DIGITAL TRANSFORMATION IN TAXATION AND TAX EVASION IN NIGERIA: INSIGHTS FROM KWARA STATE.

Yusuf Alabi Olumoh
Department of Accounting, Finance, and Taxation
Kwara State University, Malete, Nigeria.
olumoh.yusuf@gmail.com

ABSTRACT

This study examined the impact of digital transformation on tax evasion in Kwara State, Nigeria, focusing on electronic identification and clearance certificates. The study employed a cross-sectional survey design, gathering primary data from a sample of 499 stakeholders. This sample included 138 senior management staff and 361 active taxpayers, with structured questionnaires administered to the target respondents. The PLS-SEM was utilized for the analysis of data. Results showed that both the electronic tax identification and electronic tax clearance certification positively and significantly impact tax evasion in Kwarathes State. The study concluded that digital transformation effectively and efficiently improves tax revenue performance and reduces tax evasion in Nigeria. The study recommended that the government should continue to invest and focus on technological integration and taxpayer education to strengthen tax systems in Kwara State.

Keywords: *Digital Transformation, Electronic Tax Identification Number, Electronic Tax Clearance Certificate, Tax Evasion.*

1.0 Introduction

Tax evasion is a global issue, affecting both developed and developing nations, including Nigeria (Fernando & Antoine, 2022). In developed countries like the United States, Denmark, France, and Spain, despite robust tax systems, tax evasion remains a concern. The U.S. Internal Revenue Service (IRS) estimates a $600 billion annual tax gap - the difference between taxes owed and paid (Blank & Glogower, 2022). In developing countries, tax evasion is a significant challenge, often exacerbated by limited enforcement resources. African nations, including Ghana, Cameroon, Togo, and the Republic of Congo, lose billions annually to illicit financial flows, partly due to inadequate e-tax services (Magwape, 2022). Nigeria faces substantial revenue losses from tax evasion, estimated at $15 billion to $18 billion annually, largely due to tax dodging and tax mitigation by multinational corporations (Mkhize et al., 2024). This represents about 30% of Africa's financial loss to illicit financial outflows, totaling $50 billion in 2021 (Hope, 2023). The Thabo Mbeki report (2018) highlights that Africa loses $50 to $60 billion annually, with Nigeria contributing significantly due to limited organizational capacity and underdeveloped digital tax systems (Mpofu, 2024).

Digital transformation in taxation, which integrates digital technologies into tax administration, aims to improve efficiency, transparency, and compliance (Fjord & Schmidt, 2023). Countries like South Africa, Kenya, Indonesia, and Nigeria have adopted digital systems to modernize tax administration, motivated by goals of enhancing revenue collection and combating tax evasion (Adelekan et al., 2024). Tax evasion undermines government revenues and economic growth, particularly in developing countries like Nigeria, where traditional tax systems suffer from inefficiencies and corruption (Afolabi, 2024; Otusanya & Adeyeye, 2022). In response, Nigeria has initiated digital transformation projects, including electronic tax identification numbers, electronic filing and payment systems, and data analytics for enforcement (Maccarthy et al., 2022). Kwara State, for instance, has implemented these digital systems to improve tax administration (Adekunle, 2022). Examining the impact of digital transformation in Kwara State offers valuable insights into how such initiatives can reduce tax evasion, increase compliance, and boost

revenue.

Nigeria's tax revenue performance has been weak, with a tax to GDP ratio of 6.1% since 2018, well below the sub-Saharan African average of 17.2% (Egwaikhide, 2019). Challenges include a large informal economy, tax evasion, a weak tax administration system, and limited political will for tax reform (Mansour et al., 2023) The COVID-19 pandemic has further strained tax revenues, highlighting the need for robust political commitment to tax reforms and enhanced e-tax services (Dhaliwal, et al., 2023).

The introduction of electronic tax identification numbers (ETIN) and electronic tax clearance certificates (ETCC) by Nigeria's State Internal Revenue Service (SIRS) presents several challenges (FIRS, 2023). First, many taxpayers, particularly those in rural areas or with limited access to technology, struggle with awareness and understanding of these systems, making it difficult for them to obtain their ETIN or ETCC. Second, Nigeria's technological infrastructure (such as unreliable power supply and limited internet service connectivity), further complicates the smooth functioning of these electronic systems (Achuama, 2024). Additionally, data security and privacy issues pose significant concerns, as taxpayers must provide sensitive information through these platforms. The lack of sufficient evidence ensuring the security of this data raises fears of breaches and cyber-attacks, potentially deterring taxpayers from using the electronic platforms (Hiller et al., 2024). Moreover, the ETCC system faces challenges such as technical glitches, security vulnerabilities, and enforcement issues, all of which could undermine the integrity and effectiveness of the tax clearance process (Lagos State Internal Revenue Service, 2022).

Nevertheless, this research aims to investigate the impact of digital transformation on tax evasion within the Nigerian context. The specific research objectives include examining the influence of electronic tax identification numbers on tax evasion in Kwara State, Nigeria, and assessing the impact of electronic tax clearance certification numbers on tax evasion in the same region. In line with the study's objectives, the following hypotheses have been formulated and empirically tested:

H_{01}: Electronic tax identification has no significant impact on tax evasion in Kwara State.

H_{02}: Electronic tax clearance certification has no significant impact on tax evasion in Kwara State.

The outcome of this study would be of great importance to the academic field by expanding knowledge on digital taxation systems, provide policymakers with insights for effective tax reforms, and guide practitioners on leveraging e-tax tools electronic tax identification number and tax clearance certificate to reduce tax evasion in Kwara State, Nigeria.

2.0 Literature Review

2.1 Conceptual Review

Digital Transformation in Taxation

According to Junquera-Varela, et al. (2022), digital transformation in taxation involves the adoption and integration of digital technologies into tax administration processes to enhance efficiency, accuracy, and compliance. This transformation includes the implementation of electronic tax identification systems, online tax filing and payment platforms, data analytics for improved compliance monitoring, and the use of blockchain for secure and transparent transactions (Abdelhameed & Aleem, 2024). By digitizing tax processes, governments can reduce administrative costs, minimize human errors, and increase transparency, thereby making it more difficult for taxpayers to evade taxes (Shubailat et al., 2024). Additionally, digital tools enable tax authorities to better analyze data, track economic activities, and enforce tax laws more effectively. This shift not only improves revenue collection but also fosters greater trust in the tax system by providing a more user-friendly and transparent experience for taxpayers (Abdelhameed & Aleem, 2024). Meanwhile, electronic tax identification and clearance systems play a

crucial role in the modern, digital tax administration landscape that supports and facilitates the implementation of various tax policies, including those related to automation and robotics. (KPMG, 2023).

An Electronic Tax Identification (ETIN) is a unique identifier for taxpayers, used by tax authorities to track and manage tax records efficiently (Mohammed et al., 2023). It facilitates the registration, filing, and payment of taxes electronically, making the tax process more streamlined and accessible. This ETIN has many benefits, as it enhances compliance, reduces administrative burdens, and helps in maintaining accurate taxpayer databases (Mohammed et al., 2023). According to Hossain and Azam (2019), the E-TIN serves as a unique digital identifier assigned to taxpayers, enabling them to easily authenticate their tax status and conduct transactions with tax authorities online. This electronic system simplifies the registration process and provides taxpayers with a convenient way to comply with tax obligations without the need for physical documents (Hossain & Azam, 2019).

An ETCC is a digital certificate issued by tax authorities to certify that a taxpayer has fulfilled all their tax obligations. It serves as proof of tax compliance, which can be required for various business transactions, government contracts, and financial services. The ETIN has many benefits, as it improves transparency, reduces fraud, and speeds up the process of obtaining tax clearance. The ETCC is a digital version of the traditional Tax Clearance Certificate, which taxpayers must obtain to demonstrate compliance with tax laws when engaging in various transactions (Awasthi, et al., 2019). The ETCC allows taxpayers to access and download their tax clearance certificates online, saving time and reducing the administrative burden associated with obtaining physical certificates from tax offices (Jain, 2022). These electronic credentials help to improve tax compliance, reduce opportunities for fraud, and enhance the overall taxpayer experience. Taxpayers enjoy improved convenience, quicker processing times, and easier access to their tax information, while tax authorities gain enhanced ability to monitor compliance and maintain the integrity of the tax system (Khalid & Malik, 2024).

Tax Evasion

Tax evasion is the illegal nonpayment or underpayment of taxes, usually by deliberately making a false declaration or no declaration to tax authorities such as by declaring less income or profits than the amounts earned, or by overstating deductions. It involves criminal or civil legal penalties. avoiding paying taxes owed to the government by underreporting income, inflating deductions, or hiding money in offshore accounts, among other methods (Sritharan et al., 2022). According to Mansour, el.at. (2023), tax evasion differs from tax avoidance, which legally reduces one's tax burden using tax laws. Tax evasion practice is a serious crime in most tax jurisdictions, leading to fines, penalties, and even imprisonment (Batrancea el at., 2022). According to Alstadsæter, el.al. (2022), and Achuama (2024) identified several reasons why individuals and businesses engage in tax evasion. These include attempts to minimize tax burdens by underreporting income or overstating deductions, the complexity of tax laws leading to errors or intentional misreporting, lax enforcement creating an environment conducive to evasion, perceptions of unfairness or poor use of tax revenue justifying evasion as protest and financial difficulties prompting taxpayers to evade taxes to alleviate their financial problems. Tax evasion significantly impacts governments and society by reducing funds available for essential services like education, healthcare, and infrastructure (Hossain et al., 2024).

2.2 Theoretical Review

This section examines the theoretical frameworks underpinning the study, focusing on the Technology Acceptance Model (TAM) for the electronic tax identification number (e-TIN) and the Innovation Diffusion Theory (IDT) for the electronic tax clearance certificate (e-TCC).

The Technology Acceptance Model (TAM), developed by Davis (1989), is a widely recognized framework for understanding the adoption and utilization of technology (Sevendy, et.al., 2023). TAM posits that two primary factors influence users' acceptance of technology which includes perceived usefulness and perceived ease of use (Wulandari & Dasman, 2023). In the context of the electronic tax identification number (e-TIN), TAM provides insights into how taxpayers and tax administrators adopt and interact with the system. Perceived usefulness reflects the belief that e-TIN enhances tax compliance by streamlining the registration process, improving accuracy, and reducing administrative burden and fraud (Wulandari & Dasman, 2023). Perceived ease of use pertains to the simplicity and accessibility of the e-TIN system, which encourages wider adoption among taxpayers. By applying TAM, this study highlights the factors influencing the acceptance of e-TIN in state revenue agency, Nigeria, and evaluates how the system reduces barriers to compliance, ultimately mitigating tax evasion

The Innovation Diffusion Theory (IDT) originated was Rogers (1962), explains how innovations are adopted and spread within a social system over time (Gledson, 2022). The theory identifies five key attributes influencing the adoption of an innovation: relative advantage, compatibility, complexity, trialability, and observability (Gledson, 2022). According to Acquah (2022) and Prawati, el at. 2024), for the electronic tax clearance certificate (e-TCC), IDT is instrumental in understanding how this digital innovation is embraced by taxpayers and other stakeholders. The relative advantage of e-TCC lies in its ability to streamline the process of obtaining tax clearance, reducing fraud and delays. Compatibility reflects how well e-TCC aligns with existing practices and technologies used by taxpayers and tax authorities. Complexity relates to the perceived difficulty of using the system, which could hinder its adoption if not user-friendly. Trialability allows stakeholders to experiment with the system, increasing confidence in its benefits, while observability highlights the visible advantages of e- TCC, such as enhanced transparency and efficiency in tax administration.

By leveraging IDT, this study explores the diffusion of e-TCC in State Internal Revenue and its role in improving tax compliance and reducing tax evasion. The theory provides a framework for evaluating how the attributes of e-TCC influence its adoption and effectiveness in addressing tax-related challenges.

2.3 Empirical Review

The concept of digital transformation has become increasingly pivotal in shaping the performance of tax authorities and firms across various sectors. Several studies have examined its impact from different perspectives, emphasizing the role of tax technological tools e-filing, e-tax payment, e-TIN, tax clearance certificate, e-voicing, cloud computing in enhancing tax administration, reducing tax fraud and evasion, and compliance. For instance, a study by Chen et al. (2024) examined the relationship between corporate digital transformation and tax avoidance, utilizing data from A-share-listed non- financial enterprises in China from 2008 to 2019. The results demonstrated that increased digital transformation correlates with lower tax avoidance, primarily by reducing agency costs and increasing media and analyst scrutiny. Belahouaoui and Attak (2024) examined the global shift towards tax administration, highlighting advanced technologies like AI, IoT, and big data analytics, which enhance compliance behaviors and enable authorities to detect tax evasions more accurately. Hesami, Jenkins, and Jenkins (2024) added to this narrative by reviewing the impact of technologies such as e-invoicing and prefilled returns, which streamline tax compliance, reduce errors, and improve overall tax efficiency.

Mpofu (2024) emphasized that digital transformation in tax authorities enhances performance by increasing efficiency and effectiveness, reducing administrative burdens, streamlining processes, and improving tax compliance rates. Similarly, Mpakaniye (2024) explored the Rwanda Revenue Authority's digital transformation from 2021 to 2023, identifying automated reporting systems and digital tax infrastructure as key contributors to improved revenue collection efficiency. Mohammed et al. (2023) assessed the effect of digitalization of tax administration on tax revenue collection by Federal Inland Revenue Service (FIRS) in Nigeria and found that digitalization efforts from 2002 to 2021 improved tax collection by addressing administrative challenges. Kalantary et al. (2024) supported these findings by proposing a system model for digital transformation in taxation organizations, emphasizing the role of comprehensive digital tools in improving tax performance.

Zhang and She (2024) applied organizational information processing theory to demonstrate how digital transformation helps firms adopt better tax practices, reducing tax avoidance. Chen and Meng (2024) found a correlation between advanced digital capabilities and corporate tax optimization, suggesting that digital transformation facilitates tax avoidance strategies. Contrarily, Xie and Huang (2023) and Chen, Zhao, and Jin (2024) found that digital transformation reduces tax avoidance by enhancing transparency, innovation, and external governance mechanisms.

Meita and Malau (2023) found that digital transformation, coupled with favorable tax policies, improves tax compliance by reducing compliance costs and fostering positive perceptions of tax systems. Mpofu (2023) reviewed digital transformation in Africa's tax systems, highlighting its broader implications for tax compliance, particularly in regions with limited traditional tax infrastructure. Rahayu and Kusdianto (2023) identified challenges in Indonesia’s digital tax administration, emphasizing the importance of digital maturity to overcome barriers and improve performance.

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Amzuică, et.al. (2023) explored the effects of digital transformation on tax evasion, finding that automation and transparency mitigate tax evasion while fostering economic performance.

Su (2023) assessed the impact of tax administration digitization on corporate tax avoidance, using data from 2,032 publicly listed Chinese firms between 2010 and 2020. The study leveraged on a quasi- natural experiment, employing parallel trend tests, placebo tests, and alternative tax avoidance measures. The findings revealed that digitization fosters a fair business environment, deepens market- oriented reforms, and strengthens internal controls in publicly listed firms. Amzuică et al. (2023) explored the impact of business digitization on tax evasion across 155 countries. Their regression analysis showed a significant negative relationship between digitization and tax evasion, indicating that digitization helps reduce tax evasion. Fjord and Schmidt (2023) highlighted the potential and challenges of using digital tools for tax simplification, particularly in Denmark, emphasizing the importance of legality and transparency in digital tax processes. Shair et al. (2023) analyzed tax evasion in Pakistan, finding that demographic and

socio-economic factors significantly influence individual motives for tax evasion. Finally, Hesami et al. (2023) found that electronic invoicing and prefilled returns reduce tax compliance costs and improve efficiency, while Yamen et al. (2023) reported that digitalization effectively curbs tax evasion, especially in low-corruption countries.

Abuh, et al. (2022) found that there was a decline in tax collection following the implementation of an electronic tax system in Nigeria, particularly in non-oil tax revenues. In Iraq, Adel, et al (2022) demonstrated that transitioning to an electronic tax system with tax identification numbers streamlined tax processes and increased revenues. Maccarthy, et al. (2022) analyzed the impact of electronic tax systems on tax revenue efficiency in Nigeria between 2008 and 2021. The study emphasized the transformative role of computer-based tax administration, including tax registration and e-filing systems, in improving revenue efficiency. Findings revealed that electronic tax systems streamlined tax processes, minimized human error, and reduced tax collection costs. A different study by Alsarmi and Ahemed (2022) investigated the determinants of tax collection efficiency in Oman, focusing on factors such as tax awareness, electronic procedures, and auditing mechanisms. The study concluded that electronic tax procedures significantly enhanced tax collection efficiency by ensuring timely tax payments and accurate record-keeping. The study found that auditing procedures, when integrated with electronic systems, reduced instances of fraud and non-compliance.

Despite the growing body of research on digital transformation in taxation, significant gaps remain in the literature. Most existing studies (Chen et al., 2024; Mpofu, 2023; Amzuică et al., 2023) focus on broader regions, countries, or global perspectives, with limited attention to state-specific contexts like Kwara State, Nigeria. Additionally, prior research often isolates specific digital tools, such as electronic invoicing or e-filing systems (Hesami et al., 2023; Maccarthy et al., 2022), without holistically evaluating the combined impact of multiple initiatives (e-tax compliance credentials like electronic tax identifications and tax clearance certification) on tax evasion. While studies largely emphasize tax avoidance or revenue collection efficiency (Chen et al., 2024; Mohammed et al., 2023), fewer explore the direct relationship between digital transformation and tax evasion, particularly in developing economies. Moreover, limited research (Rahayu and Kusdianto, 2023; Abuh et al., 2022; Alsarmi and Ahmed, 2022) considers localized challenges such as digital maturity, socioeconomic dynamics, and infrastructure limitations, which influence the effectiveness of digital tax systems. Specifically, the role of integrated components like electronic tax identification numbers (TIN) and electronic tax clearance certificates (TCC) remains underexplored. This study addresses these gaps by evaluating the holistic impact of digital transformation on tax evasion in Kwara State, offering a localized and comprehensive perspective that extends beyond the generalized findings of prior research. However, the current study is different as it aims to evaluate the overall impact of various digital transformation initiatives on tax evasion in Kwara State, Nigeria.

3.0 Methodology

This study utilizes a cross-sectional survey design to collect data from stakeholders of revenue agencies in Kwara State, examining both the supply and demand sides of the taxation system. The total population includes 3,910 stakeholders, comprising senior management staff and active taxpayers. The study consists of 210 senior employees from various Kwara State Internal Revenue Service headquarters directorates and 3,700 active registered taxpayers in the Kwara Central District. The objective is to gather comprehensive views on tax evasion and the impact of e-tax compliance credentials. The total sample size is 510 stakeholders (140 senior employees of Kwara State Internal Revenue Service and 370 active taxpayers). Sample sizes were determined using Slovin's formula for the senior management staff and Taro Yamane's formula for the active registered taxpayers, ensuring the sample sizes aligned with recommended thresholds for research validity.

Slovin's formula is $n = N/(1+Ne^2)$, where n = Sample size, N = Total population size (210), e = Margin

of error (typically set at 0.05 for a 95% confidence level). n = 210/ $(1+210(0.05)^2)$ = 137.7. Approximating to the nearest whole number, the sample size for senior management staff is 138**.** Taro Yamane's formula is another method to calculate sample size for a known population, ensuring representativeness. Additionally, the calculation of sample size for 3,700 active registered taxpayers is obtained using Taro Yamene formula (1976), $n = N/(1 + N(e)^2)$. Therefore, $n=3,700/(1+3,700\cdot(0.05)^2)$ = 361. Therefore, the total sample size for the study is the sum of the two calculated sizes:138 (senior management staff) + 361 (active taxpayers) = 499 stakeholders. This sample size ensures representativeness and statistical validity for examining the impact of digital transformation in taxation on tax evasion in Kwara State.

Data is collected through questionnaires designed with a deductive approach and a 5-point Likert scale to gather responses quickly and explore different perspectives on digital transformation in taxation and tax evasion from both taxpayers and senior management employees of Kwara State revenue agencies. The calculation of sample size for 210 senior management employees is as follows.

4.0 Results and Discussion of Findings

4.1 Descriptive Analysis

Table 1: Descriptive Statistics for Electronic Tax Identification Numbers, Electronic Tax Clearance Certificates, and Tax Evasion.

Name	Items	Mean	Standard deviation	Excess kurtosis	Skewness
ETIN-1	Availability of online registration platforms (24/7 service access to e-TIN registration)	4.157	0.804	1.787	-0.972
ETIN-2	Effectiveness in capturing basic information of taxpayers	3.900	0.759	2.53	-1.031
ETIN-3	Data accuracy and integrity	3.757	0.764	1.305	-0.531
ETIN-4	Efficient in reducing tax administration costs and preventing tax fraud.	3.886	0.766	2.267	-0.968
ETIN-5	Compliance improvement in line with data protection regulations	3.514	0.751	2.158	-1.394
ETIN-6	Simplicity of the electronic tax identification registration process and eliminate multiple tax practices	3.929	0.743	2.102	-0.737
ETCC-1	Level of adoption	4.289	0.574	-0.523	-0.109
ETCC-2	Accessibility and ease of use	3.784	0.662	-0.749	0.273
ETCC-3	Processing Time Accessibility	3.557	0.642	-0.115	-0.215
ETCC-4	Monitor the frequency of errors	3.381	0.830	1.903	-1.370
ETCC-5	The compliance level among taxpayers	3.680	0.781	0.375	-0.158
ETCC-6	The effectiveness of security measures integrated and the system's resilience against cyber threats	3.732	0.925	0.930	-0.864
ETCC-7	Feedback from users (taxpayers and tax authorities) regarding their experience	3.577	1.003	0.753	-0.931
ETCC-8	The cost-effectiveness of implementing the	4.330	0.882	0.782	-1.254

	system				
TAXEV-1	Tax Gap	4.237	0.743	2.914	-1.184
TAXEV-2	Unreported Income	4.093	0.675	1.443	-0.728
TAXEV-3	Non-Filing of Returns	3.918	0.604	-0.247	0.038
TAXEV-4	Cash Transactions Volumes	3.371	1.213	-0.783	-0.539
TAXEV-5	Mismatch in Taxpayer Information	2.732	1.180	-0.239	0.538
TAXEV-6	Anomalies in tax filings and Payments	2.567	1.102	-0.742	0.414
TAXEV-7	Underreporting and Misreporting	3.505	0.788	-0.384	-0.274
TAXEV-8	Tax Audit and Enforcement Results	3.845	0.829	2.441	-1.024
TAXEV-9	Informant Reports or Tips behavioral patterns	2.155	1.009	0.137	0.111

Source: *Author's computation (2024) using SmartPLS-4*

Table 1 gives descriptive statistics for electronic-related elements of tax, which include ETCC. It can be realized that the minimum mean values of all ETIN are 3.514 while the maximum value is 4.157, while that of ETCC means values range between a minimum of 3.381 to a maximum of 4.330, which also is an increase upward. In TAXEV, the mean values range from 2.567 to 4.237, showing that respondents agree to a certain extent. The median for most of the variables stands at 4.000, which shows the central tendency in the answers provided by respondents. The standard deviation is relatively low, indicating that responses are clustered around the mean. Skewness varies from -1.394 to 2.914, showing asymmetry in the distribution of responses. The values of excess kurtosis range from -0.783 to 2.914, indicating a wide variation from peakedness to flatness in the distribution.

4.2 Structural Model Assessment

The structural model illustrates the hypothesized pathways in the research framework. Bootstrapping with 5000 resamples was conducted to estimate the structural model of PLS-SEM. The path coefficients are presented in Table 5 below.

Table 3: Path Coefficient Assessment

Constructs	Coefficients	Standard Deviation	T-Statistics	P-Values
ETIN->TAXEV	0.454	0.139	3.258	0.001
ETCC->TAXEV	0.721	0.056	12.837	0.000

Source: *Author's Computation (2024)*

Table 5 presents the path coefficients, t-statistics, and p-values relating to the relationships between electronic tax-related factors, namely ETIN and ETCC, and tax evasion, TAXEV. The path coefficient of 0.454 leading from ETIN to TAXEV is positive and therefore indicates that a rise in the number of

electronic identification numbers correspond to a moderate increase in tax evasion. The t-statistic of 3.258 is highly significant at the 0.001 level, showing that this correlation is statistically significant. This finding supports, to a certain extent, the alternative hypothesis that ETIN and TAXEV are positively related. In contrast, the path from ETCC to TAXEV indicates a stronger positive relationship with a coefficient of 0.721. This implies an increase in electronic tax clearance certificates translates to a massive upsurge in the cases of tax evasion. The t-statistic of 12.837 is very significant at the 0.000 level and hence provides strong evidence for the alternative hypothesis on the positive relationship between ETCC and TAXEV.

Discussion of Findings

The present study investigates the influence of digitization of taxation on tax evasion in Kwara State, Nigeria. Based on empirical evidence, digitalization of taxation was found to be highly influential on tax evasion in the State. First, it was hypothesized that the introduction of e-TIN would affect tax evasion in Kwara State; indeed, there was a very sound relationship between e-TIN adoption and reduced tax evasion. It further delineates how the electronic tax system improves revenue collection and cuts down on tax evasion. These findings argue that policymakers and the authorities of tax must undertake periodic review and refinement of electronic tax systems like an e-TIN system concerning vulnerability or loopholes for tax evasion. Besides, educating and sensitizing the taxpayers is important in making them understand the benefits and responsibilities that come along with the e-TIN system. These results are supported by the studies of Khondoker & Salah (2016), Olaoye & Awe (2018), Akinleye et al. (2019), Tyokoso (2021), and Kayode & Tomilola (2021), who show how both manual and e- TINs positively impact increasing states' revenue through decreased cases of tax evasion. However, the findings contradict those of Okon et al. (2019), Abuh et al. (2022), and Alfauzan et al. (2023), which indicate that there is a discrepancy in the efficiency of tax identification numbers in reducing tax evasion and increasing revenue generation.

The second objective of this study is to investigate the effect of electronic tax clearance certificates, ETCC, on tax evasion in Kwara State. The positivity of the effect of electronic tax clearance certificates, ETCC, in reducing tax evasion has a lot of import for tax administration and revenue generation in Kwara State. First, it indicates that digital inclusion, like through the ETCC, significantly improves tax compliance and reduces the rate of tax evasion among taxpayers. This would arguably lead to increased government revenues that could be spent on social services and basic infrastructure development to serve citizens. Thereby, the effectiveness of ETCC in curtailing tax evasion postulates that further investments into other techniques using the systems and technologies of digital taxation may yield the same positive results. This could include the extension of e-systems usage for tax submissions, payment, and compliances. The study highlighted a meaningful impact that had been achieved by ETCC in reducing tax evasion and improving revenue collection on a simultaneous basis with Okoye and Olayinka 2021. This implies that ETCC may be one effective mechanism against tax evasion. However, these results go contrary to the findings of Abuh et al., 2022, and therefore are proposing a perceived difference in the effect of ETCC on tax evasion. 5.0

Conclusion and Recommendations

This study has examined the influence of digital transformation in taxation on tax evasion in Kwara State, Nigeria.

Empirical analysis through regression demonstrates that the significant positive effect of digital transformation in taxation with regard to tax evasion means the modernization of the tax administration process has proved efficient. To check for significance, the ETIN influencing tax evasion is very important, as there is a significant relationship between ETIN and tax evasion in Kwara State. This implies that implementing ETIN systems can positively influence tax compliance behavior, enhancing revenue collection and reducing tax evasion rates. To capitalize on this, policymakers and tax authorities should continually monitor and refine electronic tax systems to ensure their effectiveness. Additionally, taxpayer education programs should be intensified to enhance understanding and compliance with the ETIN system. The findings of this study support the view expressed in a few earlier studies that both manual and electronic Tax Identification Numbers promote revenue and reduce tax evasion, though divergent views are also held. This study, however, assessed the impact of ETCC on tax evasion in Kwara State.

The positive influence of ETCC on reducing tax evasion suggests that digital solution facilities like ETCC tend to increase tax compliance and revenue generation. This supports the potential for investing in digital tax administration tools by improving tax compliance. In addition, the findings reveal consistency with prior studies suggesting the effectiveness of ETCC in reducing tax evasion, as well as increasing government revenue. This points to the importance of ETCC in ensuring that there is no tax evasion, as it shows the ability of the state to enhance compliance and improve revenue collection. These results insinuate that further investments in digital tax administration tools could yield similar positive outcomes, warranting consideration by policymakers and tax authorities.

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