

TAX IDENTIFICATION NUMBER AND TAX EVASION IN NIGERIA: CASE STUDY OF AKWA IBOM STATE BOARD OF INTERNAL REVENUE

Agbaeze, Clifford Chilasa, Chukwu Peter Damian Ezechi and Catherine Adaogu Okwuchukwu

¹Department of Banking and Finance, Michael Okpara University of Agriculture, Umudike, Nigeria

²School of General Studies, Gregory University Uтуру, Nigeria

³Department of Banking and Finance, Alex Ekweme Federal University, Ndifu Alike Ebonyi State, Nigeria.

E-mail: udemefanga@gmail.com

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Abstract: this study is carried out to investigate the effectiveness of Taxpayer Identification Number (TIN) in combating tax evasion in Nigeria (case study of Akwa Ibom State board of internal revenue). In this study, a comparative analysis is carried out to ascertain internally generated revenue of Akwa Ibom State pre and post introduction of Tax Identification Number (TIN). The dependent variable for this study is total revenue before tax and total revenue after tax while the independent variables used in this study is the internally generated revenue before and after introduction of (TIN). Data for this study were sourced from secondary sources, the budget estimates of Akwa Ibom State Government serves as the source of data. The result elicited from this study revealed that the introduction of tax payer identification number (TIN) had a significant positive effect on total revenue realized by Akwa Ibom State board of internal revenue, while an insignificant relationship was recorded before the advent of tax payer identification number (TIN), suggesting that (TIN) has reduced tax evasion in Akwa Ibom State. Put differently, the result revealed that TIN had positive effect in combating tax evasion in Akwa Ibom State during the period under review. This study recommends that holistic tax education should be carried out in order to keep the teeming taxpayers abreast of Taxpayer Identification Number programme in the state. Such as the benefit they can derive from registration for the taxpayer identification programme.

Keywords: Tax identification number, internally generated revenue, tax evasion, Akwa Ibom State, Budget estimates, ARDL.

INTRODUCTION

Background to the Study

Taxpayer Identification Number (TIN) is a 10 (ten) digit number that is unique to each taxpayer in Nigeria, for every individual and corporate organization i.e. taxable entities that earn a steady income. The Taxpayer Identification Number (TIN) is a platform which will harmonize taxpayer identification and registration in Nigeria; it will create closer linkage between the various tax authorities in Nigeria and, will aid corporation, information sharing and increase revenue generation accruing to all tiers of the governments (JTB Bulletin, 2011).

Taxpayer Identification Number (TIN) is an initiative of the Joint Tax Board (JTB) in collaboration with the Federal Inland Revenue Service (FIRS) and the 36 State Boards of Internal Revenue (SBIR). It is an electronic system of taxpayers' registration, which would uniquely identify all taxpayers and would be available nationwide.

The Joint Tax Board (JTB) is provided with the responsibility (as amended in section 8(q)(d) of the Personal Income Tax Act and section 8(q) of the Federal Inland Revenue Service establishment Act 2007), to ensure collaboration in the issuance and administration of Taxpayer Identification Number (TIN) to all taxable entities. The TIN is aimed to have reliable and centralized data of information of all taxpayers in the country, which would allow the sharing of information among all tax authorities. It equally creates a national platform for the registration and allocation of an identification number to all taxpayers to aid effective tax administration process. And also to automate tax registration activities for all levels of government and therefore facilitate a sustainable platform for internally generated revenue in Akwa-Ibom State.

It is expected that tax bases would be widen through the registration of all eligible taxpayers. This would enhance greater compliance and returns as the available information of each taxpayer would enable proper tracking and more collection processes. This would lead to an increase in internally generated revenue. However, it is a well-known fact that tax administration in Nigeria has been faced with issues and challenges ranging from non- identification, registration and compliance of taxpayers. This inherent problem is also associated with the implementation of Taxpayer Identification Number (TIN) program in our tax system. Hence, the need to assess the application of the taxpayer identification number on internally generated revenue in Akwa-Ibom State.

Internally generated revenue on the other hand connotes monies collected by the government through imposition of taxes and levies on facilities, incomes, and consumptions, transfer of properties and other domestic transactions as opposed to monies collected from duties imposed on import and other international transactions

(JTB Bulletin, 2011). To avoid or eliminate multiplicity of taxes across the country, the Taxes and Levies (approved list for collection) Decree no 21 of 1998 clearly defined which taxes are collectible by each tier of Government in Nigeria. The list has since been published and distributed by the exclusive list or concurrent list for collection.

One of the problems of tax administration in the three tiers of government in Nigeria is the improper identification of tax bases by the three tiers of government which leads to tax evasion as those taxpayers not captured were most likely evade relevant tax authorities. The constitution of the Federal Republic of Nigeria 1999 as amended 2010, provides an approved list of taxes and levies accruable to the three tiers of governments respectively, but there are several court cases in respect of some tax bases often between the Federal and some State governments for instance, the case between the Federal and Lagos State government on consumption tax. The problem of improper tax identification has resulted to tax evasion and has caused some taxpayers to pay the same tax to two or more tax authorities; hence, leading to multiple taxations which have negative effects on the economy since tax evasion tends to reduce tax revenue collected by the relevant tax authorities.

The challenge of improper tax education in respect of TIN by the stakeholders has occasioned a low compliance from the taxpayers in respect of taxpayer's identification Number which has affected the internally generated revenue because many tax payers have evaded payment of tax and a few taxpayers are brought into the tax net.

Objectives of the Study

The broad objective of this study is to examine the effectiveness of Taxpayer Identification Number (TIN) in combating tax evasion in Nigeria (case study of Akwa Ibom State board of internal revenue).

The specific objectives of this study include the followings:

1. To investigate the effect of internally generated revenue on total revenue of Akwa-Ibom State before the introduction of TIN programme.
2. To evaluate the effect of internally generated revenue on total revenue of Akwa-Ibom State after the introduction of TIN programme.

REVIEW OF RELATED LITERATURE

Conceptual Review

Concept of the Unique Taxpayer Identification Number

As an effort and commitment of Nigerian tax authorities to increase the revenue generation and eliminate the leakage of the taxes through evasion, the Federal Inland

Revenue Services (FIRS) introduce a program called Unique Taxpayer Identification Number (U-TIN). The program is one of the basic steps set in the tax administration process to have a data base of all registered taxpayers in the country. The program was recoded as one of the mechanism toward having a pool of taxpayers' registration and proper unique identification.

Nevertheless, in order to certify the effective application of this scheme of registration, there is a need for clear thoughtful of the concept and idea behind its introduction.

The main and paramount contextual to the institution of U-TIN in Nigerian tax system was the necessity to change the registration of taxpayers in the country from a manual process which is uncoordinated to an electronic or computerized, structured, harmonised and coordinated system. The former (which is manual) system was unreliable, boring, cumbersome and posed a main challenge to tax authorities as well as taxpayers.

Thus, there was a need from the authorities to substitute that old system with a new modernizes and more effective system which is additionally taxpayer friendly.

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

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

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

Benefits of the Taxpayer Identification Number (TIN) Program

According to JTB Bulletin (2011), the Taxpayer Identification Number (TIN) aims at identifying and registering all taxable Nigerians, thereby providing a sustainable platform for revenue generation to enable the country have adequate funds for execution of laudable program for its citizenry.

It is a well-known fact that tax administration in Nigeria has been faced with issues and challenges ranging from non-identification, registration and compliance of taxpayers. The TIN was designed primarily to address these and many problems in the country's tax administration procedures in order to bring it in line with global best practices.

Therefore benefits derivable from TIN program include:

- i. Filling of existing loopholes in the Country's tax system.
- ii. Enhancement of taxpayer identification and registration thereby bringing more taxpayers in to the tax net.
- iii. Minimization of errors and mistakes associated with manual registration.
- iv. Reduction in the issues of multiple taxations which have been major challenges for taxpayers and administrators.
- v. Enhancing of information sharing among relevant agencies in the country.
- vi. Minimizing or eliminating cost of tax compliance as a result of greater accuracy in capturing data of taxpayers; with the electronic system, tax authorities will be able to effectively access, collate, analyze and retrieve data with ease.
- vii. The TIN will facilitate a more efficient system of tax assessment and collection as well as tax audit and investigation.
- viii. Enhancement of voluntary compliance thereby allowing tax authorities to focus on review and verification of claims by taxpayers.
- ix. The system will block all leakages in tax collection, eliminate corruption in tax system and enable tax authorities ascertain the actual income and taxes of all registered taxpayers.
- x. Enhancement of ICT literacy and capacity building among the SBIR staff.
- xi. Provision of basis for planning and budgeting purposes.
- xii. Widening and deepening of taxpayer data base.

Overview of Taxpayer Identification Number (TIN)

Taxpayer Identification Number (TIN) is a unique sequential number that is generated electronically as part of the tax registration process and assigned to a taxpayer whether

company, enterprise or individual for the purpose of identification. TIN is therefore, a number that is unique to all corporate and individual taxpayers (JTB, 2011). Section 8(9) of the FIRS (Establishment) Act 2007 mandated the FIRS to issue a Tax Payer Identification Number (TIN) to every company, enterprise and individual in collaboration with the State Boards of Internal Revenue and the Local Governments Councils.

According to a Government notice dated 25th May 2007, all existing current account holders to obtain a Taxpayer Identification Number (TIN) to be issued by FIRS in collaboration with States and Local Governments. The use of TIN became mandatory from 1st February, 2008 for all taxpayers dealing with FIRS and for all transactions with financial institutions in accordance with the order contained in the Government notice.

The State Internal Revenue Service was established by the Personal Income Tax Decree of 1993 as updated 2004 and now the principal Legislation is Personal Income Tax Amendment Act 2011 as the state tax authority. The operational arm of the board is the state internal revenue service Board. The Personal Income Tax Decree of 1993 section 85A (1) provided a uniform composition for the boards in all the states of the federation.

The composition of the board is as follows:

1. The executive head of internal revenue service who shall be designated as the Chairman of the board. He shall be a person experience in tax matters and be appointed by the State governor from within the service.
2. Three person nominated by the commissioner of finance of the state on their personal merits.
3. All the directors from head of the state internal revenue service
4. A director from the state ministry of finance.
5. A legal adviser to the board.
6. The secretary to the board who shall be an ex-official member appointed by the board from within SIRSB.

The Federal Inland Revenue Service (FIRS) and the Nigeria Customs Service (NCS) have introduced interconnectivity project, importers' Taxpayer's Identification Number (TIN) platform, to stakeholders at the nation's ports.

According to the FIRS Chairman the launch of the platform was done under the "project FACT" initiative of the FIRS which had been implemented successfully from inception till date.

According to FIRS boss TIN is a unique sequential number of predetermined digits electronically generated to all corporate and individual taxpayers. The inter-

connectivity, which took immediate effect, was for the purpose of tax registration and would be used for the purpose of identifying a taxpayer.

The TIN must be quoted in all relevant transactions by the taxpayers, especially when paying taxes. The FIRS boss recalled that prior to the introduction of Inter-connectivity (TIN) the mechanism in place for the reconciliation of collections and other information was purely manual. The Custom Service will usually send paper copies of detail tax payments collected on imports and other relevant information.

The FIRS will thereafter be left to review, analyze and, if possible reconcile this information with its own records. She said the old record had its own inherent problems including difficulty in tracking or linking of importers' actual remittances. The Taxpayer Identification Number program is to develop a national single window for harmonizing and standardizing the taxpayers' information and as well improve exchange of information among the stakeholders.

Accordingly, the FIRS and NCS integration project therefore, seeks to establish a data exchange interface between FIRS and NCS in real time. With this in place, details (name, taxpayer's identification number, and address) from the FIRS portal are transported through an electronic link to NCS. The launch would bring about increase revenue, greater efficiency, accountability, transparency and better management of records and information on the part of both FIRS and

NCS However, there is a lot of confusion surrounding Individual Taxpayer Identification Numbers (ITIN) what they are, who has them, and the purposes for which they are used, immigration restrictionists take advantage of this confusion and often bring up Individual Taxpayer Identification Number (ITIN) in an effort to make it seem as if undocumented immigrants are receiving special benefits or quasi-legal immigration status. The fact is that ITIN is used to pay taxes.

The Individual Taxpayer Identification Number (ITIN) was created by the Internal Revenue Services (IRS) in July 1996 so that foreign nationals and other individuals who are eligible for social Security number can pay the taxes they are legally required to pay. The TIN program was introduced on the 12th December, 2012 and came into effect in May 2013.

However the period we shall be considering will be from May, 2013 till date. Therefore, in a bid to address the negative effects of multiple taxations, the Joint tax Board (JTB) introduced the Taxpayer Identification Number (TIN), an initiative that is expected to address the issues of multiplicity of taxes and also help to bring more taxpayers into the tax net.

According to some experts, multiplicity of taxes is having a negative effect on the competitiveness of the Nigerian economy, making the country's tax system highly inefficient.

Concept of Tax Evasion

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

Tax evasion typically involves taxpayers consciously misrepresenting or hiding the true position of their affairs to the relevant tax authorities to ease their tax burden. However, tax evasion can be classified as fully evasion or partial evasion (Fakile & Adegbe, 2011). Partial evasion occur when individual or corporate entity under stated its earnings for the purpose of tax and declare low income. While fully evasion occur when the person or corporate entity qualified to pay tax but fail to register with tax authorities to enroll in the tax system. This act comprises, in specific, fraudulent tax reporting like declaring less earnings and overstressing deductions. In the face of law, tax evasion is a crime and subject to execution by way of fine, imprisonment or even both in many countries of the world. Therefore, in a nutshell, tax evasion is representing illegal practices by taxpayer to escape his civic responsibility enforce by the law and generally accepted by the society or nation. Due to this situation the taxable income and other tax activities are been concealed, the amount or sources of income are misrepresented and the reduction, relief or exemption are intentionally overstated (Chiumya, 2006).

However, often tax evasion may occur mostly in an informal economy where activities of businesses and other trade transactions take place in an informal manner which eases the evasion. This may happened when business is not registered with tax authorities and hence in most cases are operating in remote areas moving from one location to another freely. According to Richardson (2008), tax evasion as an intentional, illegal and unacceptable behavior or activities involving a direct violation of tax law to evade the disbursement of tax. Kim (2008) believes that tax evasion is illegal and violation of tax laws, whereas tax avoidance is a legal way of decreasing tax burden. Both the two are not acceptable but the later is less serious to the former in eroding the revenue generation use for financing public expenditure.

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

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

Meanwhile, tax evasion has the influence of misleading the allocation of resources and income redistribution taken into consideration of principle of market perfection. As a result of this situation economic growth will became stagnant and be far away of reaching socio-economic impact and benefits to the public.

Causes of Tax Evasion

Different factors are the causal that encourage and make taxpayer acting toward evasion has been identified by various studies and authors. As the problems of tax evasion cut across many countries developed and developing the causes also seems to be unanimously universal. This is because tax is levied on the citizen and corporate entities as a contribution toward the redistribution of limited resources and taking care of public expenditure.

Therefore, taxpayers share unique attitude in minimizing their tax liability through all the available and possible means to maximize their selfish interest. Adebisi et al., (2010) suggested the following as causes of tax evasion in many countries were taxes are levied:

- Unfair distribution of facilities (amenities)

- Poor management and misuse of tax collected
- Lack of essence of civic responsibility
- Taxpayer inaccessibility to government services

Unfair distribution of amenities provided with the tax revenue by government make some taxpayers filling self of not belongings and isolated from the society. This situation may create grudges and misunderstanding between the taxpayer and tax authorities. The taxpayer may see that no reason any longer for him to pay any more taxes because the benefit expected from paying the tax is to get back services provided by the government.

Ovute and Eyisi (2014) stress that mismanagement and misuse of collected taxes would create a suspicious situation between the tax stakeholders and the essence of continue paying. Whenever collected proceed of tax are not properly utilized it result in mistrust between tax authorities and people, which finally led to evasion activities. Lack of essence or interest to pay tax may arise from illiteracy and act of unpatriotic by the citizens.

People are reluctant to pay their civic responsibility simply because of personal interest and ignorance (Leyira, Chukuma & Asian, 2012). Proper awareness and enlightenment would change the situation and encourage compliance. Taxpayer inaccessibility to benefit from the services provided by government change his view for paying tax. In this situation they see no reason for paying tax while the services provided by government they are not enjoying any more. This may happened where people are living in a remote areas and hence hardly to be reach by government infrastructure and services. This all led to evasion behaviours and to curb the situation right measures need to be considered at a right time.

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

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

Other important factors that cause tax evasion from the literature are inflation rate, income level, unemployment, tax rate, poor tax system, the size of the government and weaknesses of tax policies, regulations and trade openness (Razieh Tabandeh et al., 2012). Furthermore, Fakile & Adegbe, (2011) while deliberating on

tax evasion; they conclude that the following are among the main causes of tax evasion in many countries particularly developing one. These are: high tax rate that make evasion more attractive, encouraging and economical, absolute ignorance of tax laws, lack of physical benefits accruing to the taxpayer and lack of confidence and trust in government for effective management of the tax. Others are, reluctant and unwillingness to pay the tax by the taxpayer for personal interest, inability to detect the evaders by tax authority, bribery and corruption in the tax system and administration and lastly ridiculous low penalty set by the law for the late payment of due taxes. Therefore from the afore discussion about the factors that encourage and causes tax evasion seem to be interrelated and all are either default from tax laws, tax administration and even from the government. Most of the identified causes are due to taxpayer dissatisfaction with the management and effectiveness of tax usefulness. Very few problems were identified from taxpayer attitudes and behaviour such as self-interest as a causal of tax evasion.

Theoretical Framework

Various tax policies have been put in place by the government to increase the internally generated revenue for the State. Given the chance, a lot of taxpayers may not pay taxes unless there is a motivation or coercion to do so, this study is guided by the “Economic Based Theory”.

Economic Based Theory

This is also known as deterrent theory and they place emphasis on incentives. The theory suggests that taxpayers are amoral utility maximizers- they are influenced by economic motives such as profit maximization and probability of detection. As such they analyzed alternative compliance paths for instance, whether or not to evade tax. The likelihood of been detected and the resulting repercussions and then select the alternative that maximizes their expectations after tax returns after adjusting for risk (Smatrakalev, 2006). Therefore, according to this theory, in order to improve internally generated revenue, audit and penalties for non-compliance should be increased.

Empirical Investigation of Tax Evasion

Tax evasion can be drawn back to the pioneer’s study of Allingham and Sandmo (1972) in his work printed as income tax evasion. The study observed a positive connection between tax rates and evasion. This finding is additionally consistent with the discoveries of Soyode (2006) which distinguished causes of tax evasion. Firstly, he noted that the rates at which taxpayers are generally taxed effects on tax evasion. He

observed that the higher the rate, the higher will be the probability for the taxpayers to evade, as this expands their tax load and subsequently brings down their disposable income. Besides, the likelihood of being detected in the wake of dodging taxes likewise has impacts on the choice of a taxpayer as whether to evade or not. This is straightforwardly connected to the level of how strict tax laws are generally implemented (Allingham & Sandmo, 1972; Soyode, 2006). Literature likewise gives a connection between tax evasion and defilement.

Acconnia *et al.*, (2003) exceptional that the level of debasement and tax evasion relies on upon such components as the wealth of the taxpayer and the pay of the tax officer. Morale (1998) further takes a shot at a model, which attempted to distinguish the ideal pay at which tax officers ought to be compensated. He argue that Governments confront the difficulty of distinguishing, a pay level which will guarantee that its tax officers are not tempted to pay off, as there is a connection between tax evasion and the pay level of tax officers through defilement (Acconnia *et al.*, 2003; Morale, 1998).

According to Pashev, (2005), the disappointment of the Government to give fundamental bases which should be subsidized by the taxes being gathered may disturb tax evasion. Absence of straightforwardness and responsibility in the utilization of open trust has the impact of building open doubt both in the tax framework and additionally the Government. Thus, this is accepted to expand the level of tax evasion (Pashev, 2005). Some of the studies, Armstrong & Robison (1998), Olivia (1998), McGee (2006) and Smatrakalev (1998) have taken diverse opinions on tax evasion. All these studies have one or more opinion depicted in their studies. These opinions incorporate philosophical opinion, experts' opinion and religious opinion. A few studies additionally have two opinions joined together. In the investigation of Morale (1998), tax evasion was examined from a philosophical perspective by social affair proof from Mexican specialists. His study inferred that Mexican specialists have a more vital obligation to their family than to the state. This perspective is also accepted to have a religious underlining as it has a holding on for the Catholic religious literature as recognized by Crowe in 1944 (Armstrong & Robison, 1998; Olivia, 1998; McGee, 2006; Smatrakalev, 1998; McGee & A, 2006; Crowe, 1944).

METHODOLOGY

Research Design

According to Zikmund (1994), research design is the master plan specifying the method and procedures for collecting and analyzing the needed information. In this study therefore, an *ex-post facto* research design was employed. This design is suitable for this

study as it deals with facts and matters that had already taken place and the data were readily available for use.

The Population of the Study

The population of the study consists of the draft estimates of Akwa Ibom State government of Nigeria with particular reference to the State Internally Generated Revenue behavior in the context of total revenue accruable to the State. Parameters like internally generated revenue before TIN (IGRBT), the internally generated revenue after TIN (IGRAT), total revenue before TIN (TRBT) and Total revenue after TIN (TRAT) for various years (1997-2018) respectively would be used to capture the contribution of TIN programme on total revenue of Akwa-Ibom State, Nigeria.

Determination of Sample Size

Sampling is the act of selecting and observing only a specified subset of the population (Ugwu, 2003). The sample size (n) comprises of IGRBT and IGRAT data covering a period of 11 years, that is (n=11). When the sample size (n) is less than 30 this in statistical estimation is seen as a small sample size, necessitating t-test to be carried out on the data. The t-test is a very popular test statistics developed by William Gosset in an attempt to solve the problem of hypothesis testing when the population standard deviation is unknown.

Sources and Method of Data Collection

Data were sourced from the secondary sources otherwise known as secondary data from the Budget estimates of Akwa-Ibom State Government as published by the Akwa-Ibom State Ministry of Budget and Planning Uyo (1997-2018) with specific focus on actual internally generated revenue, statutory allocation from federation account, excess crude oil account and VAT pool account.

Method of Data Analysis

E-views version 9 is employed to analyze the data while t-test and its corresponding p-value shall be used to test the hypotheses. Correlation test was also conducted to examine the extent to which internally generated revenue before and after the introduction of Tax Identification Number (TIN) programme in Akwa-Ibom State contribute to the total revenue.

Model Specification

To examine the effectiveness of Taxpayer Identification Number (TIN) in combating tax evasion in Nigeria (case study of Akwa Ibom State board of internal revenue), this study adopts and modifies the empirical model used by Ezugwu and Agbaji (2014).

The model was used to analyze the Application of Taxpayer Identification Number (TIN) on Internally Generated Revenue in Kogi State for the Period of (2003-2012). The model is specified as;

$$TR = f (IGRBT; IGRAT) \quad (\text{eqn3.1})$$

$$TRBT = \beta_0 + \beta_1 IGRBT_i + \mu_i \dots \dots \dots \text{[Internally Generated Revenue before TIN]} \quad (\text{eqn 3.2})$$

$$TRAT = \beta_0 + \beta_1 IGRAT_i + \mu_i \dots \dots \dots \text{[Internally Generated Revenue after TIN]} \quad (\text{eqn 3.3})$$

Where:

TRAT = an indicator representing Total Revenue after TIN (Dependant Variable)

TRBT = an indicator representing Total Revenue before TIN (Dependant Variable)

β_0 = Constant;

$\beta_1 IGRBT_i$ = Co efficient of the Independent Variable;

IGRBT_i = a predicator representing Independent Variable (Internally Generated Revenue before TIN);

$\beta_1 IGRAT_i$ = Co efficient of the Independent Variable;

IGRAT_i = a predicator representing Independent Variable (Internally Generated Revenue after TIN); and

μ_i = Stochastic error term.

The error term is captured because there are other factors that affect total tax revenue which are not included in the models.

The econometric model for this paper differs from the adopted model in the sense that the model adopted in this study is the Auto Regressive Distributed Lag ARDL Model and is given thus:

$$\Delta TRBT_t = \beta_0 + \sum \beta_1 \Delta TRBT_{t-1} + \sum \beta_2 \Delta IGRBT_{t-1} + w_1 TRBT_{t-1} + w_2 IGRBT_{t-1} + \mu_t \dots \text{eqn} \quad (3.4)$$

$$\Delta TRAT_t = \beta_0 + \sum \beta_1 \Delta TRAT_{t-1} + \sum \beta_2 \Delta IGRAT_{t-1} + w_1 TRAT_{t-1} + w_2 IGRAT_{t-1} + \mu_t \dots \text{eqn} \quad (3.5)$$

Where:

t = Time dimension.

Δ = Change

Σ = Summation

w_1 to w_2 = The coefficient of the long – run component

DATA ANALYSIS AND INTERPRETATION

Descriptive Statistic

Table 1: Descriptive Statistics for Internally Generated Revenue before TIN and Total Revenue before TIN

	<i>IRBT</i>	<i>TRBT</i>
Mean	2.663696	22.13599
Median	2.421808	18.10318
Maximum	8.262333	55.82178
Minimum	0.739681	2.620611
Std. Dev.	2.182668	17.56229
Sum	29.30066	243.4959
Sum Sq. Dev.	47.64041	3084.339
Observations	11	11

The descriptive statistics which generally explore the characteristics of the data include: the mean, median, maximum, minimum, standard deviation as well as number of observations per each variable is shown in table 1 above.

The result indicated a mean IRBT of N266.3 million and an average TRBT of N2.214 billion, when the minimum and maximum IRBT was N74 million and N826 million respectively, TRBT was recorded to be N262.1 million and N5.582 billion respectively. The standard deviations of N218.3 million and N1.756 billion for both IRBT and TRBT respectively showed that Akwa Ibom State board of internal revenue did not generate the same amount of internally generated revenue and total revenue within the period under review. The period under review is 11 years, hence the number of observation being 11.

Table 2: Descriptive Statistics for Internally Generated Revenue after TIN and Total Revenue after TIN

	<i>IRAT</i>	<i>TRAT</i>
Mean	17.68744	86.78299
Median	20.17078	85.47402
Maximum	21.65642	105.5508
Minimum	11.92286	66.69459
Std. Dev.	3.712248	13.09282
Sum	194.5618	954.6128
Sum Sq. Dev.	137.8078	1714.219
Observations	11	11

The result from table 2 above, indicated a mean IRAT of N1.769 billion and an average TRAT of N8.678billion, when the minimum and maximum IRAT was N1.192 billion and N2.166 billion respectively, TRAT was recorded to be N6.669 billion and N10.55 billion respectively. The standard deviations of N371.22 million and N1.3092 billion for both IRAT and TRAT respectively showed that Akwa Ibom State board of internal revenue did not generate the same amount of internally generated revenue and total revenue within the period under review. The period under review is 11 years, hence the number of observation being 11.

Inferential Results

Table 4: ARDL Result of Internally Generated Revenue before the introduction of TIN and Total Revenue before TIN

<i>Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistic</i>	<i>Prob.*</i>
TRBT(-1)	0.359407	0.382793	0.938908	0.5201
IRBT(-2)	14.93710	14.69433	1.016521	0.4948
R-squared	0.998661	Mean dependent var		29.05470
Adjusted R-squared	0.990627	S.D. dependent var		15.48385
S.E. of regression	1.499068	Akaike info criterion		3.318123
Sum squared resid	2.247206	Schwarz criterion		3.387634
Log likelihood	-6.272492	Hannan-Quinn criter.		2.849297
Durbin-Watson stat	3.086473			

Source: Researchers' Analysis

From the Auto Regressive Distributed Lag (ARDL) Model result of internally generated revenue before the introduction of TIN and total revenue before TIN in table 4. above, R^2 of 99% as well as the adjusted R^2 of 99% is an indication that the model is strongly represented. That is the independent variables explained 99% variations in the dependent variable while the remaining 1% may be explained by variables not included in the model.

The result also revealed that there existed a positive and insignificant relationship between internally generated revenue before the introduction of TIN and total revenue before TIN as shown by the p-value of 0.4948. This result reports about 49% significant level which is higher than the acceptable 5% level of significance; as such we conclude that there existed an insignificant relationship between internally generated revenue before the introduction of TIN and total revenue before TIN of Akwa Ibom State board of internal revenue.

Table 5: ARDL Result of Internally Generated Revenue after the introduction of TIN and Total Revenue after TIN

<i>Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistic</i>	<i>Prob.*</i>
TRAT(-1)	1.848626	0.015255	121.1817	0.0053
IRAT(-2)	1.332111	0.044012	30.26698	0.0210 *
R-squared	0.999903	Mean dependent var		89.97509
Adjusted R-squared	0.999318	S.D. dependent var		13.59744
S.E. of regression	0.355045	Akaike info criterion		0.437415
Sum squared resid	0.126057	Schwarz criterion		0.506927
Log likelihood	5.250338	Hannan-Quinn criter.		-0.031411
Durbin-Watson stat	3.548336			

* Significant at 1% and 5% significant levels

Source: Extracted from appendix

From the Auto Regressive Distributed Lag (ARDL) Model result of internally generated revenue after the introduction of TIN and total revenue after TIN in table 5 above, R² of 99% as well as the adjusted R² of 99% is an indication that the model is strongly represented. That is the independent variables explained 99% variations in the dependent variable while the remaining 1% may be explained by variables not included in the model.

The result further revealed that there existed a positive and significant relationship between internally generated revenue after the introduction of TIN and total revenue after TIN as shown by the p-value of 0.0210. This result reports about 2% significant level which is lower than the acceptable 5% level of significance; as such we conclude that there existed a positive and significant relationship between internally generated revenue after the introduction of TIN and total revenue after TIN of Akwa Ibom State board of internal revenue.

DISCUSSION OF RESULTS

The result of the descriptive statistic revealed that both internally generated revenue and total revenue realized by Akwa Ibom State board of internal revenue after the introduction of tax payer identification number was higher than that realized before the advent of tax payer identification number.

The Auto Regressive Distributed Lag (ARDL) Model result suggested that the introduction of tax payer identification number (TIN) had a significant positive effect on total revenue realized by Akwa Ibom State board of internal revenue, while an insignificant relationship was recorded before the advent of tax payer identification number (TIN), suggesting that (TIN) has reduced tax evasion in Akwa Ibom State. Put

differently, the result revealed that TIN had positive effect in combating tax evasion in Akwa Ibom State during the period under review.

CONCLUSION AND RECOMMENDATIONS

Conclusion

In examine the effectiveness of Taxpayer Identification Number (TIN) in combating tax evasion in Nigeria (case study of Akwa Ibom State board of internal revenue), this study adopted two different models, the first model showing the relationship between tax payer identification number and tax evasion in Akwa Ibom State before the introduction of (TIN) and the second model showed the relationship between tax payer identification number and tax evasion in Akwa Ibom State after the introduction of (TIN). From the empirical results obtained in chapter four, it is only suffices to conclude that tax payer identification number (TIN) has contributed to the curbing of tax evasion in Akwa Ibom State. The study revealed that the internally generated revenue (IGR) before the introduction of (TIN) within (1997-2007) was not significant. Also, it was revealed that the introduction of (TIN) within (2008-2018) has witnessed a tremendous increase of internally generated revenue in Akwa Ibom State. So, we reject the hypothesis that stated that tax identification number does not have a significant effect in curbing tax evasion in Akwa Ibom.

Therefore, authorities and governments at all levels should collaborate to ensure the successful application of taxpayer identification number system in Nigeria, in terms of funding, personnel and platforms for the deployment of the system nationwide.

Recommendations

As a result of the findings of this study, the study recommended the following:

1. A holistic tax education should be carried out in order to keep the teeming taxpayers abreast of Taxpayer Identification Number programme in the state. Such as the benefit they can derive from registration for the taxpayer identification programme.
2. More registration centers should be created for ease of access and registration of taxpayers for the taxpayer identification number programme as oppose to only one registration center in Uyo.
3. The enforcement unit of the State Revenue Board should be properly empowered to monitor, enforce and prosecute any errant tax defaulters who fail to comply with the Taxpayer Identification Number programme in the State.

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