The effect of fiscal corruption on economic development and sustainability in developing economies: the case of Nigeria

- African Journal of Economic and Sustainable Development
- List of Issues
- Volume 2, Issue 4

- DOI: 10.1504/AJESD.2013.058731

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Abstract

Fiscal corruption refers to calculative actions and decisions of individuals and corporate bodies which inhibit economic development and sustainability in developing economies. As a consequence, addressing fiscal corruption and related anti-social tax practices have become integrated part of tax reform in recent years aimed at redesigning the tax structure and improving tax administration. This paper uses rational choice theory to explore the choice to break rules from the perspective of individual actor incentives and calculations. Evidence shows that through illegal and fiscal corrupt schemes, tax officials and corporate and individual taxpayers are major actors in depriving the Government of Nigeria and governments of a number of developing countries of huge revenues. This has a detrimental impact on the development and revenue sustainability in Nigeria. The paper therefore argues for radical reform in order to reduce the opportunities for corruption in tax administration and to change the incentive structures for tax officers while keeping tax policies simple.

Keywords: Fiscal corruption, taxpayers, tax officials, sustainability, economic development, revenue, tax administration, Nigeria