

**SOCIETY FOR WOMEN IN  
TAXATION (SWIT) BAYELSA STATE  
ONE DAY WORKSHOP**

**PRESENTER: DR ALABOTA ESAU IMBASI. PhD, FCTI**

# THE USE OF TECHNOLOGY TO REDUCE TAX EVASION AND AVOIDANCE.

## DEFINITION OF TERMS

**TECHNOLOGY:** The application of scientific knowledge for practical purposes, especially in organisations and industries. It improves transparency and accountability.

**TAX EVASION:** It refers to the illegal act of deliberately avoiding tax payments by concealing income, inflating expenses, or underreporting financial details

**TAX AVOIDANCE:** The arrangement of one's financial affairs to minimize tax liabilities within the law

# **AND AVOIDANCE THROUGH THE USE OF TECHNOLOGY IN NIGERIA:**

## **SOME WAYS TO ACHIEVE THIS INCLUDE:**

- 1. DIGITAL INVOICING AND PAYMENT SYSTEMS:** Implementing electronic invoicing and payment systems can help track transactions and reduce cash-based transactions that often lead to tax evasion.
- 2. AUTOMATED TAX FILING AND PAYMENT:** Online tax filing and payment platforms can simplify the tax compliance process, making it easier for taxpayers to fulfil their obligations.
- 3. DATA ANALYTICS AND AI-POWERED AUDITING:** Leveraging data analytics and AI can help tax authorities identify and address potential tax evasion and avoidance more effectively.
- 4. BLOCKCHAIN TECHNOLOGY:** Utilizing blockchain can enhance transparency and security in tax transactions, reducing the risk of tax evasion.

These technological solutions can help Nigeria's tax authority, the Nigeria Revenue Service (NRS), to increase revenue collection and improve tax compliance.

# 1. DIGITAL INVOICING AND PAYMENT SYSTEMS

These systems can significantly enhance tax compliance and reduce evasion in Nigeria.

Some Benefits Include:

- **Increased transparency:** Digital invoices provide a clear and auditable trail of transactions, making it harder to conceal income or manipulate records.
- **Real-time tracking:** Electronic payment systems enable real-time tracking of transactions, allowing tax authorities to monitor and verify income.
- **Reduced cash-based transactions:** Digital payments reduce the use of cash, making it more difficult to evade taxes.
- **Automated reporting:** Digital invoicing systems can automatically generate reports, simplify tax compliance, and reduce errors.

The Nigeria Revenue Service (NRS) can leverage digital invoicing and payment systems to:

- **Improve tax collection:** By reducing evasion and increasing compliance.
- **Enhance efficiency:** Automating processes and reducing administrative burdens.
- **Increase revenue:** Through improved compliance and reduced leakage.

## **E- INVOICING**

**E-invoicing in Nigeria is a mandatory digital system by the Federal Inland Revenue Service (NRS) called the Merchant Buyer Solution. It replaces paper invoices with structured ones, often with QR codes, using a pre-validation (clearance) model for authenticity and security.**

### **BENEFITS**

- **Increased accuracy:** Automated invoicing reduces errors and ensures accurate data capture.
- **Faster processing:** Electronic invoices are processed quickly, improving cash flow and reducing delays.
- **Improved transparency:** E-invoices provide a clear audit trail, making it harder to manipulate records.
- **Enhanced compliance:** E-invoicing systems can automatically generate reports and validate invoices against tax rules.

In Nigeria, E-invoicing can help the NRS:

- **Reduce tax evasion:** By ensuring accurate and transparent recording of transactions.
- **Increase revenue:** Through improved compliance and reduced leakage.
- **Enhance efficiency:** Automating invoicing processes and reducing administrative burdens

## **Pattern recognition**

It involves using data analysis and machine learning to identify patterns and anomalies in taxpayer behaviour, such as:

- **Unusual transaction patterns:** Identifying unusual patterns in transactions, such as sudden changes in income or expenses.
- **Industry benchmarking:** Comparing taxpayer data to industry benchmarks to identify potential underreporting.
- **Behavioural analysis:** Analysing taxpayer behaviour, such as payment patterns and filing habits.

Pattern recognition can help tax authorities:

- **Identify potential tax evasion:** By detecting anomalies and patterns indicative of non-compliance.
- **Improve audit efficiency:** By targeting high-risk taxpayers and issues.
- **Enhance compliance:** By identifying and addressing potential tax risks early.

## 2. AUTOMATED TAX FILING AND PAYMENT

They make tax compliance super easy and efficient. Here's how they help:

- ▶ **Simplified process:** Taxpayers can file and pay taxes online, no more paperwork hassle!
- ▶ **Faster processing:** Electronic filing means quicker refunds and less waiting.
- ▶ **Accuracy boost:** Automated systems reduce errors and ensure calculations are spot on.
- ▶ **Timely reminders:** Systems can send reminders for filing and payment deadlines, reducing penalties.
- ▶ **Secure payments:** Digital payments are safe and trackable.

In Nigeria, automated tax filing and payment can help:

- **Boost compliance:** Make it easier for taxpayers to do the right thing.
- **Increase efficiency:** NRS can process returns and payments faster.
- **Reduce evasion:** Automated systems leave less room for manual errors or mistakes.

Automated tax filing and payment systems work like this:

- **Taxpayer registration:** Taxpayers register on the system, linking their information (like TIN, BVN, NIN) for verification.
- **Data auto-population:** The system auto-fills tax forms using taxpayer data (like income, deductions).
- **Filing and validation:** The taxpayer reviews, submits, and the system validates the return (checking for errors and missing data).
- **Payment processing:** The taxpayer pays taxes electronically (Via bank, mobile money, etc.), and the system updates payment status.
- **Confirmation and receipts:** The system generates receipts and confirmation for the taxpayer and tax authority.

## **Automatic tax filing and payment systems benefits include:**

- **Less paperwork:** Everything's digital.
- **Reduced errors:** Automation minimizes mistakes.
- **24/7 access:** Taxpayers can file/pay anytime.
- **Convenience:** Taxpayers can file and pay taxes online, anytime, anywhere.
- **Accuracy:** Automated systems reduce errors and ensure accurate calculations.
- **Faster refunds:** Electronic filing and payment processing enable faster refunds.
- **Increased compliance:** Simplified processes encourage timely filing and payment.
- **Improve tax collection:** By making it easier for taxpayers to comply.
- **Reduce administrative burdens:** Automating processes and reducing paperwork.
- **Enhance taxpayer experience:** Provides a user-friendly and efficient experience.

# 3. DATA ANALYSIS AND AI-POWERED AUDITING

Data analysis and AI-powered auditing can significantly enhance tax compliance and reduce evasion. Here's how:

- **Pattern recognition:** AI can identify patterns in taxpayer behaviour, highlighting anomalies that may indicate potential tax evasion.
- **Risk assessment:** Machine learning algorithms can assess taxpayer risk profiles, enabling targeted audits and more efficient use of resources.
- **Automated data matching:** AI can match taxpayer data across multiple sources, identifying discrepancies and potential underreporting.
- **Predictive modelling:** AI-powered models can predict tax compliance risks, enabling proactive interventions.

**These technologies can help tax authorities:**

- Increase audit efficiency and effectiveness
- Improve tax compliance
- Reduce revenue leakage

**AI-powered auditing** uses machine learning and data analysis to identify potential tax risks and improve compliance. Some key applications include:

- **Predictive analytics:** AI models can predict which taxpayers are most likely to underreport or evade taxes, enabling targeted interventions.
- **Anomaly detection:** AI can identify unusual patterns in taxpayer behaviour, such as sudden changes in income or expenses.
- **Data matching:** AI can match taxpayer data across multiple sources, identifying discrepancies and potential underreporting.
- **Risk scoring:** AI can assign risk scores to taxpayers based on their compliance history and other factors, enabling more effective resource allocation.

## **BENEFITS**

- **Improved accuracy:** AI can analyse large datasets and identify patterns that human auditors may miss.
- **Increased efficiency:** AI can automate routine tasks, freeing up resources for more complex audits.
- **Enhanced compliance:** AI-powered auditing can identify and address potential tax risks more effectively, thereby reducing revenue leakage.

# 4. BLOCKCHAIN TECHNOLOGY

- Blockchain technology is a decentralized, digital ledger that records transactions across a network of computers. It's a secure, transparent, and tamper-proof method for storing and sharing data.
- It is like a digital book where multiple people have a copy, and every time a new transaction is made, it's added to the book. This makes it hard to alter or manipulate the data.
- Blockchain is the foundation for cryptocurrencies like Bitcoin, but its uses go far beyond that. It's being explored for supply chain management, identity verification, and yes, even tax administration!

## **BENEFITS**

Blockchain technology can revolutionize tax administration! It offers several benefits, including:

- **Immutable records:** Blockchain ensures transparent and tamper-proof transaction records.
- **Real-time tracking:** Transactions are recorded in real-time, enabling accurate tracking and monitoring.
- **Smart contracts:** Automate tax compliance and payment processes, reducing administrative burdens.
- **Increased trust:** Blockchain-based systems enhance transparency and trust among taxpayers and authorities.

## **In Nigeria, Blockchain can help the NRS:**

- Reduce tax evasion: By ensuring accurate and transparent recording of transactions.
- Improve audit efficiency: By providing a clear audit trail.
- Enhance compliance: By automating tax processes and reducing errors.

# WHY TAXPAYERS SHOULD AVOID TAX EVASION AND AVOIDANCE:

- **Contributes to national development:** Taxes fund public goods and services like infrastructure, education, and healthcare.
- **Avoids penalties:** Tax evasion can lead to fines, interest, and even prosecution.
- **Maintains reputation:** Tax compliance builds trust with authorities and stakeholders.
- **Supports economic growth:** Taxes help governments invest in initiatives driving economic development.

## **Benefits of Tax Compliance:**

- **Avoid penalties and interest:** Timely filing and payment reduce the risk of fines.
- **Builds credibility:** Compliance enhances reputation with authorities and stakeholders.
- **Access to government incentives:** Compliant taxpayers may benefit from tax breaks or grants.
- **Reduced stress:** Staying compliant minimizes audit risks and anxiety.

# Tax Compliance Strategies for Taxpayers:

- **Stay organized:** Keep accurate financial records and documents.
- **Understand tax obligations:** Know deadlines, rates, and requirements.
- **Leverage technology:** Use tax software or applications for efficient filing.
- **Consult a tax professional:** Seek expert advice for complex tax issues.

# CONCLUSION

## **THE NIGERIA REVENUE SERVICE (NRS) IS LEVERAGING ON TECHNOLOGY TO ENHANCE TAX COMPLIANCE AND REDUCE EVASION AND AVOIDANCE.**

Here are some key initiatives;

- **E-tax System:** The electronic tax system has significantly reduced tax evasion by making it easier for taxpayers to file and pay taxes.
- **Data Analytics:** Advanced data analytics helps identify patterns and anomalies, enabling targeted enforcement.
- **AI-Powered Auditing:** Machine learning algorithms detect inconsistencies and predict tax compliance risks.
- **Real-time Monitoring:** Automated systems track transactions, assess compliance, and identify discrepancies in real-time.
- **BVN and NIN Linking:** Bank Verification Numbers (BVN) and National Identity Numbers (NIN) are linked to taxpayer profiles, reducing evasion.
- **International Partnerships:** NRS has partnered with **France's Direction Générale des Finances Publiques** to modernize tax administration and combat cross-border tax evasion.

These initiatives aim to create a more transparent and efficient tax system, increasing revenue collection and promoting economic growth.

**THANK YOU FOR LISTENING**

**DR ALABOTA ESAU IMBASI. PhD, FCTI**