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TAX ENFORCEMENT PRACTICES AND TAX COMPLIANCE IN NIGERIA

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Abstract
This study examined the relationship between tax enforcement practices and tax compliance in Nigeria, with emphasis on tax audit and penalties/interest as dimensions of tax enforcement and voluntary compliance rate and tax gap as measures of tax compliance. The study adopted a cross-sectional survey research design. The population comprised 900 personnel of the Nigeria Revenue Service (NRS) across 26 tax offices in the South-South region of Nigeria, from which a sample of 277 respondents was determined using the Taro Yamane formula. Data were collected through a structured five-point Likert-scale questionnaire, with 230 valid responses retrieved and analyzed using Pearson correlation and linear regression at the 5% level of significance. The findings revealed significant positive relationships between tax audit and voluntary compliance rate, penalties/interest and tax gap, tax audit and tax gap, and penalties/interest and voluntary compliance rate. The study further established that tax enforcement practices have a strong and significant relationship with overall tax compliance. Consequently, all four null hypotheses were rejected. The study concludes that effective, transparent, consistent, and technology-driven tax enforcement is essential for improving voluntary tax compliance and addressing tax gaps in Nigeria. It recommends strengthening risk-based tax audit capacity, improving the examination of taxpayer records, and ensuring the fair and consistent application of penalties and interest to enhance compliance and government revenue generation.

KEYWORDS: TAX ENFORCEMENT PRACTICES, TAX AUDIT, PENALTIES AND INTEREST, TAX COMPLIANCE, VOLUNTARY COMPLIANCE RATE, TAX GAP, NIGERIA.

Introduction

Taxation is intended to be the principal source of government revenue but this is not always the case in Nigeria (Amah & Nwaiwu, 2018). The country relies more on the resource from crude oil, foreign loans and aid for a significant fraction of revenue for governance. This is largely due to poor tax administration capacity and collection ability in the country. Revenue administration reform is needed in a country for various reasons. In the first place, while tax policy and tax laws create the potential for raising tax revenues, the actual amount of taxes flowing into the government coffers, to a large extent, depends on the efficiency and effectiveness of the revenue administration. Weaknesses in revenue administration lead to inadequate tax collections. Borrowing to finance the resulting budget deficit could cause an unsustainable increase in public debt and inflation (Alabede, Ariffin & Idris, 2021). Secondly, revenue shortfalls shrink the budgetary resource envelope, affecting the government's ability to implement its policies and programs and to provide public services. Unexpected drops in revenue collections also cause budget cuts that result in major inefficiencies in the management of public expenditure. More so, the quality of revenue administration influences the investment climate and private sector development. Firms considering investments, in addition to concerns about the formal tax system, are also concerned about how the system works.

Thirdly, there is a high incidence of corruption within the taxes and customs administrations. The government suffers major revenue leakages as dishonest revenue officials allow unjustified tax breaks to willing tax evaders. Also, honest taxpayers suffer as corruption in revenue administration leads to harassment, inflated assessment, high litigation cost and leniency towards non-compliant competitors. This high cost of corruption to the government and private sector respectively, is a major setback for the process of tax administration in a country. Any serious effort to reduce corruption in a country and improve governance, in all likelihood, has to involve reform of the revenue administration (Abel, 2017). Reform of the revenue administration that includes efficient and effective tax enforcement may be needed to enable it to keep up with the increasing sophistication of business activity and tax evasion schemes. With globalization, goods and services are produced by taxable entities in multiple countries. This presents vast opportunities for manipulating transactions to reduce the tax burden. Without a matching increase in the professional and technological capacity of the revenue administration, the existence of corruption, tax havens and increasing use of electronic financial transactions will continue to pose major challenges in enforcing the tax laws (Oyebanji, 2020). This will further reduce the chances of monitoring taxable activity and countering tax evasion.

Consequently, effective tax enforcement is an important component of tax administration and tax compliance. Tax audit, penalties, and interest are among the mechanisms through which tax authorities can detect non-compliance, deter tax evasion, and encourage taxpayers to fulfil their statutory obligations. Against this background, this study examines the relationship between tax enforcement practices and tax compliance in Nigeria, with emphasis on tax audit and penalties/interest, while tax compliance is measured through voluntary compliance rate and tax gap.

Aim and Objectives of the Study

The main aim of this study is to empirically examine the relationship between tax enforcement practices and tax compliance in Nigeria.

Specific Objectives

i. Determine the relationship between tax audit and voluntary compliance rate in Nigeria;
ii. Ascertain the relationship between tax penalties/interest and tax gap in Nigeria;
iii. Determine the relationship between tax audit and tax gap in Nigeria; and
iv. Ascertain the relationship between tax penalties/interest and voluntary compliance rate in Nigeria.

Research Questions

In view of the above specific objectives, the following research questions were addressed in this study:

i. What is the relationship between tax audit and voluntary compliance rate in Nigeria?
ii. What is the relationship between tax penalties/interest and tax gap in Nigeria?
iii. What is the relationship between tax audit and tax gap in Nigeria?
iv. What is the relationship between tax penalties/interest and voluntary compliance rate in Nigeria?

Research Hypotheses

The following null hypotheses are formulated:

H_o1: There is no significant relationship between tax audit and voluntary compliance rate in Nigeria.
H_o2: There is no significant relationship between tax penalties/interest and tax gap in Nigeria.
H_o3: There is no significant relationship between tax audit and tax gap in Nigeria.
H_o4: There is no significant relationship between tax penalties/interest and voluntary compliance rate in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Review

Concept of Taxation

Tax Enforcement Practices

Enforcement in administration of taxes plays very crucial role in enhancing tax compliance. Enforcement task involves the use of myriad of tools in ensuring tax compliance. According to Oladele, Ndalu and Micah, (2021), tax enforcement Practices are the administrative Practices taken by tax authorities to enforce the taxpayers failing to perform their tax liability or the withholding agents failing to perform their withholding liability in compliance with tax laws. The essence of enforcement is to ensure strict adherence to various tax compliance ranging from timely filing, accurate filing, to payment of tax liability as at when due. Primarily, enforcement is not for tax defaulters alone who fail in their tax responsibilities but to consistent filers to encourage continuous compliance (Ibrahim, 2018). Tax compliance mechanisms may take various forms depending on tax authorities. In modern day, more than often, compliance tools may include levies, search and seizures of defaulting tax payers, fines, seeking and obtaining information from third parties like banks and court actions. Tax enforcement ordinarily refers to an act of ensuring that tax payer comply with tax law or rule. Enforcement with tax administration takes two forms namely; enforcement of tax laws and enforcement of judgment. There is enforcement of tax which is the application of all those relevant laws that will assist the tax authorities in carrying out their duties, not laws necessarily relating to the taxation but are relevant to the enforcement of tax laws. Enforcement of judgment on the other hand represents already decided court case against defaulted tax payment (Macharia, 2021).

Dimensions of Tax Enforcement Practices

Tax Audit

Taxes are considered as a source of revenue for economic growth and development. Tax revenues and other revenues are central to the current economic development agenda (Amah & Nwaiwu, 2018). They provide a stable flow of revenue to finance development priorities, such as strengthening physical infrastructure, and are interwoven with numerous other policy areas, from good governance and formalizing the economy, to spurring growth (Pfister, 2019). The Nigeria tax system has failed on the area of it administration. Personal and voluntary compliance rate administration in Nigeria today does not measure to the appropriate standard. The self-employed persons earn more than those in paid employment. The self-employed earn four times than those in paid employment but the bulk of personal income yield comes from those paid employment whereas those who are self-employed earn most of the money. As a result of inadequacy in monitoring taxes paid, lots of those who are self-employed evade tax. These thus call for the need for a good and standard tax audit.

Tax audit can be defined as "an examination of an individual or organization's tax report by the relevant tax authorities in order to ascertain compliance with applicable tax laws and regulations of state". He further said that tax audit is a process where the internal revenue service tries to confirm the numbers that you have put on your tax return (Kircher 2019). In other words, tax audit is an inspection of a taxpayer's business records and financial affairs to ensure that the amount of tax reported and paid are in accordance with tax laws and regulations. Tax audit in Nigeria are terms which embrace a variety of sectors. It simply means the advanced part of auditing practice that involves examination of books of account in other to check if the assessable profit showed by the tax payer is correct. Tax audit just like financial audit involves the gathering of information and processing it for determining the level of compliance of an organization with tax laws of the territory. For a successful audit, it is necessary that the auditor organizes his work in such a way that the assignment is accomplished completely and efficiently.

Tax Penalties/Interest

A tax penalty is a monetary penalty imposed by the IRS for performing a prohibited act or failing to execute a required act, such as failing to timely file a return or filing incorrect or undervalued taxes (Oladele, Ndalu & Micah, 2021). If a taxpayer is required to file an income or excise tax return and fails to timely do so, a late filing penalty may be assessed. The penalty is 5% of the amount of unpaid tax per month (or partial month) the return is late, up to a maximum of 25% (Legal Dictionary). How does tax penalty imposable on taxpayers for noncompliance can promote tax compliance amongst taxpayers? Deterrence factors such as probability of being audited and being detected by tax authorities are found to reduce noncompliance among taxpayers (Doran, 2019). For instance, Nigeria Personal Income Tax Act (PITA 2011 as amended) strengthen such issues as record keeping, self–assessment and provides penalty of ₦50,000 and ₦500,000 for individuals and companies respectively for contravening the provisions of the Act (Oluchi, 2020).

Further-more, under self-assessment in Nigeria the failure of taxpayer to file returns will make him liable upon conviction to pay a sum of ₦200 and further ₦40 for every day during which the failure continues (FIRS, 2013). In Malaysia, if it is discovered during the audit process that there is underreporting or misstatement, a penalty will be imposed under subsection 113(2) of the ITA (1967), although revenue authorities in Malaysia encourage taxpayers who underreport their income to voluntarily make disclosure of such underreporting if later they understand that they made underreporting of their income. Failure to do so is subject to penalty depending on the time that has lapsed between omission and voluntary disclosure (Internal Revenue Board, 2000).

Tax Compliance

The exact meaning of tax compliance has been defined in various ways. For example, Andreoni, Erard, and Feinstein (2019) claimed that tax compliance should be defined as taxpayers' willingness to obey tax laws in order to obtain the economy equilibrium of a country. Kirchler (2019) perceived a simpler definition in which tax compliance is defined as the most neutral term to describe taxpayers' willingness to pay their taxes. Compliance in pure administrational terms therefore includes registering or informing tax authorities of status as a taxpayer, submitting a tax return every year (if required) and following the required payment time frames (Ming Ling, Normala & Meera, 2020).

Dimensions of Tax Compliance

Voluntary Compliance Rate (VCR)

Refers to the extent to which taxpayers willingly fulfil their tax obligations without being compelled through enforcement actions by tax authorities. It reflects taxpayers' willingness and ability to register for taxation, accurately declare taxable income, submit tax returns within the prescribed period, and pay the correct amount of tax when due. Thus, voluntary compliance represents an important indicator of the effectiveness of a tax administration system.

According to Kirchler (2019), tax compliance broadly reflects taxpayers' willingness to pay taxes and obey tax laws. Similarly, Andreoni, Erard, and Feinstein (1998) describe tax compliance in terms of taxpayers' willingness to comply with tax laws and fulfil their tax obligations. In administrative terms, compliance involves activities such as registering with the tax authority, filing required tax returns, correctly reporting taxable income, and making tax payments within the stipulated time.

Tax Gap

The tax gap is explained as the difference between the taxpayers' legal tax obligations and the amount of taxes collected by the tax authorities (Alm and Soled 2017; Dare, Du Plessis, and Jansen 2019). Raczkowski (2019) however, offered an alternative explanation that the tax gap represents the extent of evasion by taxpayers that reduces the tax base and decreases the country's tax revenue. It is submitted that Raczkowski (2019) explanation of the tax gap is reinforced by that offered by Alm and Soled (2018) and Dare, Du Plessis, and Jansen (2019). The tax gap comprises various components; however, divergent views exist in academic and other persuasive literature regarding these components (Raczkowski 2019). Raczkowski (2020) argued that the primary components of the tax gap are tax evasion and tax avoidance, whereas Alm and Soled (2017) and DuranCabre, More, Mas-Montserrat, and Salvadori (2019) argued that the tax gap should include only tax evasion and exclude tax avoidance. The postulations of Alm and Soled (2017) and Duran-Cabre et al, (2019) are consistent with the pronouncements of the US Internal Revenue Service (IRS) that the tax gap represents a legal tax liability incurred by the taxpayers. The pronouncement by the US IRS thus includes tax evasion as a contributor to the tax gap and ignores tax avoidance.

Theoretical Framework

The theory adopted in this study are ability to pay theory presented by Arthur Cecil Pigou and developed by Erik Lindhl in 1939, and classical theory of tax compliance developed by Allingham and Sandmo in 1927. The study therefore, is anchored on the classical theory of tax compliance because it underpins the objective of the study.

Ability to Pay Theory

The most popular and commonly accepted principle of equity or justice in taxation is that citizens of a country should pay taxes to the government in accordance with their ability to pay (Kagan, 2020). "It appears very reasonable and just that taxes should be levied on the basis of the taxable capacity of an individual. For instance, if the taxable capacity of a person A is greater than the person B, the former should be asked to pay more taxes than the latter. It seems that if the taxes are levied on this principle as stated above, then justice can be achieved. But our difficulties do not end here. The fact is that when we put this theory in practice, our difficulties actually begin. The trouble arises with the definition of ability to pay. The economists are not unanimous as to what should be the exact measure of a person's ability or faculty to pay. The main viewpoints advanced in this connection are as follow: Ownership of Property: Some economists are of the opinion that ownership of the property is a very good basis of measuring one's ability to pay. This idea is out rightly rejected on the ground that if a person's earns a large income but does not spend on buying any property, he will then escape taxation.

On the other hand, another person earning income buys property; he will be subjected to taxation. Is this not absurd and unjustifiable that a person, earning large income is exempted from taxes and another person with small income is taxed? Tax on the Basis of Expenditure: It is also asserted by some economists that the ability or faculty to pay tax should be judged by the expenditure which a person incurs. The greater the expenditure, the higher should be the tax and *vice* versa". The viewpoint is unsound and unfair in every respect. "A person having a large family to support has to spend more than a person having a small family. If we make expenditure as the test of one's ability to pay, the former person who is already burdened with many dependents will have to' pay more taxes than the latter who has a small family. So this is unjustifiable. Income as the Basics: Most of the economists are of the opinion that income should be the basis of measuring a man's ability to pay. It appears very just and fair that if the income of a person is greater than that of another, the former should be asked to pay more towards the support of the government than the latter. That is why in the modern tax system of the countries of the world, income has been accepted as the best test for measuring the ability to pay off a person".

Classical Theory of Tax Compliance

The Classical Theory of Tax Compliance, commonly associated with the Allingham-Sandmo model, explains tax compliance from an economic deterrence perspective. The model assumes that taxpayers make rational decisions concerning whether to comply with tax laws by comparing the expected benefits of tax evasion with the probability of detection and the severity of sanctions.

Under this framework, taxpayers are more likely to comply when the probability of detection is high and the consequences of non-compliance are sufficiently severe. Tax audit increase the probability that non-compliance will be detected, while penalties and interest increase the financial consequences associated with non-compliance. The theory is therefore particularly relevant to this study because tax audit and penalties/interest constitute the two major dimensions of tax enforcement examined in the study.

Empirical Review

Abiola and Asiweh (2012) studied the impact of Tax Administration on Government Revenue in a Developing Economy – A Case Study of Nigeria. This study attempts to look at the Nigeria Tax administration and its capacity to reduce tax evasion and generate revenue for development desire of the populace. The study made use of 121 online survey questionnaires containing 25 relevant questions. Descriptive statistics were used to analyze 93 usable responses. The study found among other things that increasing tax revenue is a function of effective enforcement strategy which is the pure responsibility of tax administration. Nigeria lack enforcement machineries which include among other things, adequate manpower, computers and effective postal and communication system. The study has clear practical implications for tax practitioners and governments policy makers in developing countries in particular.

Okoye (2019) studied the influence of tax amnesty programme on tax compliance in Nigeria moderating the effect of political trust. The survey research design was employed to understand the taxpayer's perception of the Voluntary Assets and Income Declaration Scheme (VAIDS). We collected the data through the administration of questionnaires to taxpayers across the most commercial states in Nigeria. The data obtained were analyzed using the frequency table, the Cronbach alpha test, and the binary logistic regression technique. The survey showed that the compliance rate was about 22%. The study showed that the primary driver of tax compliance in Nigeria is unannounced ad hoc tax audit; this implies that tax compliance will increase when taxpayers are aware there is an unannounced ad hoc tax audit. It is evident from this study that the low tax compliance was as a result of the moderating effect of political trust of the taxpayers as indicated by the amnesty*trust and trust showed a negative relationship with tax compliance in Nigeria. Based on the empirical analysis, the paper concludes that the Tax amnesty Programme VAIDS has a significant influence on tax compliance in Nigeria. The paper recommended that the government should build and strengthen the institutions, which give a sense of accountability and perception of good governance to the taxpayers, which will encourage voluntary tax compliance in the long run.

Enahoro and Jayeola (2012) studied Tax Administration and Tax Compliance of Lagos State Government, Nigeria. The study examines the overall effectiveness of tax administration in relation to assessment, collection and remittance of tax in Lagos State, Nigeria. A survey questionnaire of the machinery of tax administration was carried out where 130 questionnaires were administered to analyze the opinion of civil servants directly connected with tax administration in the five Local government areas of Lagos State (Somulu, Mushin, Ikeja, Kosofe and Surulere). Hypothesis tested for the relationship which exists between tax administration, tax regulation and Tax Compliance. The Kendall measure was adopted and finding is that the tax administration in Lagos state is not totally efficient. Hence, tax administration affects the revenue generated by the government; also, there is a significant relationship between tax administration, tax policies and tax laws. The study therefore recommends that Lagos State Government could put in place a tax system that can enhance better administration of tax systems and tax collections should be left in the hands of private organizations.

METHODOLOGY

Research Design

The study adopted **a** cross-sectional survey research design. The design was considered appropriate because the study sought to obtain information from respondents regarding tax enforcement practices and tax compliance at a particular point in time. The study examined the relationships between tax audit, penalties/interest, voluntary compliance rate, and tax gap.

Population for the Study
The population of this study was sourced from the personnel departments of Nigeria Revenue Service (NSR) in South – South, Nigeria and consists of twenty six (26) tax offices across the Six (6) States in the region with nine hundred (900) staff (FIRS, 2022).

Sample Size and Sampling Techniques
This study adopted the probability technique because it concerns a selection among a population. The sample size for the study was determined using Taro Yamane's formula of 1967 as adopted by Baridam (2001). The formula is stated thus:

$$n = \frac{N}{1+N(e)^2}$$

Where:
n = sample size
n = Population size
e = Level of significance desired
Hence;

$$n = \frac{N}{1+N(e)^2}$$

N = 900
e = level of significant of 0.05

$$n = \frac{900}{1+900(0.05)^2}$$

$$= \frac{900}{1+2.25}$$

$$= \frac{900}{3.25} = 277$$

Sources of Data
The study utilized primary data sourced from the personnel of the Nigeria Revenue Service that work in the relevant departments such as personnel, auditing, finance, accounts etc.

Instrument for Data Collection
The study used primary data to carry out the analysis. The primary data were collected through the use of 5 point Likert scale designed questionnaire which sought responses from the respondent with the degree of response ranging from 1 = strongly disagree, 2 = disagree, 3 = undecided, 4 = agree and 5 = strongly agree, on tax enforcement practices and its dimensions of tax audit, and penalties/interest as the independent variables while the dependent variable is tax compliance measured with voluntary compliance rate, and tax gap.

Method of Data Analysis
This study used both descriptive and inferential analyses. Descriptive analysis was used to determine the demographic of the respondents while the inferential analyses (Pearson's r and the Linear Regression Analysis) were used to test the hypotheses.

DATA PRESENTATION, ANALYSIS AND DISCUSION OF FINDINGS

Data Presentation

Two hundred and seventy seven (277) copies of questionnaire were administered to the respondents as explained in the methodology. The result of the survey distributed and retrieval is shown in Table 4.1 below:

Table 4.1: Questionnaire Distribution & Retrieval

Numbers	Questionnaire	Percentage (%)
No Distributed	277	100%
No Retrieved	230	83.03%
No Not Retrieved	47	16.97%
Useful Response	230	100% of Retrieved Questionnaire

Table 4.1 shows the distribution and collection of questionnaire sent to the respondents. It was shown that 277 copies of questionnaires were distributed to the respondents representing 100%. 230 copies of questionnaires representing 83.03% were correctly filled and successfully collected from the respondents; however, 47 copies of questionnaires representing 16.97% were not collected. However, the researcher used the 230 copies correctly filled questionnaires to represent 100% as a basis for the analysis.

Summary of Results of Hypotheses Tested

HYPOTHESES	T-TATISTICS	COEFFICIENTOF DETERMINATION	SIGN OF DIRECTION	P-VALUE	LEVEL OF SIGNIFICANCE	EFF. OF EMP. P-VALUE	DECISION EMPLOYING P-VALUE
Ho_1	0.016	O.585	Positive	0.000	0.05	0.000<0.005	REJECT Ho_1
Ho_2	0.027	0.535	Positive	0.000	0.05	0.000<0.005	REJECT Ho_5
Ho_3	0.006	0.545	Positive	0.000	0.05	0.000<0.005	REJECT Ho_2
Ho_4	0.025	0.597	Positive	0.000	0.05	0.000<0.005	REJECT Ho_4

Source: Researcher, 2026

Summary of Findings

This study was carried out to empirically examine the relationship between tax enforcement practices and tax compliance in Nigeria. The findings are summarized below:

There is a positive moderate relationship between tax audit and voluntary compliance rate on the test of $H0_1$ as shown in table 4.14 with the correlation coefficient value of r = 0.586** significant at pv = 0.00< 0.05. Also table 4.25 showed that tax audit statistically affect voluntary compliance rate. Tax audit had a calculated t-value of |2.423| >t-tab $_{(0.05,\ 229)}$ = 1.28 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance.

There is a moderate relationship between penalties/interest and tax gap on the test of $H0_2$ as shown in table 4.18 with the correlation coefficient value of r = 0.535** significant at pv = 0.00 < 0.05. Also table 4.29 showed that penalties/interest statistically affects tax gap. Penalties/interest had a calculated t-value of |1.105| >t-tab $_{(0.05,\ 229)}$ = 1.31 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance.

There is a moderate relationship between tax audit and tax gap on the test of $H0_3$ as shown in table 4.15 with the correlation coefficient value of r = 0.545** significant at pv = 0.00 < 0.05. Also table 4.26 showed that tax audit statistically affects voluntary compliance rate. Tax audit had a calculated t-value of |2.787| >t-tab $_{(0.05,\ 229)}$ = 1.31 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance.

There is a positive moderate relationship between penalties/interest and voluntary compliance rate on the test of $H0_4$ as shown in table 4.17 with the correlation coefficient value of r = 0.595** significant at pv = 0.00< 0.05. Also table 4.28 showed that penalties/interest statistically affects voluntary compliance rate. Penalties/interest had a calculated t-value of |1.149| >t-tab $_{(0.05,\ 229)}$ = 1.28 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance.

Discussion of Findings

Tax Enforcement Practices and Tax Compliance

The analysis on the extent and direction of the relationship between tax enforcement practices and tax compliance. It was found that there is a positive, strong relationship between tax enforcement practices and tax compliance. Also, tax enforcement practices statistically affect tax compliance. The analysis in table 4.13 showed the correlation coefficient of r = 0.978** significant at pv = 0.000 < 0.05. Also table 4.24 showed the Pearson's correlation coefficient of r = 0.978 and coefficient of determination R^2 =0.956 which indicate that a 95.6% variation of tax compliance is explained by the changes in tax enforcement practices. Also, tax enforcement practices had a calculated t-value of |70.350| >t-tab (0.05, 229) = 1.26 and a corresponding significant/probability of 0.00 < 0.05 level of significance, hence the conclusion that there is a significant relationship between tax enforcement practices and tax compliance. This finding is in line with the study of Enahoro and Jayeola (2021) who studied tax administration and tax compliance of Lagos State Government, Nigeria.

Tax Audit and Voluntary Compliance Rate

The test of hypotheses one ($H0_1$), found that there is a positive moderate relationship between tax audit and voluntary compliance rate as shown in table 4.14 with the correlation coefficient value of r = 0.586** significant at pv = 0.00< 0.05. Also table 4.25 showed that tax audit statistically affects voluntary compliance rate. Tax audit had a calculated t-value of |2.423| >t-tab $_{(0.05,\ 229)}$ = 1.28 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance. Hence the conclusion that there is a significant relationship between tax audit and voluntary compliance rate and also that tax audit statistically affects voluntary compliance rate. This finding is in line with the study of Abiola and Asiweh (2018) who studied the impact of Tax Administration on Government Revenue in a Developing Economy – A Case Study of Nigeria.

Penalties/Interest and Tax Gap

The test of hypotheses five ($H0_2$), found that there is a moderate relationship between penalties/interest and tax gap as shown in table 4.18 with the correlation coefficient value of r = 0.535** significant at pv = 0.00 < 0.05. Also table 4.29 showed that penalties/interest statistically affects tax gap. Penalties/interest had a calculated t-value of |1.105| >t-tab $_{(0.05,\ 229)}$ = 1.31 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance. Hence the conclusion that there is a significant relationship between penalties/interest and tax gap and also that penalties/interest statistically affects tax gap. This is in support of the study of Eneojo and Gabriel (2021) who studied "Taxation and Revenue generation: an Empirical Investigation of Selected States in Nigeria. Findings from the study revealed that taxation has a significant contribution on revenue generation, taxation has a significant contribution on Gross Domestic Product (GDP) and tax evasion and tax avoidance have a significant effect on revenue generation in Nigeria.

Tax Audit and Tax Gap

The test of hypotheses two ($H0_3$), found that there is a moderate relationship between tax audit and tax gap as shown in table 4.15 with the correlation coefficient value of r = 0.545** significant at pv = 0.00 < 0.05. Also table 4.26 showed that tax audit statistically affects tax gap. Tax audit had a calculated t-value of |2.787| >t-tab $_{(0.05, 229)}$ = 1.31 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance. Hence the conclusion that there is a significant relationship between tax audit and tax gap and also that tax audit statistically affects tax gap. This is in line with the study of Rasheed (2017) studied tax administration and revenue generation: A perspective of Ogun State internal revenue service. This research work examined the relationship between tax administration and revenue generation from the perspective of Ogun State internal revenue service. It also determined the impact of evasion and tax avoidance on the revenue generation in Ogun State.

Penalties/Interest and Voluntary Compliance Rate

The test of hypotheses four ($H0_4$), found that there is a positive moderate relationship between penalties/interest and voluntary compliance rate as shown in table 4.17 with the correlation coefficient value of r = 0.595** significant at pv = 0.00< 0.05. Also table 4.28 showed that penalties/interest statistically affects voluntary compliance rate. Penalties/interest had a calculated t-value of |1.149| >t-tab $_{(0.05, 229)}$ = 1.28 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance. Hence the conclusion that there is a significant relationship between penalties/interest and voluntary compliance rate and also that penalties/interest statistically affects voluntary compliance rate. This finding is in consonant with the study of Owino, Otieno and Odoyo (2017) who studied, "Influence of Information and Communication Technology on Revenue Collection in County Governments in Kenya.

SUMMARY, CONCLUSION, RECOMMENDATIONS AND CONTRIBUTION TO SCHOLARSHIP

Summary

This study examined the relationship between tax enforcement practices and tax compliance in Nigeria, with particular emphasis on tax audit and penalties/interest as measures of tax enforcement, and voluntary compliance rate and tax gap as indicators of tax compliance. The study was motivated by persistent challenges in Nigeria's tax administration, including weak enforcement, tax evasion, revenue leakages, and inadequate voluntary compliance.

The study adopted a cross-sectional survey research design and collected primary data through structured questionnaires administered to personnel of the Nigeria Revenue Service (NRS) in the South-South region of Nigeria. A sample of 277 respondents was selected from a population of 900 staff using the Taro Yamane formula, while 230 valid responses were used for the analysis. Descriptive statistics, Pearson correlation, and linear regression techniques were employed to test the hypotheses at the 5% significance level.

The findings revealed that tax enforcement practices have a strong and significant relationship with tax compliance. Specifically, tax audit had a positive and significant relationship with voluntary compliance rate, while penalties and interest were significantly associated with the tax gap. Tax audit also had a significant relationship with the tax gap, and penalties and interest showed a positive and significant relationship with voluntary compliance rate. Consequently, all four null hypotheses were rejected. Overall, the study established that effective tax enforcement mechanisms contribute significantly to improving taxpayer compliance and reducing tax-related non-compliance in Nigeria.

Conclusion

The study concludes that tax enforcement practices are important determinants of tax compliance in Nigeria. Effective tax audit increase the likelihood that taxpayers will accurately report their tax liabilities and comply voluntarily with tax laws, while the imposition of appropriate penalties and interest serves as a deterrent against tax evasion and non-compliance. The significant relationships observed across all the hypotheses indicate that a well-functioning enforcement system can enhance voluntary compliance and help reduce the tax gap. Therefore, improving tax compliance in Nigeria requires strengthening the capacity of tax authorities to conduct efficient and risk-based audit, enforce penalties consistently and fairly, and minimize corruption within the tax administration system. When enforcement is transparent, predictable, and supported by competent personnel and appropriate technology, it can improve taxpayer confidence, increase government revenue, and promote a more effective and equitable tax system in Nigeria.

Recommendations

In view of the findings and conclusion of this study, the following recommendations were made:

1. Tax audit capacity should be strengthened. Tax authorities should adopt risk-based and technology-driven audit procedures to identify taxpayers and transactions with a high probability of non-compliance.
2. Taxpayer records should be regularly examined. Tax authorities should periodically examine relevant financial records and tax returns to ensure that reported taxable income and tax liabilities are accurate and consistent with applicable tax laws.
3. Tax enforcement should be fair and transparent. The administration of tax audit, penalties, and interest should be guided by clear procedures and applied consistently to avoid arbitrary treatment of taxpayers.
4. Penalties and interest should be applied consistently. Tax authorities should enforce legally prescribed sanctions against non-compliant taxpayers while ensuring that compliant taxpayers are not subjected to unnecessary harassment.

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