

# PERCEPTION AND CRIMINALITY OF TAX EVASION IN A DEVELOPING ECONOMY

Eugene Okoi Ifere<sup>\*</sup>, Okey Oyama Ovat<sup>\*\*</sup>, Emeka Josephat Owan<sup>\*\*\*</sup>,  
Mercy Ihuoma Chijioke<sup>\*\*</sup>, Lekam Ujong Ofem<sup>\*\*</sup>,  
Joseph Nsabe Ndome<sup>\*\*</sup>, Malachy Ashywel Ugbaka<sup>\*\*</sup>,  
Atelhe George Atelhe<sup>\*\*\*\*</sup>

<sup>\*</sup> Corresponding author, Department of Economics, University of Calabar, Calabar, Nigeria

Contact details: Department of Economics, University of Calabar, Cross River State, Etagbor, PMB 1115, Calabar, Nigeria

<sup>\*\*</sup> Department of Economics, University of Calabar, Calabar, Nigeria

<sup>\*\*\*</sup> Department of Sociology, University of Calabar, Calabar, Nigeria

<sup>\*\*\*\*</sup> Department of Political Science, University of Calabar, Calabar, Nigeria



## Abstract

**How to cite this paper:** Ifere, E. O., Ovat, O. O., Owan, E. J., Chijioke, M. I., Ofem, L. U., Ndome, J. N., Ugbaka, M. A., & Atelhe, A. G. (2023). Perception and criminality of tax evasion in a developing economy [Special issue]. *Corporate Law & Governance Review*, 5(2), 164–173.  
<https://doi.org/10.22495/clgrv5i2sip3>

Copyright © 2023 by Authors

This work is licensed under a Creative Commons Attribution 4.0 International License (CC BY 4.0).  
<https://creativecommons.org/licenses/by/4.0>

**ISSN Online:** 2664-1542  
**ISSN Print:** 2707-1111

**Received:** 04.04.2023  
**Accepted:** 27.07.2023

**JEL Classification:** H26  
**DOI:** 10.22495/clgrv5i2sip3

This study examines the perceptions and extent to which tax evasion is classified as a criminal offense compared to fifteen listed offenses in the Niger Delta region of Nigeria. The motivation stems from the need to understand the reasons for higher levels of tax evasion and its perception as a lesser crime vis-à-vis others, despite its economic implications. It interrogates Menezes de Carvalho and Cabral de Ávila's (2022) study which proved that tax governance practices and enforcement have serious consequences on the level of tax evasion. It employs a primary study using 409 questionnaires similar to Gupta (2009), and Mamuti and McGee (2016), which measured the perceptions toward tax evasion as a crime. Results revealed that murder/ritual killing, armed robbery, militancy, kidnapping, and human trafficking are among the top five crimes while tax evasion was rated third lowest crime. Also, corruption and ineffective tax governance, among others were identified as reasons for tax evasion. The implication is that tax evasion leads to dwindling government revenue and welfare. Consequently, the study recommended that to build confidence in tax authorities and systems, the government should step up social contracts with the people. Tax defaulter should be punished and the government should carry out periodic tax education.

**Keywords:** Tax Evasion, Perception, Criminality, Niger Delta

**Authors' individual contribution:** Conceptualization — E.O.I.; Formal Analysis — E.J.O. and L.U.O.; Investigation — M.I.C. and J.N.N.; Resources — O.O.O. and A.G.A.; Writing — Original Draft — E.O.I.; Writing — Review & Editing — O.O.O. and M.A.U.

**Declaration of conflicting interests:** The Authors declare that there is no conflict of interest.

**Acknowledgements:** The Authors would like to thank members of the postgraduate (PG) board of the Department of Economics, University of Calabar, who made significant inputs and suggestions towards the improvement of this paper when it was first presented in the Departmental PG seminar. The Authors are equally thankful to the two research assistants who administered the questionnaire.

## 1. INTRODUCTION

An effective and efficient tax system is an essential part of a nation's economic well-being. Taxation is unarguably one of the most effective fiscal instruments for reducing private consumption, increasing investment, and income inequality; it enhances the transfers of resources to the government for necessary economic development. Even Smith (1776) contemplated this fact when he opined that to support the government, every subject ought to contribute according to his or her respective abilities. Tax avoidance and evasion are serious economic threats, which undermine equitable and efficient revenue drive by the government as contemplated by Smith (1776). Tax evasion pervades almost every country of the world and occurs when there is an intentional attempt by a taxpayer to cheat a tax authority. Tax non-compliance is capable of reducing the efficiency of an economic system with attendant consequences. Gërxhani and Wintrobe (2021) held that it is only based on the economic theory of tax evasion, that corporations and individuals pay taxes because they are forced and for fear of prosecution by the state. However, the perception taxpayers have about a tax system has a serious impact on compliance. If the public perceives a tax system as unfair and inequitable and when the government is lacking in social contract and transparency, the enthusiasm for tax compliance will be eroded. Findings by Kassa (2021) support this assertion that tax knowledge, fairness, and moral obligation influence tax evasion, while Menezes de Carvalho and Cabral de Ávila, (2022) proved that tax governance practices and enforcement have a serious effect on the level of tax evasion.

Many scholars have investigated tax evasion from an economic angle. Only a few have focused on non-economic factors such as demographic, behavioural, and criminality (Kong & Wang 2014). Other scholars have also argued that taxpayers may evade tax due to economic and non-economic factors such as tax fairness, tax knowledge, compliance cost, tax morale, moral obligation, tax system, subjective norms, perceived behavioural control, capital intensity, profitability, fiscal loss, inflation, interest rate, gender, average, tax rate, and ethical considerations (Rantelangi & Majid, 2018; Putra et al., 2018; Alleyne & Harris, 2017; AlAdham et al., 2016; Annan et al., 2014).

Tax evasion or non-tax compliance is pervasive in Nigeria. In terms of global ease of paying taxes and tax to gross domestic product (GDP) ratio, Nigeria ranks very low and below the African average. This situation has put it into the vicious cycle of overreliance on borrowing to finance public spending. However, this sorry situation is not unconnected to the challenges of a fragmented complex tax system, multiple taxations by multiple revenue collection agencies, high prevalence of tax evasion occasioned by low tax morale, poor social contract, accountability, and utilization of tax revenue.

According to the Fair Tax Monitor (FTM, 2019) report, only 20% of Nigerians paid tax in 2017 while 27% paid tax in 2018. The survey documented that, 70% of respondents gave reasons for non-tax compliance including lack of transparency in the use

of taxpayers' money and quality of public service while 22.5% attributed noncompliance to unclear tax rules, and the remaining 7.5% attributed non-tax compliance to inefficient tax enforcement.

Tax noncompliance is an offense against the state and therefore criminal. A crime is an offense forbidden by the state, which attracts punishment and could lead to imprisonment (Olokooba et al., 2018). Tax criminality against the state could be in the form of noncompliance, avoidance, evasion, enforcement, and administration. Both the taxpayers and tax authorities can be culpable in tax crimes. In Nigeria, the severity of punishment for a tax offender depends on the seriousness of the tax crime. Tax offenses could be mild — attracting light punishment with an option of a fine and reprimand; or serious — attracting jail term and the option of a fine after conviction. In Nigeria's tax law according to Capital Gains Tax Act (2012, Section 43), "Any person guilty of an offense against the tax Act or who contravenes or fails to comply with any of the provisions of the Act or of any rule made there under for which no other penalty is specifically provided, shall be liable on conviction to a fine and to imprisonment ranging from six months to five years, or to both such fine and imprisonment depending on the offense".

To discourage future tax offenses, the offenders are punished for deliberate infractions of law and enforce public justice; relevant tax authorities such as the Federal Inland Revenue Service (FIRS) and the States Internal Revenue Boards (SIRB) adopt both criminal sanctions, monetary penalties, and other coercive measures for tax evasion. These penalties are of two categories namely civil sanctions — imposed by tax authorities and criminal sanctions applied by criminal courts.

The complexity of tax evasion is of great concern to the government as it adversely affects government revenue drive. Tax evasion affects not only tax authorities and the government but also citizens who are left without required state services which affects their daily livelihood and welfare (Turner, 2010; Russo, 2010). Although tax governance is a recent phenomenon, it is seen as an effective way of curtailing tax evasion and non-compliance (Shtromberg, 2019). To mitigate tax evasion, one must understand the fundamental factors and determinants associated with it. Therefore, contemporary studies have sought to understand the theoretical mechanism of the main causes and solutions to tax evasion (Cowell, 1990). In this respect, Amaral and Ainsworth (2005) have seen the verification of the effect of tax evasion to be a theoretical possibility. Similarly, Khlif and Achek (2015), have identified the different theoretical approaches to understanding the complex phenomenon of tax evasion including economic, equity, and behavioural, stewardship. Others are firm and contract theory as well as the stakeholders' theories. Tax evasion is conceptualized to be mitigated by good principles of tax governance guided by efficient tax management and practice involving lawful tax planning and corporate management procedures (Lopo Martinez et al., 2019; Maclean & Dixon, 2015). Other benchmark studies like Medina and Schneider (2018) provided tax evasion data estimates from 2005 to 2015, while Hju Panayi (2018) maintained that good tax governance

principles can combat tax evasion. Again, Prichard (2010) submitted that several studies on tax evasion particularly on the perception of tax evasion have made the subject matter theoretically abstract with less focus on concrete analysis of the criminality of tax evasion. To the best of our knowledge, no study on this subject matter has been conducted in the Niger Delta region of Nigeria, thus creating a lacuna in the literature.

The point of departure of the current study from the previous studies is that it evaluated the perception of tax evasion as a crime, compared to other crimes in the Niger Delta region of Nigeria and therefore sought to answer the following fundamental questions:

*RQ1: How do citizens perceive tax evasion in the Niger Delta region compared to other crimes?*

*RQ2: What is the position/ranking of tax evasion amongst other crimes?*

*RQ3: Does political affiliation determine tax evasion?*

*RQ4: How efficient and effective are tax governance and tax education in the Niger Delta region of Nigeria?*

*RQ5: Does the government maximize tax revenue for the welfare of the citizens?*

*RQ6: How serious is the penalty for tax evasion?*

The objective of the study is to investigate the perception of tax evasion compared to fifteen other listed crimes in the Niger Delta region of Nigeria. To this end, the study uses a (purposeful random sampling) qualitative approach, employing structured questionnaires and focus group discussions in five states of the Niger Delta region in the analysis.

The relevance of this study is in many folds. First, it will expand the frontier of knowledge on the perception of tax evasion among the people of the Niger Delta region of Nigeria and the reason for holding such perception. Second, it will strengthen tax governance and encourage government interest in maximizing tax earnings for the welfare of the citizens. Third, it will contribute to international efficiency and redistribution of tax revenue as well as education/awareness. Fourth, the study may be a useful tool for encouraging national governments to strengthen the judiciary, in terms of legal sanctions relating to tax evasion. Fifth, the overall economy will gain as a result of tax compliance by companies and individuals.

The paper is structured as follows. Section 1 is the introduction. Section 2 is the literature review and theoretical framework. Section 3 explains the methodology employed in the study. Section 4 is the results and discussion of findings. Section 5 concludes the paper and provides recommendations and a perspective for future research.

## 2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Although, there exists variant literature on perception, criminality, determinants, and nature of tax evasion in developed countries only a few studies in emerging economies such as Nigeria with particular emphasis on the Niger Delta region exist.

Amongst the earliest studies on tax evasion was that by Crowe (1944), which hinges on the moral argument of paying taxes, saw tax compliance from

an economic and financial point rather than a physiological or philosophical point. McGee and Smith (2008), in their comparative study on opinions on the ethics of tax evasion in Utah and New Jersey, concluded that tax evasion is almost always unethical, ethical, and both in given circumstances. According to them, tax evasion is unethical when an individual has a moral and religious duty to pay tax; it is ethical when the state has no moral authority over its citizens and sociopolitical factors may also determine the ethical stance of tax evasion by individuals. That, women have higher moral values than men and that cultural and legal differences affect the different perspectives on tax evasion.

McGee and Gelman (2009) compared tax evasion between Latin American countries and the USA and opined that tax evasion can be perceived to be just when in actual sense the government is corrupt, with human rights abuses and unsustainable tax rate over taxable capacity. While economists see tax evasion as a technical problem emanating from the tax collection system, psychologists see it to be a social problem (Terzić, 2017). Alm (2021) argues the overall level of tax evasion is uncertain because changing technology affects the methods of enforcement of tax laws by the government and also opens up avenues by which individuals evade taxes. While, Ryšavá and Zídková (2021) in trying to identify factors that influence tax evasion among taxpayers revealed that other socio-economic and institutional factors (religion, social capital, defending the home country, government social contract with the people, trust in the government and respect for authorities) have a significant impact on taxpayers' justification of cheating on taxes while Menezes de Carvalho and Cabral de Ávila (2022) postulates that only enforcement evokes the behaviour of tax compliance in citizens.

Abdixhiku (2013) in a panel investigation of tax evasion at the country level, a pooled-cross section investigation of firm-level behaviour across transition economies, and a cross-section investigation of business tax evasion and tax morals in Kosovo concluded that tax evasion slows down economic growth and diverts resources to unproductive activities. To Soyode and Kajola (2006) tax evasion is a thoughtful violation of tax laws by not divulging full taxable income in order to pay less tax. Nangih and Dick (2018) view tax evasion as criminal. In essence, under the ambiance of the law, tax evasion is illegal while tax avoidance is legal (Soyode & Kajola, 2006; Kay, 1980; Sandmo, 2004; Eboiegbe, 2011; Nwachukwu, 2006; Alm & Martinez-Vazquez, 2001). Sanyal et al. (2000) investigated the relationship between corruption, tax evasion, and Laffer curve. According to the study, corrupt tax administration leads to Laffer curve behavior (i.e., a higher tax rate leads to a smaller net revenue). This reveals that net revenue earned from a truth audit always exceeds net revenue through audits, penalties, and taxes.

Cowell (1990) in a study on the economies of evasion, opined that tax evasion is inevitable because citizens are not willing to comply fully no matter their place in the society except when there is institutional enforcement. To Mamuti and McGee (2016), Kosovo citizens perceive tax evasion as the least crime ranking 47 among the other fifty

listed. While Crane and Nourzad (1990) found individuals with higher income levels to evade tax more than those with less income.

## 2.1. Theories of taxation

### 2.1.1. Ability to pay theory

This theory is synonymous with the principle of equity or justice in taxation and is credited to Smith (1776). The theory posits that taxes paid to the government by citizens should be based on their ability to pay. In other words, higher-income earners should pay more taxes than lower-income earners. It is more reasonable and just to levy taxes based on the taxable capacity of individuals (Ifere & Eko, 2014). The major drawback of this theory is in the definition of one's ability to pay. There is no generally accepted measure of a person's ability to pay. However, the core perspectives are ownership of property, and taxing based on expenditure and income. The advantage of this theory is that it reduces the incentive to increase income. The argument is that an individual will lose the incentive to earn more as high incomes are penalized. Despite the challenges associated with the application of this theory, it remains relevant and one of the most widely used theories of taxation.

### 2.1.2. Benefit theory of taxation

This theory holds that the state should levy taxes on individuals according to the benefit conferred on them. The more benefits a person derives from the activities of the state, the more he/she should pay to the government. However, this theory suffers from several drawbacks; first, it would be difficult to determine the amount of government-diffused benefits, such as security protection received by residents and non-resident taxpayers. Second, if this theory is applied, then the poor would have to pay more taxes because it is assumed that they benefit more from the activities of the state.

### 2.1.3. Diffusion theory of taxation

The theory holds that when a tax is levied under a perfectly competitive market situation, it automatically diffuses equitably throughout the community. Every individual bears the burden of tax according to his/her ability to bear it. The diffusion theory of tax suffers from a serious backdrop because taxes are never automatically distributed equitably in society. Although diffusion or absorption does take place in some taxes they do not affect the entire society at the same time. Also, a few taxes such as income tax, inheritance tax, and toll tax have zero absorption.

## 2.2. The Niger Delta region of Nigeria

The Niger Delta region is one of the largest wetlands in the world (Nigeria National Petroleum Corporation [NNPC], 2005). The minorities of Southern Nigeria predominantly occupy this geo-political zone. These include Akwa Ibom, Bayelsa, Cross River, Delta, Edo, and Rivers, redefined to incorporate three other contiguous oil-producing states — Abia, Imo, and

Ondo — in addition to the original six (Ifere & Okosu, 2017). The Niger Delta covers an area of 70,000 square kilometers, with sandy coastal ridge barriers, brackish or saline mangroves, enduring swamps, and low land rain forests. The area traversed a large number of rivers, streams, canals, and creeks (NNPC, 2005).

The Niger Delta states are the richest deltas in the world in terms of mineral resources. It has huge oil and gas reserves, ranking as the world's sixth largest exporter of crude oil and second largest producer of palm oil, after Malaysia, which even obtained its palm seedlings from Nigeria (Petters, 2011). As a major wetland, it had served an important role in terms of trade, owing to its ports and lucrative trade routes for trade in slaves, and export commodities such as groundnuts, timber, palm produce, cotton, and rubber right from the colonial to the present era.

In Nigeria, particularly the Niger Delta region, characterized by an influx of oil multinationals and service companies, tax noncompliance and underreporting resulting in a tax gap is one of the biggest problems confronting the FIRS. The tax gap, which is the difference between the amounts of tax, owed and that paid is caused by tax evasion by multinational oil firms, corporate organizations, and self-employed individuals in the informal sector and even the underground economy within this region. One of the causal factors of tax evasion is the non-availability of data and control mechanisms to check the default rate. These organizations structure their internal tax reporting activities in such a way that enables them to pay a small share of actual taxes. According to the FIRS, about 30% of companies in Nigeria evade taxes, sometimes because they are owned by government officials, associates, or financiers (Muhammad, 2014). For the informal sector, tax evasion is not perceived as a crime or moral compromise. They sometimes do not seem to be considered to form part of those who are supposed to pay taxes. This may be informed by the fact that their return on investment is small or because they are not registered and not present in a particular corporate business location. This is supported by studies by Song and Yarbrough (1978), which did not perceive tax evasion in small amounts to be a serious crime or morally wrong. The underground economy has recently grown within the Niger Delta. Many oil firms underreport their tax while many companies go underground. Oil companies and oil bunkering businesses flourish from the underground economy without a fair share of tax to the system.

## 2.3. Overview of the Nigeria tax system

The Nigerian tax system has metamorphosed from the traditional to the modern, albeit with little impact in terms of revenue collection compared to other developing economies (see Table 1). Over the years Nigeria's actual tax collections fall short of the tax targets. This may not be unconnected with the extent of tax evasion occasioned by public noncompliance, weak institutions, unnecessary granting of tax incentives to multinational corporations, and unfair, discriminatory, and inequitable tax systems. However, by December 31, 2020, the Nigeria Finance Act was signed into law.

This Act amends several tax legislations with the main thrust of increasing revenue for the federal government and curbing tax evasion. In the quest to achieve the tax canon of certainty, the Finance Act brought clarity on the type of penalties that are not tax-deductible (Akinboro, 2020). It amends, repeals, and adds some provisions in The Personal Income Tax Act, Companies Income Tax Act, Value Added Tax Act, Petroleum Income Tax Act, Customs and Excise Tariffs, Consolidation Act, Capital Gains Tax Act, Stamp Duties Act, etc. The management of taxation in Nigeria empowered by legislation and regulation is administered by three bodies, the FIBR, the SBIR, and the Local Government Revenue Committee (LGRC). The operational arms of these administrative boards are:

1) The Federal Inland Revenue Service (FIRS). This body is saddled with the responsibility of administering taxes paid by companies to the federal government such as company income tax, withholding tax, stamp duties, education tax, petroleum profit tax, value-added tax, and capital gain tax. The 2020 Finance Act empowers the FIRS with the automation of tax administration processes and information gathering (Oragwu et al., 2021). By this FIRS is empowered to deploy technology, in tax assessment, administration, and the conduct of virtual hearings and proceedings by the Tax Appeal Tribunal (TAT).

2) The State Internal Revenue Service (SIRS). This body accounts for and remits taxes to the state

government. The taxes include personal income tax, business premises levy, capital gains tax, road tax, stamp duties on individuals; withholding tax on individuals, hotel and restaurant tax, direct assessment tax, pool betting, and lotteries tax.

3) The Local Government Revenue Committee (LGRC). This body operates within the local government — the third tier of government in Nigeria. They collect taxes and set rates and fines under their jurisdiction. Such taxes include motor park levies, shops, and kiosks rates, tenement rates, marriage, birth, and death registration fees, on and off liquor license fees, slaughter slab fees, naming of street registration fees, markets taxes, and levies.

**Table 1.** Annual tax collection report in Nigeria (target and actual for oil and non-oil sector)

Year	Target (oil & non-oil) (NGN in billions)	Actual (oil & non-oil) (NGN in billions)
2011	3,639.0746	4,628.4757
2012	3,635.4830	5,007.6528
2013	4,468.9870	4,805.6420
2014	4,086.0580	4,714.5603
2015	4,572.2090	3,741.7574
2016	4,200.1802	3,307.4614
2017	4,889.6702	4,027.9452
2018	6,747.0344	5,320.8914
2019	8,802.3860	5,261.9163
2020	5,076.8518	3,883.3890

Source: FTM (2019).

**Table 2.** A chronicle of tax reforms in Nigeria

S/N	Period of reform	Tax reformed
1	1904 and 1926	Introduction of Income Tax
2	1939	The Stamp Duties Act
3	1945	Granting of Autonomy to Nigeria Inland Revenue
4	1957	Raisman Fiscal Commission
5	1958	Formation of Inland Revenue Board
6	1959	Promulgation of Petroleum Profit Tax Order No. 15
7	1961	Promulgation of Income Tax Management Act (ITMA)
8	1971	Industrial Development (Income Tax Relief) Act
9	1979	Promulgation of the Companies Income Tax Act
10	1993	Value-Added Tax (VAT)
11	1993	Promulgation of PIT Decree 104, replacing ITMA
12	1993	Education Tax Act
13	2001 and 2004	Approved National Tax Policy (amend previous Tax Acts)
14	2007	Federal Inland Revenue Service Establishment Act
15	2012	Introduction of Tax Identification Number (TIN)
16	2017	Approved New NTP (amend previous NTP)
18	2020	The Finance Act 2020

Source: FTM (2019), Finance Act (2020).

### 3. RESEARCH METHODOLOGY

This study employed a quali-quantitative survey to investigate how citizens within the Niger Delta region of Nigeria perceived the criminality of tax evasion compared to other crimes. This research method was considered most appropriate for this study instead of other alternative research methods such as descriptive and causal research which are essentially quantitative. On the contrary, the quali-quantitative survey mixes qualitative and quantitative approaches for in-depth analysis of a large population. Thus giving the latitude to use both qualitative and numerical tools to investigate social phenomena. The survey questionnaire was physically administered, such that took a very short time, a maximum of 25 minutes to complete while the focus group lasted between 45 minutes to 1 hour.

To get more insight and gather a better understanding and reasons for the severity of the crimes, one focus group discussion was carried out in each of the five states under study. Due to limited resources, the focus group discussions were made to consist of not more than five participants drawn from the executive of the National Union of Road Transport Workers (NURTW) of each of the state's capitals where the survey was carried out. The reason for the choice of NURTW was that they are easily accessed in all the established motor parks and are organized. The members of the NURTW who form the key participants of the study for the focus group discussions are independent trade unionists serving the interest of transport workers in the road transport sector. The union was founded in 1978 with over 2 million informal members affiliated with the Nigerian

Labour Congress to protect the rights of workers in the transport sector. Motor parks are common public spaces found in every urban area where commuters from different works of life converge to move to different destinations. These groups of people are very informed because they interact with both the low and the high in society. They have first-hand information on economic situations and happenings within the country. Information flow is seamless in motor parks, restaurants, and beer parlors. The focus group questions were well selected and respondents were allowed to freely make inputs. The state capitals were chosen because they form the most popular and peripheral strata of society with more informed respondents and economic power with an assumed understanding of illicit tax evasion. Potential respondents for this study were randomly selected from five states. To get a diverse opinion of the perception of tax evasion and criminality, the respondents were selected from the formal and informal sectors to give impetus to the results obtained from the study. These include commuters, artisans, hawkers, individuals from the public sector, security personnel and academics as well as businessmen out of the nine states (Akwa Ibom, Bayelsa, Cross River, Delta, Rivers, Edo, Ondo, and Imo States) that make up the Niger Delta region of Nigeria. Two research assistants physically administered the questionnaire. The questionnaire was adapted from previous studies conducted by Gupta (2009), Mamuti and McGee (2016), and Karlinsky et al. (2004) who measured the perceptions toward tax evasion as a crime with some modifications to fit the peculiarity and area of the study. To encourage candid responses, the survey highlighted respondent anonymity.

The questionnaire is divided into two sections (A and B). Section A dealt with the demographic characteristics of respondents and Section B dealt with the perception of various crimes listed based on their weight of seriousness. The survey sorted the opinions of respondents based on the perceived severity of the fifteen offenses listed. Similar to the study by Karlinsky et al. (2004), the weight of the severity of offenses was on a five-point Likert-type scale questionnaire with verbal anchors. These verbal anchors range from “not serious” represented by one to “extremely serious” represented by five.

#### 4. EMPIRICAL ANALYSIS AND DISCUSSION OF FINDINGS

To analyze the qualitative data for the study, mean values were calculated using the Stata/MP14.0 statistical package. The demographic profile of respondents shows that, out of a total of 500 questionnaires administered (100 for each state), 409 were returned (see Table 3) giving a relatively high response rate of 82% used in the data analysis. Gender distribution showed that 39% of the sample were female and 61% male. The states where the survey was conducted were Akwa Ibom, Bayelsa, Cross River, Delta, and Rivers States. These states form the core Niger Delta region with a high presence of multinational oil servicing firms and businesses. The survey was carried out in the state capitals only. This is because the very informed population and high business concentration are located within the state capitals. Regarding religious beliefs, 87% of respondents were of the Christian faith this is because the Niger Delta region is predominantly Christian while an estimated 1% are Muslims (Bureau of Democracy, Human Rights, and Labor, 2014). Eight percent were Muslims while the remaining 5% did not indicate religion, implying different beliefs or orthodox. In terms of age, 19% of respondents were between the ages of 18 to 25 years, and the largest group was 59% between the ages of 26 to 59 years.

To seek wide responses, questionnaires were also administered to those within the retirement age of 60 and above (22%). In terms of the level of education completed, responses were from the semi-educated and highly educated. The largest group 69% of respondents were graduates of tertiary institutions with different skills and educational levels ranging from Ordinary National Diploma (OND), Higher National Diploma (HND), Degrees of Master and Ph.D. The remaining 31% were those with standard six and secondary school certificates. In terms of marital status, a large percentage, 56% of respondents were married, while 39% were single and 5% were either divorced or widowed.

Table 3. Demographics of survey instruments

State	No. of instruments administered	No. of instruments returned (responses)	Male	Female
Akwa Ibom	100	86	54 (63%)	32 (37%)
Bayelsa	100	70	49 (70%)	21 (30%)
Cross River	100	89	53 (60%)	36 (40%)
Delta	100	84	46 (55%)	38 (45%)
Rivers	100	80	49 (61%)	31 (39%)
Total	500	409	251 (61%)	158 (39%)
Religion	Total response	Christians	Muslims	Others
	409	356 (87%)	(33) 8%	(20) 5%
Age	Total respondents	18-25 years	26-59 years	60 years above
	409	78 (19%)	241 (59%)	90 (22%)
Educational level completed	Total respondents	Completed higher education	Completed primary and secondary education	No formal education
	409	250 (61%)	106 (26%)	53 (13%)

Source: Field survey, 2022.

Section B of the questionnaire seeks to test the concerns of perception of criminality of tax evasion in the study. In terms of ranking and comparing the perception of tax evasion with other

crimes, the mean score is used (see Table 4). Out of the fifteen criminal offenses listed, murder and ritual killing, armed robbery, militancy, kidnapping, and human trafficking in the listed order were

perceived to be the five most serious crimes in the Niger Delta region. Murder and ritual killings with a mean value of 24.78 ranked first on the scale and rated the worst crime within the Niger Delta states. Armed robbery and militancy came second with a mean score of 19.35 each and second in ranking as the second most serious crime in the region. Kidnapping was perceived as the fourth most serious crime with a mean score of 19.11 and fourth in ranking. Human trafficking was also perceived as the fifth most serious crime with a mean score of 17.79. Based on the mean values, and in order of severity and criminality, the next set of crimes perceived to be serious include illicit drug abuse with a mean value of 15.75 and ranked sixth, both child abuse/molestation and election rigging had a mean value of 15.73, and ranked seventh in the order. Bribery/corruption, cultism, and prostitution although with a mean value of 15.68 and 15.66, respectively came higher in ranking to tax evasion. The result from both the questionnaire and focus group discussions revealed that tax evasion (mean 15.64 and ranking twelfth) was rated as one of the least crimes in the Niger Delta. This is similar to findings by Mamuti and McGee (2016) where Kosovo citizens perceive tax evasion as the least crime ranking forty-seventh among the other fifty listed. From the findings in the conception of the survey respondents, tax evasion is the third least

serious crime after domestic violence, rape, and disobeying traffic across the states under study.

Results from the focus group discussions revealed that people within the Niger Delta do not view tax evasion as a crime because even if taxes are paid, the government does not maximize tax revenue for the welfare of the people. According to the findings, taxes are deducted from sources from those who work for the government and the political class only pays tax when they are about to conduct elections; after which tax authorities give waivers based on political affiliations. The focus group discussions also revealed that, tax authorities are not effective and efficient in tax drive and that staff are compromised by multinationals and other supposed taxpayers. Findings also revealed that double taxation is another cause of tax evasion. An average Nigerian does not see tax as an obligation because there is no adequate awareness of the importance of tax to the system. The opinion from the focus group discussion is that the informal sector or shadow economy should not pay taxes to the government because they are not registered especially those hawking for livelihood. From the foregoing, tax evasion by the informal sector is not viewed as a crime because the penalty for tax evasion is not serious as compared to other crimes.

**Table 4.** Average rating and ranking of tax evasion with other crimes

S/N	Crime	Legislation/punishment in Nigeria	Overall rating (mean)	Ranking
1	Murder/ritual killing	Death sentence.	24.78	1
2	Armed robbery	Life imprisonment.	19.35	2
3	Militancy	Life imprisonment.	19.35	2
4	Kidnapping	Senate in July 2020, raised from 10 years imprisonment to a life sentence while in some states it is a death sentence.	19.11	4
5	Human trafficking	Between 2 to 10 years imprisonment.	17.79	5
6	Illicit drug abuse	Import is a life imprisonment. Possession and use are from 15 to 25 years imprisonment.	15.75	6
7	Child abuse/molestation	Seven years and life imprisonment.	15.73	7
8	Election rigging	A fine of N100,000 to N500,000 and imprisonment from 1 to 10 years.	15.73	7
9	Bribery/corruption	Fines and imprisonment of 2 or more years.	15.68	9
10	Cultism	Three years imprisonment.	15.66	10
11	Prostitution	Maximum imprisonment of 2 years or a fine.	15.66	10
12	Tax evasion	Six months to five years or a fine.	15.64	12
13	Domestic violence	A fine of N100,000 or imprisonment not exceeding 5 years.	15.58	13
14	Rape	Life imprisonment.	15.32	14
15	Disobeying traffic	A fine of N3,000 to N20,000.	14.93	15

Source: Field survey, 2022; Criminal Code Act (1990).

## 5. CONCLUSION

This study is undertaken primarily to determine the perception and criminality of tax evasion compared to fifteen listed offenses in the Niger Delta region of Nigeria. The results from the analysis of the survey (questionnaire and focus group discussions) revealed that tax evasion is not perceived to be a serious crime in the Niger Delta compared to the other fifteen listed crimes. The focus groups believed that the informal sector or shadow economy especially hawkers should not pay taxes to the government because they are not formally registered and earn very little income for livelihood. Tax evasion is also justified and not perceived as a crime because politicians and government have failed in their social contract with

the people leaving little or nothing for the welfare and development of the region. Government officials have corruptly diverted proceeds from taxes to personal use. This validates the findings of McGee and Gelman (2009), that tax evasion could be perceived to be just when in actual sense the government is corrupt, with human rights abuses and unsustainable tax rate over taxable capacity. From the foregoing, tax evasion by the informal sector is not viewed as a crime although, there is strong advocacy for tax reform policy by the respondents supporting the study by Bello (2017) which argued that tax authorities should educate and enlighten taxpayers on the different laws guiding the Nigeria tax system, and on the need to pay tax and the effect of non-payment of tax.

The findings of the study have far-reaching implications for the Niger Delta geo-political region of Nigeria. First with the perception of tax evasion as no serious crime compared to the other fifteen listed crimes the propensity of tax evasion in the Niger Delta region is high, especially amongst the oil multinationals and oil servicing companies. Second, the justification by the focus group that the unregistered informal sector with very low income should be exempted from tax payment, coupled with the failure of government social responsibility, encourages tax evasion and hence decreases government revenue. Third, with dwindling government revenue, public expenditure on infrastructure and other social amenities is seriously hampered which in turn leads to a reduction in the welfare of the citizens.

Given the above, it is recommended that the government should step up the social contract with the people to have confidence in tax authorities and the system. Tax defaulter should be severely punished and periodic education on the need to pay taxes should be carried out by the government.

However, one of the limitations of this study is that only 409 respondents' opinion towards tax

evasion is reported from the capital city of the states under the survey. The result has not represented a whole picture of the people of this region as it relates to the perception of tax evasion. The limitation of coverage to only the state capitals was attributed mostly to inadequate funds as the research did not receive funding from any organization. Another limitation is the methodology used. Since only one methodology is used, therefore we cannot ascertain the most plausible methodology for such a study. Therefore, future research is required to extend the number of respondents, and variables and use more than one methodology to find out which one would be more plausible to fill this gap. Perception of tax evasion should be analyzed based on demographic variables like age, gender, educational status, religion, and income status. This will give more in-depth insight to testing the perception and criminality of tax evasion in the Niger Delta region. Further studies should also be extended to other regions within Nigeria for a better comparison. It is also important to carry out a macro (country-wide) study of the perception of tax evasion in Nigeria.

## REFERENCES

1. Abdixhiku, L. (2013). *Determinants of business tax evasion in transition economies* [Doctoral thesis, Staffordshire Business School]. Staffordshire Online Repository. <https://eprints.staffs.ac.uk/1962/>
2. Akinboro, O. (2020, May 1). *Insight: Tax deductibility of fines and penalties in Nigeria*. Bloomberg Tax. <https://news.bloombergtax.com/daily-tax-report-international/insight-tax-deductibility-of-fines-and-penalties-in-nigeria>
3. AlAdham, M., Abukhadijeh, M., & Qasem, M. (2016). Tax evasion and tax awareness evidence from Jordan. *International Business Research*, 9(12), 65–75. <https://doi.org/10.5539/ibr.v9n12p65>
4. Alleyne, P., & Harris, T. (2017). Antecedents of taxpayers' intentions to engage in tax evasion: Evidence from Barbados. *Journal of Financial Reporting and Accounting*, 15(1), 2–21. <https://doi.org/10.1108/JFRA-12-2015-0107>
5. Alm, J. (2019). What motivates tax compliance? *Journal of Economic Surveys*, 33(2), 353–388. <https://doi.org/10.1111/joes.12272>
6. Alm, J. (2021). Tax evasion, technology, and inequality. *Economics of Governance*, 22(1), 321–343. <https://doi.org/10.1007/s10101-021-00247-w>
7. Alm, J., & Martinez-Vazquez, J. (Eds.). (2003). Institutions, paradigms, and tax evasion in developing and transition countries. In *Public finance in developing and transitional countries: Essays in honor of Richard Bird* (pp. 146–178). Edward Elgar Publishers. [https://scholarworks.gsu.edu/econ\\_facpub/41/](https://scholarworks.gsu.edu/econ_facpub/41/)
8. Amaral, A. C. R., & Ainsworth, R. (2005). *Tax governance and Sarbanes-Oxley (SOX)*. Instituto de Governança Tributária (IGTAX).
9. Annan, B., Bekoe, W., & Nketiah-Amponsah, E. (2014). Determinants of tax evasion in Ghana: 1970–2010. *International Journal of Economic Sciences and Applied Research*, 6(3), 97–121. <https://www.econstor.eu/bitstream/10419/114595/1/784144745.pdf>
10. Bello, T. (2017). *Law and economics of taxation, tax avoidance and tax evasion; A Nigerian template*. <https://doi.org/10.2139/ssrn.2970992>
11. Bureau of Democracy, Human Rights, and Labor. (2014). *Nigeria 2014: International religious freedom report*. <https://2009-2017.state.gov/documents/organization/238460.pdf>
12. *Capital Gains Tax Act*. (2012). Federal Inland Revenue Service (FIRS) — Tax Law Compendium. [https://admin.theiguides.org/Media/Documents/FIRS\\_Tax\\_Law\\_Compendium.pdf](https://admin.theiguides.org/Media/Documents/FIRS_Tax_Law_Compendium.pdf)
13. Cowell, F. A. (1990). *Cheating the government: The economics of evasion*. The MIT Press.
14. Crane, S., & Nourzad, F. (1990). Tax rates and tax evasion: Evidence from California amnesty data. *National Tax Journal*, 43(2), 189–199. <https://doi.org/10.1086/NTJ41788836>
15. *Criminal Code Act*. (1990). Policy and Legal Advocacy Centre. <https://www.placng.org/lawsofnigeria/laws/C38.pdf>
16. Crowe, M. T. (1944). *The moral obligation of paying just taxes*. The Catholic University of America Press.
17. Eboiegbe, M. O. (2011). Tax evasion hinders local governments. *Saturday Tribune*.
18. Financial Act. (2020). *Official Gazette of the Federal Republic of Nigeria*, 108(4). <https://pwc nigeria.typepad.com/files/finance-act-2020-official-gazette.pdf>
19. Gërkhani, K., & Wintrobe, R. (2021). Understanding tax evasion: Combining the public choice and new institutionalist perspectives. In E. Douarin & O. Havrylyshyn (Eds.), *The Palgrave handbook of comparative economics* (pp. 785–810). Palgrave. [https://doi.org/10.1007/978-3-030-50888-3\\_30](https://doi.org/10.1007/978-3-030-50888-3_30)
20. Gupta, R. (2009). An empirical study of demographics of perceptions of tax evasion in New Zealand. *Journal of Australian Taxation*, 12(1), 1–40. <https://openrepository.aut.ac.nz/items/47988914-3bd8-496f-8b14-ea57ae8fbc3d>



21. Hji Panayi, C. (2018). The globalisation of tax good governance. *Singapore Management University School of Accountancy Research Paper Series*, 6(1), 123-139. <https://doi.org/10.2139/ssrn.3104977>
22. Ifere, E. O., & Eko, O. E. (2014). Tax innovation, administration and revenue generation in Nigeria: Case of Cross River State. *International Journal of Economics and Management Engineering*, 8(5), 1603-1609. <https://zenodo.org/record/1093998/files/9998908.pdf?download=1>
23. Ifere, E. O., & Okosu, N. D. (2017). Can optimal digital innovation and financial inclusion drive poverty reduction in the Niger Delta Region of Nigeria? *International Journal of Economics and Financial Issues*, 7(1), 539-546. <https://dergipark.org.tr/en/pub/ijefi/issue/32002/353235>
24. Karlinsky, S., Burton, H., & Blanthorne Thomas, C. (2004). Perceptions of tax evasion as a crime. *eJournal of Tax Research*, 2(2), 226-240. <https://ssrn.com/abstract=644004>
25. Kassa, E. T. (2021). Factors influencing taxpayers to engage in tax evasion: Evidence from Woldia City administration micro, small, and large enterprise taxpayers. *Journal of Innovation and Entrepreneurship*, 10, Article 8. <https://doi.org/10.1186/s13731-020-00142-4>
26. Kay, G. (1980). The anatomy of tax avoidance in income distribution: Limits to redistribution. In *Proceeding of the 31st Symposium of the Colstor Research Society* (pp. 135-148). University of Bristol, John Write and Sons Ltd.
27. Khelif, H., & Achek, I. (2015). The determinants of tax evasion: A literature review. *International Journal of Law and Management*, 57(5), 486-497. <https://doi.org/10.1108/IJLMA-03-2014-0027>
28. Kong, F., & Wang, C. (2014). The determinants of tax evasion: A literature review. *Gdańskie Studia Azji Wschodniej*, 2014(5), 70-78. <http://cejsh.icm.edu.pl/cejsh/element/bwmeta1.element.desklight-d19c0aa5-ba42-4633-96a6-d4cce2996772>
29. Lopo Martinez, A., Ribeiro, A. C., & Funchal, B. (2019). Sarbanes Oxley Act and taxation: A study of the effects on the tax aggressiveness of Brazilian firms. *Contabilidade Vista & Revista*, 30(1), 27-42. <https://revistas.face.ufmg.br/index.php/contabilidadevistaerevista/article/view/4525>
30. Maclean, A., & Dixon, P. (2015). *Best practice in corporate tax governance — From the finance team to the board*. Deloitte. <https://www2.deloitte.com/nz/en/pages/tax-alerts/articles/best-practice-in-corporate-tax-governance.html>
31. Mamuti, A., & McGee, R. (2016). *Tax evasion as a crime: A survey of perception in Kosovo*. In E. Hajrizi (Ed.), *Proceedings of the 5th International Conference on Management, Business and Economics* (pp. 6-12). UBT Knowledge Center. <https://knowledgecenter.ubt-uni.net/conference/2016/all-events/18/>
32. Mappadang, A., Widyastuti, T., & Wijaya, A. M. (2018). The effect of corporate governance mechanism on tax avoidance: Evidence from manufacturing industries listed in the Indonesian stock exchange. *The International Journal of Social Sciences and Humanities Invention*, 5(10), 5003-5007. <https://doi.org/10.18535/ijsshi/v5i10.02>
33. McGee, R., & Gelman, E. (2009). Opinions on the ethics of tax evasion: A comparative study of the USA and six Latin American countries. *Akron Tax Journal*, 24, Article 3. <https://www.uakron.edu/law/lawreview/taxjournal/atj24/docs/McGee.pdf>
34. McGee, R., & Smith, E. (2008). *Opinions on the ethics of tax evasion: A comparative study of Utah and New Jersey*. <https://doi.org/10.2139/ssrn.1118140>
35. Medina, L., & Schneider, F. (2018). *Shadow economies around the world: What did we learn over the last 20 years?* (IMF Working Paper No. 18/17). International Monetary Fund. <https://doi.org/10.2139/ssrn.3124402>
36. Menezes de Carvalho, H. L., & Cabral de Ávila, L. C. (2022). Tax governance: A study of its effects on tax evasion. *Brazilian Business Review*, 19(4), 454-474. <https://doi.org/10.15728/bbr.2022.19.4.6>
37. Muhammad, H. (2014, September 3). *FIRS: 30% of firms in Nigeria evading tax*. Daily Trust. <https://dailytrust.com/firs-30-of-firms-in-nigeria-evading-tax/>
38. Nangih, E., & Dick, N. (2018). An empirical review of the determinants of tax evasion in Nigeria: Emphasis on the informal sector operators in Port Harcourt Metropolis. *Journal of Accounting and Financial Management*, 4(3), 15-23. <https://www.iardjournals.org/get/JAFM/VOL%204%20NO.%203%202018/AN%20EMPIRICAL%20REVIEW.pdf>
39. Nigeria National Petroleum Corporation (NNPC). (2005). *Towards rebuilding the Niger Delta 1999-March 2004*.
40. Nwachukwu, I. (2006). Institutions indulge in tax evasion despite huge profits they make in Nigeria. *The Tribune*.
41. Olokooba, S. M., Awodun, M., Akintoye, O. D., & Adebowale, H. I. (2018). Tax offences: Clogs in the wheel of progress and development of Nigeria as a nation. *Nnamdi Azikiwe University Journal of International Law and Jurisprudence*, 9(1), 226-236. <https://www.ajol.info/index.php/naujilj/article/view/168822>
42. Oragwu, N., Ajiboye, A., & Obiagbaoso, P. (2021, January 14). *Nigeria: Finance Act 2020: Key changes to the Nigeria tax regimes*. Mondaq. <https://www.mondaq.com/nigeria/tax-authorities/1025420/finance-act-2020-key-changes-to-the-nigeria-tax-regimes>
43. Petters, S. W. (2000). Conservation and development of the Niger Delta. In H. I. Ajaegbu, B. J. St. Matthew-Daniel, & O. E. Uya (Eds.), *Nigeria — A people united, a future assured*. Gabumo Publishing Company Nigeria.
44. Prichard, W. (2010). *Taxation and state building: Towards a governance focused tax reform agenda* (IDS Working Papers No. 341). [https://doi.org/10.1111/j.2040-0209.2010.00341\\_2.x](https://doi.org/10.1111/j.2040-0209.2010.00341_2.x)
45. Putra, P. D., Syah, D. H., & Sriwedari, T. (2018). Tax avoidance: Evidence of as a proof of agency theory and tax planning. *International Journal of Research and Review*, 5(9), 52-60. [https://www.ijrrjournal.com/IJRR\\_Vol.5\\_Issue.9\\_Sep2018/IJRR008.pdf](https://www.ijrrjournal.com/IJRR_Vol.5_Issue.9_Sep2018/IJRR008.pdf)
46. Rantelangi, C., & Majid, N. (2018). Factors that influence the taxpayers' perception on the tax evasion. In *Proceedings of the Mulawarman International Conference on Economics and Business (MICEB 2017)*. Atlantis Press. <https://doi.org/10.2991/miceb-17.2018.34>
47. Russo, F. F. (2010). *Tax evasion and community effects in Italy* (Working Paper No. 254). Centre for Studies in Economics and Finance. <https://www.csef.it/WP/wp254.pdf>
48. Ryšavá, T., & Zidková, H. (2021). What are the factors of tax evasion? New findings in the EVS study. *Review of Economic Perspectives*, 21(4), 385-409. <https://doi.org/10.2478/revcep-2021-0017>
49. Sandmo, A. (2004). *The theory of tax evasion: A retrospective view* (Discussion Paper No. 31/04). Norwegian School of Economics and Business Administration. <https://openaccess.nhh.no/nhh-xmlui/handle/11250/162784>
50. Sanyal, A., Gang, I. N., & Goswami, O. (2000). Corruption, tax evasion and the Laffer Curve. *Public Choice*, 105(1-2), 61-78. <https://doi.org/10.1023/A:1005105822911>

51. Shtromberg, A. (2019). *Managing permanent establishment risks in multinational enterprises in post-BEPS era* [Master's thesis, Aalto University]. Aalto University. <https://aaltodoc.aalto.fi/handle/123456789/36581>
52. Smith, A. (1776). *The wealth of nations*. Bantam Dell.
53. Song, Y., & Yarbrough, T. E. (1978). Tax ethics and taxpayer attitudes: A survey. *Public Administration Review*, 38(5), 442-452. <https://doi.org/10.2307/975503>
54. Soyode, L., & Kajola, S. O. (2006). *Taxation: Principles and practice in Nigeria*. Silicon Publishing Company.
55. Terzić, S. (2017). Model for determining subjective and objective factors of tax evasion. *Notitia — Journal for Economic, Business and Social Issues*, 3(1), 49-62. <https://doi.org/10.32676/n.3.5>
56. The Fair Tax Monitor (FTM). (2019). *The Fair Tax Monitor: Nigeria* (Report). The Tax Justice Network-Africa (TJN-A), Civil Society Legislative Advocacy Centre (CISLAC), Oxfam, & The Swedish International Development Cooperation Agency (SIDA). <https://maketaxfair.net/assets/FTM-Report-Nigeria-17-7.pdf>
57. Turner, C. S. (2010). *Essays in crime and tax evasion* [Doctoral dissertation, Georgia State University]. Georgia State University. <https://doi.org/10.57709/1437031>