing full taxable income so as to pay less tax and as a contravention of tax laws where by the taxable persons neglect to pay tax due or reduced tax liability by making fraudulent or untrue claims on the income tax forms. Thus, even though the tax evader and the tax avoider have similar end (i.e. reduce liability), their means to that end differ (Okwonko & Nenna, 2016). The evader is a criminal while the avoider is just smart tax payer who exploits loopholes in the tax law (and related laws) to reduce tax liability.

Reasons for Tax Evasion

There are different reasons generally given for tax evasion. According to Allingham and Sandmo (1972), the level of evasion of income tax depends on the level of punishment provided by law, Lack of Control by tax administration, and Corruption by the tax officials.The specific reasons for that are responsible for or facilitate tax evasion are numerous. Among these are ignorance of the law, high tax rate, non-judicious use of tax revenue by government, invisible benefits for tax payers, inefficiency of tax administration and absence of strong deterrent punishment for defaulters (Okafor, 2012).It is strongly believed that the problem of corruption and mismanagement of resources by government greatly contributed to tax evasion in Nigeria. Oni (2004), posit that the Nigerian tax institutions are mired in corruption and wonders why anyone could want to pay tax. Tax payers are not sure of where the money goes between the administrators and tax collectors.

In other words, it is feared that tax administrators may not remit all the money to the government. Even when the corrupt tax administrators have taken what they want for the benefit of themselves and their families, it is not clear what happens to the balance remitted to the government. Citizens often wonder about the source of monies usually alleged to have been looted by public officers. According to Rabiu (1981) and Abdulrazaq (1993), raising of correct assessment as well as prompt collection and remittance of taxes largely depends on the quality, integrity, honesty and efficiency of tax administration. Poor record keeping by businesses also promotes tax evasion. Jegede (2000) observed that correct assessment cannot be carried out without proper and adequate records maintained by the taxpayer. Some tax payers deliberately fail to keep proper records of their financial transactions. Further, tax audit required to expose malpractices in tax administration processes is not given utmost attention. Thus, Nigerian tax evaders indulge in the conduct with absolute confidence as they entertain no fear of being caught in the process.

Evidence of Tax Evasion

Tax evasion is practiced by both individuals and corporations. There are documented evidences of corporations and individuals who engaged in tax evasion. Bakare (2006) reported that the financial controllers, accountants and auditors of Halliburton Group, AGIP Oil Company, Philips oil company Ltd, Technit Ciminonbuti Nigeria Ltd. Eagle Transport Ltd. Used their professional skills and expertise to assist the companies in concealing and depriving Nigeria of a total revenue of $77 million. He also discloses that Agip petroleum owed the government of Nigeria a sum of $857,797,805.49 which is an additional tax liability discovered following the audit and investigation of company's account conducted by the senate committee on finance and the Economic and Financial Crimes Commission (EFCC). Similar independent audit investigation by the federal inland revenue service led to the discovery of tax liability of $1,302,253 due to Philips Oil company, N5, 711,459 ($40,796) from Eagle transport, and $46,204 from Technit Ciminontubi Nigeria Ltd. Odutola (2003) reported that Halliburton a US Multinational Oil company, on its admission, and in accordance with publicly available report, disclose to the US securities and exchange commission in regulatory filing that it made an improper payment of N82.4 million between 2001 and 2002 to a Nigerian entity in a bid to evade tax liability amounting to $ 5.0 million. The payment of $2.4 million was made to an entity owned by a Nigerian, who held himself out as a tax consultant, when in fact he was an employee of a local tax authority. This payment was given in order to assist the company to minimize its tax liability illegitimately. Similarly, Olatunde (2010) reported that the House of Representative Committee on petroleum resources indicted Chevron Nigeria Limited of $492 million (about N14.7 billion) while Muhammad (2009) reported that billions of dollars is lost annually in Nigeria due to uninformed tax rigging and ineffective tax legislation. Specifically, it was estimated that about $521 billion was lost in Nigeria between 1960 and 1999 as a result of tax evasion by individuals.

Tax Administration and Tax Evasion

The strategy of Tax Administration should be to create pressure down, or in other words to use the compliance strategy to help taxpayers to pay taxes on one side and to fight against tax evasion on the other. Savic, Aleksander, Minko, Arsic & Martic (2015). Nigeria tax system is not perfect, personal and company tax administration in Nigeria does not measure up to appropriate standards. The high incidence of tax evasion, which pervades every part of Nigeria is largely due to irregularities and lapses in tax administration. Tax evasion is also practiced by individuals and even profit making organizations, particularly the multinational corporations. Mantu (2005) noted that many wealthy Nigerians and cooperate bodies do not pay taxes. It is estimated that taxes account for about 25% of the total revenues of the federal government of Nigeria, but really realized more than 10% of its collectable taxes. Cobham (2005) set up a model of tax revenues and identified three key leakages of revenue which include: Income, earned on assets held offshore by wealthy individuals, profits earned by the cooperate sector and then shifted to lower tax jurisdictions and income from shadow economic activities not recognized by the relevant tax authorities. Using the three areas of leakages, Cobham estimates that the potential revenue leakages from the tax systems of developing countries amount to approximately $3 85 billions per annum. Cobham (2005) also finds that rich countries of the world obtain direct tax revenues of 12% to18% of their GDP, while poor countries obtain only about 2% to 6%. For instance, According to Bakery, (2006) Nigeria loses several billions of dollars due to unreformed tax regimes and ineffective tax legislation that have aided tax avoidance and tax evasion by wealthy individuals as well as local multinational corporations. He further stated that between1960 and 1999, Nigeria lost $521 billion as a result of stealing by the ruling elites, tax evasion and tax avoidance on the looted forms.

It is also shown that intricacies in forms of sizes also contributes to tax evasion practices. In fact, Franzoni (1988) posited that evasion problems in economic terms originated from the fact that the variables that make up or define the tax base such as incomes, sales, revenues, earnings or wealth are not observable by an external party except by the means of costly audit. Thus, the imperfect information facilitates tax evasion practice. In addition, Franzoni (1988) noted that operations in the informal economy such as black market operations or shadow economy provides cover for the tax evasions because such activities are hardly identifiable by tax authority. Franzoni (1998) identified four variables of compliance thus: True reporting of the tax base, correction computation of tax liability, timely filing of the tax returns and prompt payment of amount due. Though, all these variables can be manipulated by taxpayers in order to evade tax. He opined that the bulk of tax evasion involve the first variable.

Theoretical Framework

Some of the major theories adopted since the 1990s have been theories based on globalization (Sikka, 2003 Ploan, Murphy and Chavagneux, 2010); Capitalism (Sikka, 2006,); State Theory and ethical and moral theories (McGree, 2006;). This study was underline by three theories of pioneer, deterrence and stigmazation or shame management theories. Most scholars have confirmed that the pioneers' theory, which forms the basis of most modern tax evasion, was developed by Allingham and Sandmo (1972).The static model measures the effect of tax rates, probability of detection and penalty level on the utility or net gain accruing to taxpayer from underreporting of taxable income. The Allingbam and Sandmo Models posited that evasion increase income, while the income evaded depend on relative risk evasion of the taxpayer. In essence, the pioneer theory relates the likely hood of detection and the resultant penalty associated with evading tax. The theory states that individuals are deterred from non-compliant behaviour (tax evasion) based on the perceptions about the probabilities of detection and severity of sanctions. Murphy (2010) opines that the central explanatory proposition about deterrence theory is that a taxpayer is likely to break the law unless the anticipated legal penalties exceed the additional earnings that could accrue to him/her by evading tax. One of the major flaws of the pioneer and deterrence theories is the assumption that the taxpayer is only concerned with the net monetary gain that would accrue to him/her from tax evasion and that his/her action is predicated on the possibility of detection and penalty. This led to the emergence of the stigmization theory. The thrust of the stigmazation theory is that the desire to evade tax considered as a deviant act and a violation of social norms is contingent upon the stigma attached to the action by the taxpayer and the society. According to Mohammed (2009), if regulatory action does not bring about reactions of sheer acknowledgment, that is, feeling of remorse and desire to be upright and do the right thing, compliance is an unlikely outcome. Therefore, taxpayers who are not moral would indulged in evasion of taxes. The stigma effect, as argued by Franzoni (1998) and Sandmo (2005) depend on the number of people involved in the act. This study was anchored on the deterrence theory which states that actors' restraint from engaging in illegal acts is dependent on the possibility of detection and severity of sanction for doing so. It is therefore maintained that if tax administration is effective, the detection of tax evaders will be higher and by applying the prescribed sanctions, tax evasion will be controlled if not eliminated.

METHODOLOGY

The study utilized primary data generated through questionnaire administered on a total of 200 respondents made up of tax administrators and tax payers in 9 local government of Adamawa state including Demsa, Gombi, Guyuk, Hong, Lamurde, Madagali, Mubi North, Numan and Yola North. The sample size was determined using Yaro Yamani formula:

$n = N/1+Ne^2$

Where, N = the population size, n = sample size and e = the marginal error at 25%.

The Sampling was made in proportion to number of local governments from each senatorial district 2, 3 and 4 local governments were selected from the North Central and Southern Senatorial Districts respectively. However, the final selection of local government from each of the senatorial districts into the sample was based on the year of their creation using purposive sampling technique.

The target respondents consist of tax administrators and tax payers from the selected local governments. Tax administrators were defined as revenue officials and tax payers as the self-employed small business operators of the local governments. Six tax administrators and tax payers each were surveyed from each of the nine (9) local governments studied making a total of 108 respondents. The distribution of the study instruments was based on the convenient sampling technique. The data for the study was analyzed using three (3) statistical techniques, descriptive statistics techniques, ordinary Least Square (OLS) regression analysis and Mann-Whitney U test.

FINDINGS AND DISCUSSION

Table 4.1: Quality of Tax Administr

	TA		TP		TOTAL	
Statement	F(%SA &A)	Mea	F(%SA & A)	Mean	F(%SA)	Mean
There is inadequate tax collect ing officials	84(89.3)	4.27	73(77.7)	3.85	157(83.5)	4.06
There is absence of modern technology	87(92.6)	4.24	67(71.3)	3.77	154(81.9)	4.01
Tax officials are poorly	84(89.4)	4.22	62(66)	3.49	156(77.	3.86
Tax laws in the local government are outdated	75(79.8)	3.87	63(67)	3.45	138(73.4)	3.66
There is irregular tax audit	82(87.3)	4.12	74(78.7)	3.86	156(83	3.99
There is poor implementation of prescribed sanctions for	83(88.3)	4.18	53(56.4)	3.23	136(72.3)	3.71

Note: TA Tax Administration, TP Tax payers, f frequency,
Figures in parenthesis indicate percentage of strongly agree (SA) and Agree (A). The Data were collected through survey, 2017.

Table 4. 1 Shows that tax administrators and tax payers strongly believe that there is inadequate tax collecting officials in the local

government. This is revealed by 157 (83.5%) of the respondents which is further confirmed by the combined mean value of 4.06.There is also evidence suggesting that there is absence of modern technology for tax administration in the local government. This is inferred from the 154 (81 .9%) respondents who agreed to this fact and the combined mean value of 4.01. It is instructive to point out that poor modern technology such as computers, tax assessment and audit software will significantly affect the effectiveness of tax administration in the local government. This is because modern technology does not only enhance speedy performance of tasks but also reduces the chances of errors.

Table 4.1 also reveals that to a large extent tax officials are poorly motivated in the local government. This is indicated by the opinion of 146(77.7%) of the respondents which is further affirm by the combined mean of 3.86. Also, a higher number of tax administrators 75(79.8%) compare to tax payers, 63(67%) believe that the tax laws at the local government are outdated. The separate mean rating is 3 .87 for tax administrators and 3 .45 for tax payers. The combined analysis shows that about 138(73 .4%) of the respondents agree that the tax laws in operation at the local government are outdated. The combined mean of 3.66 reinforces the 73.5% respondents' opinion that tax laws in local government are outdated. Outdated tax laws particularly have effect with regards to the amount of taxes levied, tendency to comply and the powers that tax administrators have to discharge their responsibilities. It can also be deduced from table 4.1 that there is irregular tax audit in the local governments. The 156(83%) respondents and combined mean of 3.99 reiterates this position. This scenario implies that tax evasion by tax payers and corruption by tax administrators are likely to be prevalent in the local governments since the tendency to detect through tax audit is low. Table 4.1 also shows that 136 (73.3%) of the respondents agree that there is poor implementation of sanctions in the local government. This position is confirmed by the combined mean value of 3.71

Table 4.2: Tax Evasion in Local Governments

Statement	TA F(%SA& A	TA Me	TP F(%SA	TP Me	TOTAL F(%SA & A)	TOTAL Mean
Many tax payers are not corrupt by tax	76(80.9)	4.03	80(85.1)	3.99	156(83)	4.01
It is difficult to know when tax payer earn income	89(94.7)	4.38	61(64.9)	3.46	150(79.8)	3.92
A large number of tax payer do not	89(94.7)	4.33	59(62.8)	3.34	148(78.7)	3.84
Many income earning activities are not taxed	66(70.2)	3.62	80(85.2)	4.06	146(77.6)	3.84
T ax payer pay less	81(86.2)	4.13	67(71.2	3.66	148(78.8)	3.89
T ax payer explore way to	77(81.9)	3.97	83(88.3	4.18	160(85.2)	4.07

Note: TA =Tax administrators, TP = Tax Payers, F = frequency, figures in parenthesis indicate percentage of Strongly Agree (SA) and Agree (A). The data was generated from the field survey, 2017.

Table 4.2 shows clear evidence of tax evasion in Adamawa state local governments. Not less than 156(83%) of the tax administrators and tax payer surveyed agreed that many of the tax payers in the local government are not captured by the tax net. This is an indication that a large number of tax payers do not pay taxes. This may not be voluntarily but due to the inadequacy of tax officials which does not ensure all tax payers are brought under the tax net. The mean response is 4.01. Table 4.2 also indicates that 150 (79.8%) of the respondents with mean of 3.92 were of the opinion that it is difficult for tax administrators to know when taxpayers in the local governments earn income. A total of 89(94.7%) of tax administrators and a lesser 61(64.9%) of tax payers consented on the matter. It is also inferred from table 4.2 on the extent to which tax payers pay taxes in the local governments that a large number do not do so. While this may be attributed to ignorance, poor motivation of revenue officials which does not make them aggressive enough to ensure all tax payers pay their taxes may specifically underline the scenario. In particular, 89(94.7%) and 59(62.8%) of tax administrators and tax payers accepted on the matter. On the whole, 148(78.7%) of the respondents agree on the matter which also implied that only 21 .3% of the respondents held a contrary view. The overall mean of the respondents who agreed on the matter is 3.84.

Similarly, 146 (77.6%) of the respondents with a mean of 3.84 retain that many income earning activities in the local government are not taxed. This may most likely be attributed to out dated tax laws. Some tax rates are so low that it may not encourage the revenue officials to pursue their payment, hence leaving some income earning activities not taxed. The group analysis shows that 66(70.2%) and 80(85.2%) of tax administrators and tax payers respectively believe many income earning activities are not taxed. However, recourse to the mean of 3.62 for tax administrators and 4.06 for tax payers indicates the tax payers' respondents group were more affirmative on the matter.

Table 4.2 also shows that 148(78.8%) respondents maintained that tax payers in the local government pay less than the supposed amount of taxes. This opinion is corroborated with the mean of 3.89. It is instructive to point out that while corruption by tax officials could make tax payers pay less taxes, if tax audit is conducted regularly in the local governments, the tendency of tax payers paying less than the supposed amount of taxes can be addressed. Finally. The overall response indicated that no fewer than 160 (85.2%) of the respondents argue that tax payers explore ways to pay less tax. This further implies that an insignificant 14.8% of the respondents held a different opinion. The overall mean of 4.07 reiterates the majority 85.2% position.

TABLE 4.3 Reasons for Tax Evasion

Note: TA =Tax administrators, TP = Tax Payers, F = frequency,

Reasons	TA		TP		TOTAL	
Statement	F(%SA &	Mean	F(%SA&A)	Mean	F(%SA &	Mean
Corruption and	74(78.7)	3.85	62(65.9)	3.53	136(72 .4)	3.69
Poor remuneration	79(84)	4.12	64(68.1)	3.57	143(76 .1)	3.85
Lack of awareness	69(73.5)	3.80	78(83)	4.13	147(78 .2)	3.96
Inaccessibility of	63(67)	3.50	80(85.1)	4.18	143(76 .1)	3.84
Insuffic ient	81(86.2)	4.18	65(69.1)	3.59	146(77 .7)	3.88
Poor record	65(69.1)	3.55	75(79.8)	3.94	140(74 .5)	3.74
Inadequacy of tax officials	78(83)	4.00	83(88.3)	4.22	161(85 .6)	4.11
Greed	70(74.5)	3.82	82(87.2)	4.18	152(80 .8)	4.00
Lack of commitment from	65(69.2)	3.70	73(77.7)	3.96	138(73 .4)	3.83
Poverty	79(84)	4.15	77(81.9)	3.99	156(83)	4.07
Corruption by tax officials	84(89.3)	4.22	78(83)	3.99	162(86 .2)	4.11
Fear of insecurity by	76(80.9)	3.93	83(83.3)	4.23	159(84 .6)	4.08
High tax rate	80(85.1)	4.07	70(74.5)	3.80	150(79 .8)	3.94

figures in parenthesis indicate percentage of Strongly Agree (SA) and Agree (A). The data was generated from the field survey, 2017.

Table 4.3 reveals that 74(78.7%) and 62(65.9%) of the tax administrators and tax payers respectively agree that corruption and mismanagement by leaders is responsible for tax evasion. The combined response shows that 136 (72.4%) of the respondents agree on the matter. This further implies that only 27.6 of the respondents held a different opinion to the 72.4%. The overall mean response of 3.69 reiterates the 72.4% position meaning that corruption and mismanagement by leaders is a factor that underscores tax evasion in the local governments. This finding concurs with Muhammad (2009) and Jegede (2000) where it was also discovered that corruption and mismanagement of resources by governments contributes to tax evasion.

Poor remuneration of tax payers is also viewed as a contributory factor to tax evasion by tax payers. About 143 (76.1 %) of the tax administrators and tax payers surveyed agree on this. The combined mean is 3.85. Notwithstanding, the findings is in accordance with Muhammad (2009) that poor remuneration of tax officials make them to collude with tax payers to evade taxes in order to get gratification. In fact, motivation is crucial not only in discouraging tax officials from colluding with tax payers to evade taxes but most essentially in eliciting the desired level of commitment to tax collection.

Tables 4.3 also disclose that lack of awareness by tax payers is another factor accounting for tax evasion. As many as 147(78.2%) of the respondents agree. The combined mean of the respondents is 3.96. Lack of awareness by tax payers in itself is underscore by illiteracy and ignorance. This result concurs with Mustapha (2009) who stated that illiteracy and poor enlightenment of tax payers on tax laws as a reason to evade tax. A total of 143 (76.1%) of the respondents believe that inaccessibility of many tax payers also promotes tax evasion. The combined mean response is 3.84. The finding of inaccessibility to many tax payers affirm the contention of tax administrators facing the challenge of bringing all categories of tax payers within the tax bracket especially those in remote areas and self-employed persons. In fact, Nzoha (2003) maintained that most of those who pay taxes in Nigeria are the employees, the self-employed are most culpable of tax evasion in the country.

Table 4.3 also indicates that inefficient sanctions accounts for tax evasion in the local government. This is inferred from the 146(77.7%) position, which is reinforced by the mean value of 3.88. Muhammad (2009) argued that the extent to which tax payers are deterred from tax evasion depends substantially on the application and stiffness of the penalties. Because prescribed penalties are either not melted on culprits or the fines are not significant to deter tax evaders from engaging in the act, many taxpayers continue to perpetuate the act.

The problem of poor record keeping by businesses is indicated to be behind tax evasion in the local government. About 140(74.5%) of the respondents believe that poor record keeping by businesses causes tax evasion. The mean response is 3.74. Though, most of the business operators are stated not to keep proper records due to illiteracy, their inability to maintain records makes tax officials to assess them to tax on the basis of "Best of judgment" which often than not results to under assessment. Because, these tax payers are under assessed, it implies that they evade tax.

Similarly, inadequacy of tax officials is revealed as a factor responsible for tax evasion. This is the position of the 161(85.6%) of the respondents who agree that inadequate tax officials contribute to tax evasion. This is also reinforced by the mean of 4.11. This affirms Rabiu (2011) position that there is inadequacy of tax officials in most of the tax offices. This has to do with the skills, experience of the tax officials and in terms of the number of tax officials responsible for tax collection in the field.

Table 4.3 presents evidence that greed and selfishness is accountable for tax evasion in the local government. About 152 (80.8%) of the respondents asserted this with the mean score of 4.1. this is buttressed by Muhammad (2009) that the rich class in Nigeria widen the gap between themselves and the poor, thereby continue to control and manipulate the masses through the power of money. A total of 138(74.4%) of the respondents maintained that lack of commitment from government due to availability of alternative sources of revenue contributes to tax evasion in the local government. The mean score is 3.83. The local governments are stated to generate an insignificant 20% of their revenue from taxes, relying heavily on statutory allocation (Mantu, 2005).

Poverty is also shown as an important cause of tax evasion in the local governments. This is inferred from the majority 156 (83%) position of the respondents as confirm by the high mean of 4.07. This means that a larger proportion of the Nigerian population have difficulty to meet their basic needs, since tax will reduce the little income which cannot provide the basic necessities of life, people engage in tax evasion.

On corruption by tax officials facilitating tax evasion, 162 (86.2%) of the respondents agree with an overall mean score of 4.11. Due to poor motivation of tax officials many are believed to engage in corrupt practices such as colluding with tax payers to evade taxes for gratification, printing of fake receipts etc. this practices end in enriching the tax officials as a result of which many tax payers refuse to pay taxes. Table 4.3 shows that fear of insecurity by tax officials is another reason for tax evasion in the local governments. This is indicated by 159(84.6%) of the respondents who agree on the matter. The mean score of the respondents who agree on the matter is 4.08. Muhammad (2009) observed that tax officials go about their job without being accompanied by security forces such as the police, thus are often threatened by tax payers who are unwilling to pay their due taxes. For fear of insecurity tax officials avoid such tax payers, hence they become perpetual tax evaders. There is also evidence to conclude that high tax rates causes tax evasion in the local government. This was the submission of 150(79.8%) of the respondents surveyed. The mean score is 3.94. This study formulated two hypotheses for test. The first hypothesis of the study states that “tax administration has no significant effect on tax evasion in Adamawa State local governments” The mean score of the view expressed was determined and used to run the regression analysis.

The results of the regression analysis is shown in table 4.4 to 4.7

Table 4.4. Model Summary

Model	R	R Square	Adjust ed	Std. Error of the	Durbin-Wat son
1	.	.005	-.244	.13187	2.088

a. Predict or: (constant), tax administration. B. Dependent variable: tax evasion.

Table 4.5 ANOVA

Model	Sum of	Df	Mean	F	Sig
Regressi 1	. . .	1	.	. 019	.898b
Residual	07 0	4	. 017		
Total		5			

a. Dependent Variable: Tax Evasion b. Predictors: (Constant), Tax Administration.

Table 4.6 Coefficients coefficients [a]

Model	Unstandardi ze		Standardiz ed	t	Sig
	B	Std.	Bet a		
(Constant) Tax Administ	4.090 -.054	1.557 .396	-.068	2.6 -.13 6	. . 89

a= Dependent variable: Tax evasion. Table 4.7 Residual Statistics

Residuals statistics [a]

	Minim um	Maximu m	Mean	Std. Deviati	N
Predicted value	3.8714	3.8930	3.87	.	6
Residual	-.1614	.19589	.	.	6
Std. predicted	-.861	1.823	.000	1.00	6
Std. Residual	-1.224	1.485	.000	.894	6

a- Dependent variable: Tax Evasion. Source: research computation using SPSS 21.

Table 4.4 shows that the relationship between the independent variable (tax administration) and dependent variable (tax evasion) is positive but insignificant. This indicated by the R of 0.068 (6.8%). The R^2 of 0.005 further indicates that the tax administration explains but an insignificant 5% variation in tax evasion. This shows that tax administration is a poor predictor of tax evasion as 95% of tax evasion is explained by factors not captured in the model. It is instructive to point out that factors such as provision and adequacy of infrastructures, implementation and severity of sanctions among other factors play a greater role in explaining tax evasion in the local government than tax administration.

The Durbin — Watson of 2.08 however shows that there is no serial correlation in the data. The Beta of -0.054 in table 4.6 indicates an inverse relationship between tax administration and tax evasion that is, when the quality of tax administration improves, tax evasion will reduce, which confirms to a prior expectation. By and large, on the strength of the F of 0.0 19 and significance value of 0.898 at 0.05 level of significance, the null hypothesis is accepted, hence conclusion that tax administration has no significant effect on tax evasion at the local governments. This study does not support the contention that tax administration matters significantly influence tax evasion (Muhammad, 2009).

Difference between Tax Administrators and Tax Payers on Reasons of Tax Evasion

The second hypothesis of this study states that "There is no significant difference between tax administrators and tax payers on the reasons of tax evasion at the local governments''. The Mann Whitney—U test was used to analyze the data at 95% confidence level. Table 4.8 presents the results of the test.

Table 4.8: Summary of Mann Whitney U test result

	N	Mean	Sum of Ranks
Tax	9	94.37	8871.00
Tax payers	9	94.63	8895.00
Total	1		

Mann Whitney U=
4406.00 P-Value = 0.974

The summary Mann Whitney U test results in table 4.8 shown a mean rank of approximately by 94.37 for tax administration and 94.63 for tax payers. The mean ranks only differs by a marginal 0.26 which suggests there is no significant difference in the views of the two groups. However, the Mann — Whitney U of 4406 and P value (sig) of 0.974 indicates there is statistically significant difference between the perception of the reason for tax evasion in the local governments by the two groups.

SUMMARY AND CONCLUSIONS

Taxation is an important and the most reliable source of revenue to the government. However, the amount of revenue generated by the government from taxes is dependent on the extent to which tax evasion is controlled. Tax administration has a role in checking the activity of tax evaders but as revealed by the results of this study, the effect is not very significant. Impliedly, other factors including the extent to which public officials are transparent and accountable by way of the judicious utilization of tax proceeds in providing the requisite infrastructural and other amenities in the society may make tax payers voluntarily pay their due taxes. The dwindling statutory allocation due to fall in the oil market prices in the recent times requires more robust approach to generate revenue from sources such as taxes not only to augment the short fall but better discharge government responsibilities. In addition to the foregoing, the specific conclusion of the study includes:

(i) Tax administration has an insignificant effect on tax evasion at the local government level. In other words, enhancing tax administration alone cannot effectively curb the incidence of tax evasion in the Adamawa State local governments.
(ii) There are several reasons for tax evasion in the local governments. This reasons shows that tax officials, public office holders and tax payers alike are culpably responsible for tax evasion.
(iii) Tax administration and tax payers significantly differs in their opinion on the reasons of tax evasion in the local governments.
Based on the results and conclusion of this study, the following causes of action are recommended in order to improve tax administration and generally curtail the problem of tax evasion in the local governments.
(i) There should be an independent committee set up as a machinery to evaluate quarterly, semi-annually and annually the effectiveness of tax revenue collection in the local government.
(ii) The problem of tax evasion as shown by the results of this study can be blamed on tax officials, tax payers and public office holders and the elite class in the society. Addressing the problem, therefore, will require the adoption of measures that will positively change the attitude and practices of these individuals. While stiffer punitive action is fundamental to curbing the negative attitude and actions of all these groups, enhancing pay packages especially through use of graduated bonus schemes, pubic office holders must be made to be more prudent and accountable with public resources.

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