



ANAN

a premium brand of choice

ISSN 0189-0662

Volume 30, Number 2

The Certified

National Accountant

A Quarterly Journal of Association of National Accountants of Nigeria

APRIL - JUNE, 2022



**ANAN President Prof. Benjamin Chuka Osisioma, FCNA and his team
at National Assembly during the Public Hearing of a bill
for the amendment of ANAN Act, CAP A26 LFN 2004 - 2022**

COUNCIL MEMBERS

Prof. Benjamin Chuka Osisioma, *FCNA*
 Dr. James Ekerare Neminebor, *FCNA*
 Hajia Zuwaira Talatu Kishimi, *FCNA*
 Prof. Muhammad Akaro Mainoma, *mmi, FCNA*
 Dr. Babajide Ibrahim Awe Agboluga, *FCNA*
 Alhaji Ibrahim Husaini Gidado, *FCNA*
 Mr. Ibrahim Maren Makut, *FCNA*
 Alhaji Mohammed Bulama, *FCNA*
 Dr. Sunday Adeyemi Ojelabi, *FCNA*
 Mr. Cletus Okwuchukwu Odoh, *FCNA*
 Prof. S.A.S. Aruwa, *FCNA*
 Mrs Alice Samuel Urom, *FCNA*
 Alhaji Kabir Dankaura Muhammed, *FCNA*
 Chief Peter Chinatu Anyanwu, *FCNA*
 Dr. Olaoye Sunday Adewale, *FCNA*

- *President/Chairman of Council*
 - *1st Vice President*
 - *2nd Vice President*
 - *Immediate Past President*
 - *Treasurer*
 - *Membership Secretary*
 - *Member*
 - *Member*
 - *Member*
 - *Member*
 - *Member*
 - *Member*
 - *Member*
 - *Member*

Past Presidents

Chief (Dr.) Johnson Kolawole Odumeru, *FCNA (Late)*
 Mr. Sunday Babalola Aloba, *FCNA (Late)*
 Alhaji Umar Hamid, *FCNA (Late)*
 Prof. Edet Robinson Iwok, *Ph.D, FCNA (Late)*
 Dr. Samuel Okwuchukwu Nzekwe, *FCNA*
 Chief (Mrs) Frances Iyamide Gafar, *FCNA*
 Hajia Maryam Ladi Ibrahim, *B.Sc. (Hons), FCNA*
 Alhaji (Dr.) Sakirudeen Tunji Labode, *FCNA, CPA*
 Mr. Anthony Chukwuemeka Nzom, *MBA, FCNA, CPA*
 Alhaji Shehu Usman Ladan, *FCNA, CPA*
 Prof. Mohmmad Akaro Mainoma, *MNI, FCNA*

- 1996 - 2001
 - 2001 - 2003
 - 2003 - 2005
 - 2005 - 2007
 - 2007 - 2009
 - 2009 - 2011
 - 2011 - 2013
 - 2013 - 2015
 - 2015 - 2017
 - 2017 - 2019
 - 2019 - 2021

Management

Dr. Kayode Olushola Fasua, *Ph.D, FCTI, FCNA*
 Mr. Gbeminiyi D. Ojelade, *CNA*
 Alh. Rahman A. Bello, *CNA*
 Dr. Musa Ahmed Mohammed, *FCNA*
 Barr. John O. Amah
 Mr. Sunday O. Fadare, *CNA*
 Mr. Olufemi Jogunade
 Mr. Raphael Attu, *FCNA*
 Mr. Mustafa O. Alawiye, *FCNA*
 Mr. Edward Mbagbeive, *CNA*

- *Chief Executive Officer*
 - *DCEO, Admin and Strategy*
 - *DCEO, Education and Training*
 - *DCEO, Corporate Affairs and External Service*
 - *Director, Legal and Council Affairs*
 - *Director, Membership Service*
 - *Director, HR*
 - *Director, Finance and Accounts*
 - *Director, Technical and Standard*
 - *Head, Internal Audit*

Nigerian College of Accountancy

Jonathan Nwagboso, *B.Sc, MBA, FCNA, FCIDA*
 Benjamin M. Okike, *B.Sc, M.Sc, CNA*

- *Acting Director - General*
 - *Director of Studies*

Editorial Board

Chairman/Editor-in-Chief:
Deputy Editor-in-Chief:
Members:

Prof. Joseph Offiong Udoayang, *B.Sc, MBA, M.Sc, Ph.D, ACTI, FCNA*
 Prof. Uche Ugwuanyi, *B.Sc, MBA, M.Sc, Ph.D, FCNA*
 Hon. Oni Olubode Matthew, *FCNA, FCTI, CrFA, MIIA (USA)*
 Prof. Vincent Ezeabasili, *B.Sc, MBA, Ph.D, CNA, CPA*
 Oyewale Adetunji Gbenga, *HND, M.Sc, CNA*
 Dorkur Phillip Zingdam, *B.Sc, M.Sc, HND, PGD, ACrFE, CNA*
 Patricia Oranefo (Rev.Sr) *B.Sc, M.Sc, Ph.D, ACMA, CNA*
 Prof. Sergius N. Udeh, *B.Sc, M.Sc, MBA, Ph.D, CNA*
 Azubuike Oraka, *B.Sc, MBA, Ph.D, CNA*
 Nkechi Ofor, *B.Sc, M.Sc, Ph.D, CNA*
 Oluwatosin Ranti Omakor, *HND, PGD, M.Sc, ACrF, CNA*
 Raphael Sunday Etim, *Ph.D, MNIM, ACTI, ACIA, FCNA*
 Mr. Obafemi Olusanya, *PGD (Journalism)*
 Mrs Maureen Nkolika Odua, *B.Sc*

Editor:
Acting Secretary

DISCLAIMER:

The views expressed in this journal are not necessarily those of the Association. Authors should note that they are fully responsible for their papers and claims thereof. The Editorial Board and/or the Association cannot be held liable for any acts of plagiarism or misleading/misrepresentation of facts.

All correspondence should be addressed to the Editor-in-Chief, The Certified National Accountant, Plot 559, Mabushi District, Off Ahmadu Bello Way, Abuja, FCT. Tel: +2347038433781

E-mail: info@anan.org.ng Web Address: www.anan.org.ng

Chairman / Editor-in-Chief, Editorial Board

Email: josephudoayang@yahoo.com

Cell: +2347038147508, +2348034194911, +2348169079585

The Certified National Accountant

Volume 30 Number 2, April - June, 2022

Content **Page**

Editorial:
Editor-in-Chief 3

Articles

Deterrent Measures of Tax Fraud on Tax Compliance in Nigeria: 5
Dr Umanhonlen, Ogbeiyulu Felix

**Integrated personnel and payroll information system (IPPIS)
and accountability in Government Administration in Nigerian
Civil Service** 22
Enya, Joseph Odum

**Examination of the relationship between auditors' independence
and quality of audit reports of insurance companies in Nigeria:** 33
Kate Sunday Okpo, Sunday Asukwo Okpo

**Investment Decisions and Performance of Quoted
Manufacturing Firms in Nigeria** 43
Dr. Chinwe Gloria Odum, Dr. Patricia Chinyere Oranefo

**Effect of Capital Structure on Financial Performance of Listed
Consumer Goods Companies on Nigerian Stock Exchange:** 52
Ogbada, Eyong Ikwa, Useh, Udem Francis
Enya, Joseph Odum

**Impact of Financial Deepening Indication on the Growth
of Nigerian Economy from 1985 to 2020:** 59
Dr. Awa Felix N., Dr. Ugwu Okereke J

Editorial

The editorial board welcomes all readers and contributors to The Certified National Accountant, Volume 30, Number 2. This quarterly publication is considered as professional channel in accounting both nationally and internationally.

Accounting profession is structured by the environment in which it operates. The forces on internationalization of the profession are irreversible. As a result of the increasing multinational structure of business organizations, the globalization of markets, and the political and regulatory development of regionalism, accountants become the key drivers that will keep it going.

This edition considered well-articulated articles in accounting that will enable the accountants and researchers the world over to utilize the ideas exhibited for effective and efficient implementation of available resources for optimum output.

Concisely, the articles waiting to kindle your enthusiasm and fill your aesthetic taste are:

- * Deterrent Measures of Tax Fraud on Tax Compliance in Nigeria
- * Integrated Personnel and Payroll Information System (IPPIS) and Accountability in Government Administration in Nigerian Civil Service

- * Examination of the Relationship between Auditors' Independence and Quality of Audit Reports of Insurance Companies in Nigeria
- * Investment Decisions and Performance of Quoted Manufacturing Firms in Nigeria
- * Effect of Capital Structure on Financial Performance of Listed Consumer Goods Companies on Nigerian Stock Exchange
- * Impact of Financial Deepening Indication on the Growth of Nigerian Economy from 1985 to 2020.

Professor Joseph Offiong Udoayang, FCNA
FRC/2015/ANAN/00000010896
Chairman, Editorial Board/ Editor-in-Chief
e-mail: josephudoayang@yahoo.com
Phone: +2348034194911

CALL FOR PAPER

The Certified National Accountant Journal (CNAJ) invites unpublished, original, empirical, professional and high quality research work written in English from interested and related scholars, researchers and practitioners for publication on quarterly basis. The research areas of the papers for publication include among others: Current Challenges and Emerging Issues in the Accounting Profession, Financial Accounting and Reporting, Forensic Accounting and Internal Control Systems, Cost and Management Accounting and Management Information System. Financial Management and Control. Energy Finance and Renewable energy. Taxation, Tax Policy and Implementation. Corporate Governance and Economic Development, Corporate Social Responsibility and Financial Reporting, Accounting Theory and Disclosure. Electronic Accounting, Environmental, Petroleum and Solid Minerals Accounting, Human Resource Accounting. Public Sector Accounting and Reporting. Budgeting System and Implementation Crisis, Contemporary Issues in Accounting. Auditing and Accounting Standards and Institutions. Accounting Ethnics, The Position of IFRS in the Nigerian Accounting Practice, Financial Reporting and the Nigerian Financial Regulations and any other accounting related areas.

FORMAT OF THE MANUSCRIPT

Manuscript should be written in English (if it is written in French, English translation must be included). The Manuscript should not be more *than 16 pages on A4 type paper with 1 inch margin for the top and bottom while the right and left hands margin should take 1.25 inches each*. The reference should be in the current APA style. Times New Roman with 12 font size of one and half line spacing are to be adopted. There should be separate cover page to contain the title of the work, the author(s)' full names and titles, addresses, institutional affiliation, phone number and e-mail address and abstract of the work should not be more than 300 words. The keywords of four to six words should also be included in alphabetical order.

Microsoft words should be used. The work should be structured into Introduction, Literature review. Methodology, Results, Discussion and Conclusion, References and Appendices (where applicable). The manuscript should be numbered consecutively on the bottom centre. Manuscript that does not conform to these guidelines may be returned to the author for compliance before review. All manuscripts are subjected to blind review by experts in the specialized area to ensure relevance, contribution, acceptance or otherwise before final necessary action by the Editorial Board of CNAJ.

ONLINE SUBMISSION

All manuscripts should be submitted electronically as a t t a c h m e n t t o o u r e - m a i l : ananpubcommittee2021@gmail.com. The journal is quarterly: submission of manuscript shall be acknowledged within two days. Authors should note that publication in CNAJ is free of charge as contribution of ANAN to the development of accounting research in Nigeria.

Deterrent Measures of Tax Fraud on Tax Compliance in Nigeria

Umanhonlen, Ogbeiyulu Felix (PhD), ogbeiyulu4real@yahoo.com
 035035671; +234(0)8028901191*

nt all over the world generates revenue for expenditure through tax. Tax compliance gives incentive to l and reduces collection burden. This paper focused on deterrent measure of tax fraud on tax e in Nigeria. Specifically, the paper examined the influence of stiff penalty, tax audit, tax amnesty and nce policy on tax compliance. This study used an ex- post facto and field survey research type, which ombination of both qualitative and quantitative design covering time frame of five years from 2016 to main instrument used in the study was questionnaire administration and analyzed with least square method. The study revealed that stiff penalty, tax audit and tax deterrence policy indicated positive relationship with tax compliance, and by implications were critical influencing deterrent tax fraud nhancing tax compliance. The study also showed that tax amnesty has no significant influence but elated with tax compliance which by implication is a weak enhancing factor of tax compliance. It ecommended that tax authorities in federal and state government should ensure that stringent penalty s are meted on defaults taxpayer as to enhance compliance to boost revenue for government 2.

: Deterrent Policy, Tax Fraud, Stiff Penalty, Tax Compliance, Tax Audit, Tax Amnesty, Fines

ound to the study

ation is an age long event. It is a process in ayers file all the required tax returns by ll income accurately and paying the exact using applicable tax laws and regulations (ustapha, 2011). Taxes levies form the social phenomenon and are sources of government in most countries. The need ments has been a phenomenon of global e as it affects every economy irrespective differences (Ojong, Ogar & Oka, 2016). capacity to provide security, meet basic therefore foster economic development, balance between accumulation and on that gives state their social character & Nwankwo, 2016). Consequently, requires funds to finance its operations s. Government undertakes huge public on behalf of its citizens and the populace ision of basic amenities and other social citizens' welfare (Modugu & Anyaduba, of the ways opened to government to raise drive the needed revenue to fund the

(Umanhonlen & Umanhonlen, 2020). Taxes are among compelling services from which governments can and will generate income, taxes serve and are the most important, reliable revenue drive mechanism through which government sectorial goals and objectives are met contributing much more than any other sources.

Taxes are levies imposed on personal income, business profits or wealth of an individual, family, community, corporate, incorporated bodies (Modugu & Anyaduba, 2014), interest, dividend and discount, or royalties for the purpose of raising revenue. Tax is a compulsory levy by government on the income, consumption and capital of its citizenry or charges imposed by a public authority through legislation (Naiyuju, 2010), and on the income and properties of individuals and companies as stipulated by the government decree, laws or acts of parliament

* Dr Umanhonlen, Ogbeiyulu Felix*(PhD), is a lecturer in the Department of Accounting, Faculty

respective of the exact amount of service of the taxpayer in return (Omotoso, 2001). Accordingly, tax is the ability and willingness of taxpayers to comply with the tax laws, declare the correct income for each year and pay the right amount on time (eHassan, Ahmed & Gulzar, 2021). Tax is a key component of any tax system in the manner in which it is administered (Naiyuju, 2010). It is a fee charged or levied by a government on a product, income or activity taking place within its territorial boundary and the main reasons of this is to finance government expenditures and redistribute wealth which translates to financing development of the state or region (Bhartia, 2009). Considerably, tax payment is not for the direct exchange of good or services but a transfer of resources and income from the private sector to the public sector in order to achieve some of the nation's economic and social goals (Okpe, 2000), and certain ethical considerations, social contract approach and obligations (Abumere, 2021).

However, deterrence tax policies are preventive compliance strategic measures put forward by government to ensure increase in tax revenue through compliance. Deterrence is the product of the probability of detecting the size of the fine imposed and determines the amount of income evaded (Anyaduba, Eragbhe, & Modugu, 2014). Tax fraud occurs when an individual or business entity willfully refuses to file in correct returns, intentionally falsified information and presents fraudulent records in order to bypass, avoid or limit the amount of tax liability. Tax compliance is as reporting of tax liability to the relevant authority in compliance with applicable tax laws, regulations and court (Abdulsalam, Almustapha & El-Maude, 2014). The inability to down-trodden clear tax deterrent measure has been responsible for lack of compliance. Deterrence measure on tax fraud may help application on tax compliance. This is not capital in nature but stiff or strict penalty with firm directive, hence improves tax revenue and reduces tax fraud. The challenges that face tax system in Nigeria and most developing countries are the level of tax fraud among informal sector operators (Adekoya, Olaoye & Olatunji, 2021). Tax evasion is the deliberate

affairs or conceal a tax base (asset or income) in order to induce a lower tax liability or pay no tax liability at all (Ibadin & Kemeberadikemor, 2020).

The willingness to compliant or pay taxes lied or tied to government policy delivery. This informed the introduction of Voluntary Assets and Income declaration Scheme (VAIDS) in 2017 by the Nigerian government with objective benevolent tax amnesty for a limited time to defaulters, and to instill fuller tax compliance, ensure payment of outstanding tax liabilities as well as preventing tax evasion (Sam, 2017). Tax penalty implied how strict the punishment is in terms of fines and imprisonment linked to the detection of tax evasion (Amjad, Hijattulab & Munusamu, 2018). A declaration of larger income can be achieved through the increase in the probability of detection and tax penalties. Besides that, when a taxpayer is expected to file an income or carry out tax returns but then fails to comply in time, tax penalties can be extended to him by way of charges on such an individual or persons for late filing (Oladipupo & Obazee, 2016). Apparently, nonchalant attitude towards provision of basic infrastructural amenities and lack of accountability by Government in public spending does not constitute a lawful justification for non-payment of tax (Fadeyi, 2020). Hence, the objectives of this study were to examine the impact of stiff penalty, tax audit, tax amnesty, tax deterrence policy on tax compliance in Nigeria.

1.1 Statement of the research problem

In Nigeria, there are indications that the institution of governance at all levels is entangled in a web of public distrust and declining public confidence (Abati, 2006; Natufe, 2006). As such, vast percentage of useful revenue is constantly lost to tax criminality on daily basis despite array of weapons at tax authority disposal (Olokoola, Awodun, Akintoye & Adebowale, 2018). This has been observed by experts that the proportion of personal income taxes to the Nigerian government's total revenue has been appalling and on the decline (Chartered Institute of Taxation of Nigeria [CITN], 2010); and found a fair compliance to personal income (Aronmwan, Imobhio & Ibadin, 2014). A study conducted by Olatunji

and lack of engaging stiff deterrence on defaulter forms the nucleus-nexus to tax Nigeria. Notable argument speculated that policy trust, policy summersault, try tax incentives, holiday, waver, weak station of sanctions, exemptions without due ons and lukewarm attitude by states toward unties windows for tax non-compliance Odita, 2013; Modugu & Anyaduba, 2014; , 2016; Abdulhamid, 2014; Amjad et al., mi, Foluso, Abdul-lateef, Saliu & Muiyiwa, unhonlen & Umanhonlen, 2020).

has also been speculated in some other at the issue may not have been far fetched erian tax system viewpoints which have ax laws, and are reviewed occasionally sional income tax (amendment) Act 2011; s Income Tax Act Cap C21 LFN 2004 (as Capital Gains Tax Act Cap C1 2004; Value k Act Cap V1 LFN 2004 (as amended); tax Act Cap E4 LFN 2004; and the Stamp Cap 58 LFN 2004 (finance Act 2019 as to suit government purpose against this of taxpayer. Thus, that at the moment income tax payment is at a woebegone geria (Jim-Suleiman & Ibiamke, 2021). at, asserts that the unclear nature of the Profit Tax Rate (PPTR) of 85% (percent) of royalties imposed by section 19 (1) of may have contributed to tax menace a et al., 2014; Aronmwan et al., 2014; n & Umanhonlen, 2020). The PPT is royalties and memorandum of ing (MOU) which guarantees an after tax crude oil levels or operating and capital e, which the taxpayer has expected to m whichever is considered lower and among the two categories of measures or MOU) without adjustments. The of the second (2nd) schedule of the Act 5.75% (percent) concession to indigenous producing less than 50,000 barrels pay a 5% (percent) to 30% (percent). This rate is conflicting because the MOU that is gislated and passed into law in Nigeria

and the concessions which the indigenous companies feel has no effect due to government insincerity awarding prospecting licence makes it complex for crude-oil companies to obey normal channels and compliance to taxes payment.

BBC news in 2019 has reported that in 2018, 19 million Nigerians paid into federal or state coffers according to government data. A World Bank report showed that in the same year, 2018 put the country's economically active population at about 65million and so even with the rising numbers of taxpayers, yet less than 30% of the estimated numbers is paying taxes (BBC News, 2019). One of the reasons for this has been attributed to poor tax compliance, lack of compliance to the provisions of tax laws indicates that taxpayers are evading taxes, which is the most critical challenges to tax administration (Amjad et al., 2018). Furthermore, the BBC news added that in 2017, the country offered a 12-month amnesty for Nigerians to declare and pay taxes on all previously undeclared income and assets to avoid penalty payments and possible prosecution. However, the World Bank reported a year after that it was partly successful with just 8% of the target achieved at the end of the amnesty period. This poor compliance behavior has been captured in literature as the "compliance Puzzle" and is a challenging phenomenon experienced across countries, especially the less developed economies (Modugu, Eragbhe & Izedonmi, 2012).

Moreso, commentators have viewed the tax rate of 30 % (percent) on company income tax in response to company tax Act 1990 as amended 2019, as one of the highest in the world. This rate is one of the value added, 2% (percent) education tax which has to be borne into product, goods or services (import and export) and deductible among others taxes and which taxpayers perceived double taxation, astronomical and too much tax burden. Against this backdrop, the Guardian News has reported that sequel to the Nigerian government announcement of a new \$ 3billion credit line from the Bretton Woods Institutions (BWI) to overhaul electricity infrastructure in the country, the former executive chairman, Federal Inland Revenue Service (FIRS)

billion to tax evasion annually (The Guardian, 2019). Accordingly, despite finalizing the National Tax Policy (NTP, 2018), amending the tax laws and strengthening of the FIRS for enhanced operational efficiency, no real consideration has been given to measures or strategies that may encourage voluntary declaration and compliance as an alternative measure of growing the national tax base (Fata, Seye & Yomi, 2019). Suffice to say that corruption, coercion and all other vices as applicable in most countries hamper deterrent measure to compliance. On that regard, this paper sought to provide answer to the following question as to what extent has stiff penalty, tax audit, tax amnesty, tax deterrence policy improve tax compliance in Nigeria?

2.0 Literature review

This section of the study reviewed related literature. The reviewed literature covers areas relevant to the issues in contention within the scope of discussion.

2.1 Conceptual review

Tax compliance is a morale issue. It has become a great problems and of concern to both developed and developing countries worldwide (Igbeng, Tapang & Usang, 2012). Tax compliance eliminates tax fraud and deterrent. The willingness to voluntarily comply or pay taxes revenue will be a thing of the past if taxpayers file correct and genuine returns on regular basis without considering the other parts that will always be there. Tax compliance removes bottlenecks, infractions, incidence of collusion, coercion and counter-productive in the ability to pay and raise taxes revenues, remits, derives as well as delivers on economic benefits to citizens by the government. The citizens' perception of government accountability is an instrumental factor that shapes the emergence and maintenance of tax morale resulting in voluntary tax compliance, (Okezie, 2018; Fadeyi, 2020). To ensure compliance, government utilizes three tax components within tax policy, tax law and administration of these tax laws. The jurisdictions of tax administration on tax system enable government to use tax policy, direct government intentions and actions towards achieving set goals; government could decide to concentrate on consumption tax which helps reduce tax evasion or

use tax reduction for individuals to stimulate the economy as a result of high disposable income (Abdulhamid, 2018).

On that basis, voluntary compliance is made possible by the trust and cooperation between tax authority and taxpayer, and the willingness of the tax payer on his own to comply with tax authority's directives and regulations (Modugu et al., 2012). Agu (2018) noted that voluntary tax compliance or payment of taxes is not influenced by the individuals' perception of government accountability and is also influenced by the perception of government accountability. Tax compliance is a matter of will (Verboon & Van Dijke, 2011) and as willingness on the part of tax payers to comply with relevant tax laws and authorities by paying the right amount of taxes. Tax compliance refers generally to the ability of a taxpayer to submit correct, complete, an acceptable return in agreement with tax laws and regulations requiring such to the relevant tax authority for the purpose of being assessed to tax (Kircher, 2008). Kirchler (2007) noted that tax compliance should be taxpayers' willingness to obey tax law in order to obtain the economic equilibrium of a country. Quadri (2010) advanced that voluntary tax compliance is a tax system based on taxpayers complying with the tax laws without being compelled by the tax authority to do so, thus, under the system, tax payers are expected to report their income, calculate their tax liability and file a tax return. Atawodi and Ojeka (2012) described tax compliance as submitting a tax return within the stipulated period, correctly stating income and deductions, paying assessed taxes by due date and paying levied taxes.

Masud, Aliyu and Gambo (2014) admitted that tax compliance is a process where taxpayers file all the required tax returns by declaring all income accurately and paying the exact tax liability using applicable tax laws and regulations. It is the level at which a tax payer complies or defaults the tax rules of their country (Marziana, Mohamad, Norkhazimah & Mohmad, 2010). Azeez (2009) revealed that if governments are perceived as accountable; more people will pay their taxes voluntarily, hence reduces the need for coercion and generally lowers the costs of

ction. He noted therefore that if people do not see governments as accountable, there is an increased likelihood that state demands a review or changes which will be met with protest and resistance that is costly and might even jeopardize the position of those in power. According to Chow, tax compliance is in administrative and legal compliance. Therefore, where administrative compliance refers to compliance with applicable tax laws as required in the relevant provisions, judicious compliance refers to the care in filling the tax return forms.

On the other hand, fraud is being seen as an act that occurs with the context of socio-economic interaction and has serious implication for society, organizations and people (Silverstone & Z, 2007). Essentially, tax fraud entails filing a false tax return in an attempt to avoid paying tax obligations (Allain, Fraudeau & 2016). Tax fraud is a menace, which causes losses to government revenue and economic growth. Any individual, group of individuals or agents involved in tax fraud or pervasively filing false government on tax returns commits tax fraud acts. Fraud does not include the thought of illegitimate gain. It may be characterized as involving a wide variety of corrupt, misleading, dishonest or exploitative practices (Eke & Okah, 2002). The Cambridge English Dictionary (2002) described fraud as an act of deliberate deception with the intent of gaining some benefits, that is, acts of fraud involve pretending to be something that one is not.

Tax fraud is a global phenomenon and has been increasing (Umanhonlen & Umanhonlen, 2020). According to the Guardian Business News (2019), a report has said that Nigerian government has lost a staggering sum of over \$ 17.8 billion annually to tax fraud. The Guardian Business News (2019) also reported that Fowler said that these challenges offer a response to issues of international tax evasion; illicit financial flows; money laundering and other harmful tax practices based on the use of advanced technologies to facilitate tax evasion (Adelabu, Ogunbanjo, & Odeh, 2018).

(2018) noted that tax fraud is very prevalent in the Nigerian concept, it has cost the government billions of Naira, and the cost of tracking tax fraud has further constituted cost to the government. Tax fraud entails cheating on a tax return in an attempt to avoid paying the entire tax obligation. It occurs when an individual or business entity willfully and intentionally falsifies information on a tax return in order to limit the amount of tax liability. For instance, claiming false deductions, changing personal expenses as business expenses, and not reporting income for tax assessment or purposes.

2.1.1 Tax deterrent policy and penalty on tax compliance

Deterrence measures to crime are widely discussed, especially the extent of how they could be used to reduce crime in the society (Adenuga & Abdulrazak, 2016). The role of deterrence measures to tax compliance is to increase the monetary cost of public and private expenditure. Tax deterrent policy is a policy targeted toward ensuring tax compliance. Audit, fines, penalties are deterrent measures in place by relevant tax authorities to punish tax evader or non-compliance. Amongst tax enforcement tools are tax audits, placement of tax penalties, fine, detainment of assets, and subsequent disposal of tax default property and compulsory use of tax clearance certificate for major transitions (Samuel, 2015). The current deterrence measures for non-compliance include a penalty up to 25,000 for employers who fail to register their employers and remit such taxes to relevant tax authorities in respect of personal income tax (PIT), and also fail for the payment of all tax areas, employers who failing to keep proper records would face a penalty of N5, 000. Aronmwan et. al. (2014) noted that failure for tax payer to observe compliance owns consequences with various tax laws provisions which attract fines or penalties of the sum of N 50, 000 for every month of default plus interest at commercial rate. Thus, tax offenses comprise of both civil and criminal vice (Olokooba et al., 2018).

Accordingly, offences are violation of any law, regulation and legislation, and any person or persons who is a party to doing any act which amounts to a breach of the law.

together amount to or will result in something which is unlawful is guilty of an offence. The level of tax rate may not be only the factor influencing peoples' decision about paying taxes. The structure of the overall tax system has an impact, and if for example, the tax rate on corporate profits is relatively low, and an individual is facing a high tax rate burden in their personal income. Such person or persons may perceive it as unfair and declare only a part of their income (Akinyomi & Okpala (2013). Parkin (2006) has said that in countries where the public does not have a significant amount of influence over the system of taxation, such system may be more of reflection on the values of those in power as governments use different kinds of taxes and vary tax rates to distribute tax burden among individuals or classes of the population involved in taxable activities. The whole essence of government is to advocate the welfare of an increasing number of people, and the extent of deterrence as the product of the probability of being detected and concludes that the size of the fine imposed determines the amount of income invaded (Anyaduba et al., 2014).

Anah and Nwaiwu (2018) agreed that various enforcement measures are available when voluntary compliance seems difficult. These are tax audit, penalty, amnesty and some tax holidays. The level of punishment or deterrence applied to ensuring tax compliance increases incidence tax offenses, violations, evasion which reduces compliance. In view of the low deterrence applied in most countries, either because of a low intensity of control or small penalties, taxpayer's evasion rate appears to be on the increase. However, not filling tax returns at all, understatement of income, overstatement of allowable expenses or an intention to reducing tax liabilities is an offense (Kirchler, 2007). Against this backdrop, large compliance can often and easily take advantage of tax loophole, thus contributing to the perceived unfairness of the system. Alabede, Affirm and Idris (2011) noted that with the passage of time, evidences have shown based on the researches that deterrent tax measures such as tax audit, fines penalties alone cannot fully encourage tax compliance. Deterrent measures should not alone be the punishment for tax offenses, civic measure like

technology, sincerity in tax spending should be employed to ensuring voluntary compliance, willingness to pay and collections of taxes. Enwegbara according to the Guardian Business News (2019), said that Nigeria's reluctance in adopting automated revenue collection such as e-tolling, e-automotive and traffic management, e-vat collection, and the reckless grating of tax waivers was costing the country a colossal sum of money annually.

2.1.2 Tax audit on tax compliance

Tax audit is established to stimulate tax compliance on tax payers' returns. To effectively take problems of poor tax administration, government has remarkably employed some tools such as audit, use of tax penalty and has partially adopted tax amnesty. These were defined according to Rotimi et. al. (2019) thus: tax audit involves examination of taxpayers' books of account to ascertain if actual tax returns reflect correct tax payment; tax penalty is a form of deterrence for not complying with tax obligations. Tax amnesty is a process that allows voluntary declaration of taxable assets and payment of such outstanding tax liabilities without payment of penalties. Tax audit is relevant to tax administration in both developing and developing countries of the world so as to avoid tax evasion and avoidance by tax payers including organization and individuals (Olaoeye & Ekundayo, 2018). Tax audit is one of the most effective policies to prevent tax evasion behaviour and ways to ensure outright compliance (Slemrod, 2000). It is an examination of whether taxpayers have properly assessed and reported their tax liabilities and met other requirements. It shows that tax audit has to verify or conduct an audit investigation on the level of compliance of any form of tax returns file or audited financial statements or its equivalent tax related platform. Tax audit is required to know whether the position of the tax payer's claim is fair and just to the equitable timeliness of his duly voluntarily obligations. Hence, higher audit probability will result in higher level of tax compliances provided that higher tax penalty rate is attached, which is capable of deterring noncompliance (Mohammed, 2015).

The primary purpose of tax audit is to

the extent to which tax payers may have with relevant statutory provisions of the tax aspect of their audited financial statements and related returns. Usually, tax audit is a routine which outcome could lead to a reassessment for special investigation especially if tax is suspected. As currently in force in Nigeria, it may help sustain the confidence and integrity in self-assessment scheme. Tax audit is a detailed examination of book of accounts, tax payments and other records of a taxpayer in compliance with statutory tax requirement, regulations, accuracy and correctness of tax adhering to generally accepted accounting principles and standards (Onuoha & Dada, 2016). According to the organization for Economic Cooperation and Development [OECD] (2001), tax audit is an examination of whether a taxpayer has correctly assessed and reported their tax and fulfilled other obligation. Compliance through enforcement by relevant authorities or voluntary willingness of the taxpayer. Olaniran and Anyaduba (2014) defined tax audit as a process whereby the tax authority examines certain aspects concerning the profits of a company and its related returns as it may deem necessary and in accordance with the relevant provisions

of the law. Olaniran and Nwaiwu (2018) described tax audit as an examination of an individual or entity's tax returns by the relevant authorities in order to find out if they comply with applicable tax laws and regulations. Olaniran et al. (2019) noted that tax audit is an examination of an individual or entity's tax report by the relevant tax authority in order to ascertain compliance with the tax laws and regulations of the state. Olaniran et al. (2019) added that one of the primary objectives of an effective tax administration in any country is to attain the degree of tax compliance best possible while reducing tax gap while maximizing tax revenue. Olaniran et al. (2019) agreed that tax audit exercise essentially is meant to enable the tax authority to further satisfy itself that audited financial statements and the related tax computations

are correct. Therefore, tax compliance enforcement is through powers conferred on the relevant authorities to force the taxpayers to pay while voluntary compliance is morality of taxpayers to pay tax willingly (Kastlunger, Lozza, Kirchler & Schabmann, 2013; Abdulsalam et al., 2014).

Abdulsalam et al. (2014) define tax compliance as reporting of tax liability to the relevant authority in compliance with applicable tax laws, regulation and court. The tax laws confer power on the tax authorities to carry out tax audit and investigations. According to Olakooba et al. (2018), the immediate past minister of finance, Federal Republic of Nigeria has provided that the rate of compliance in respect to taxation in Nigeria is about 12% (percent), over 75% (percent) of registered companies were outside the tax net, 65% (percent) of those in tax net hardly file returns nor pay taxes at all. This was discovered due to the recent increase in corporate tax registrations. Implication of this is that less than about 9% (percent) of companies operating in Nigeria comply with tax obligation, thus, continuous violation of tax laws and persistent rise in low tax compliance. This makes government at all levels to revisit enforcement strategies for tax administration towards improving tax revenue. However, according to OECD (2007), delivery of quality of services to taxpayers will strengthen their willingness to comply with tax rules, and regulation voluntarily as result will contribute to overall level of tax compliance.

2.1.3 Tax amnesty and tax compliance

Nigeria's amnesty policy was meant to regularize tax status and ensuring total compliance. In July 1, 2017, the Nigerian government introduced tax amnesty which acronym was VAIDS (Voluntary, Assets and Income Declaration Scheme), a project initiated by the federal government of Nigeria aimed at providing an opportunity for corporate and individuals to regularize their tax status relating to previous tax periods in order to achieving voluntary tax compliance (VAIDS, 2017). Thus, for those that have not filed tax returns or defaulting taxpayers to use the window to declare and normalize their taxes

and later extended to June 30, 2018. The amnesty policy tended to make defaulting taxpayers within specified period of six years (2011- 2016) of assessment declare their assets and income from source from both home and abroad.

Tax amnesty program varies from one country to another covering some specific taxes as the case may be. Tax amnesty is the act of reducing or completely eliminating a definite or an indefinite punishment by authoritative governmental bodies through the tax authorities (Osman & Eren, 2011). Ojochogwu and Stephen (2012) collected that tax amnesty eliminates the punishments or penalties supposedly accruing to be executed against tax defaulters. It represents the legal deals, which are to do away with the right to place a penalty and present either partially or completely the execution of a penalty for the criminal acts. Akinyomi and Okpala (2013) noted that amnesty ordinarily means to renounce. At will morale that was not sauce due to perceived peripheral could not just be overturned overnight. Those businesses that refute filing in taxes were not unaware of the important and purpose of tax. The question is as at the period the amnesty policy elapsed in Nigeria, the government and tax authorities accounts whether the policy was huge success or not. Therefore, tax amnesty can improve tax compliance on the ground that strict measures are adopted such as constant tax audits with prosecutions (Mohammed, 2015).

2.1.4 Effects of tax fraud on tax non-compliance

Tax fraud or tax non-compliance has an adverse multiplier effect on the government's ability to impact on citizenry economy welfare. Sanni (2007) inferred that tax is an instrument of social engineering that stimulates general sectorial economic growth. Non-compliance to tax payment has positive and negative effect on both the government and the individual taxpayers. To the individual taxpayer, a low income tax rate stimulates or constitutes an incentive to work, while high income tax rate represents a disincentive to work. To the government, high income tax rate provides the most reliable permissive and dominant sources of government's revenue for promoting the economic development of

the nation (Okafor, 2012). Ohaka and Agundu (2012) noted that the vitality and necessity of tax prevails in the reality that it is powerless to carry out important ventures that cannot be shouldered by individual on their own. A major factor peddling tax fraud is the unwillingness of tax payer to comply with the provision of tax laws (Amjad et al., 2018).

The BBC News reported (2019), said according to some estimates, Nigeria has one of the World's lowest ratios of tax to GDP, which is the total amount of tax collected as a proportion of GDP. The value of the country's goods and services in 2016 according to the report was at six percent (6%) going by figure from the OECD, a grouping of the World's leading market economics. In response to Nigeria's status, the tax-to-GDP ratio in South African was twenty-nine (29%) percent, Ghana eighteen (18%) percent, Egypt fifteen (15%) percent and Kenya eighteen (18%) percent says the OECD. The average for OECD members includes all the advanced economies were thirty-four (34%) percent GDP. Furthermore, the World Bank used a slightly different measurement of tax take, which does not include most social security payments, and found that Nigeria's tax-to-GDP ratio in 2016 lower at just 3.4% (percent), in 2017 the rate improved to 4.8% (percent). Which the report noted that 15% (percent) was the level of acceptance, and the World Bank says it is the necessary level to achieve economic growth and reduce poverty.

Eboziegbe (2007) has noted that the effect of tax non-compliance will not enable government have sufficient funds to cushion and executing its plans agenda for the nation since tax is one of the major sources of government's funds and which is being paralyzed by the menace of tax leakages in the form of tax fraud. Odusola (2006) added that lack of payment of tax by the informal sector, the connivance of the tax authorities and the union in the formal sector serve as clog in the wheel of the successful implementation of tax policies in Nigeria. Abdulhamid (2018) agreed that the lopsidedness of Nigerian tax systems which is characterized by inequitable tax laws, dominated by oil revenue affects government tax revenue. The non-voluntary compliance and contributing of the taxpayers due to

er nature of the system leading to an practice of tax evasion and avoidance has major impediment to economic growth, in evasion and avoidance prevalent (Ezeoba & 2010). Kerly (2015) opined that tax non- ce involves both tax avoidance and tax which is major critical problem, and are enomena among developed and developing An individual's perception of personalized or equity can be rationalized and reflected tax morale and compliance behaviour (1992).

x avoidance is an important factor as it th the volume and nature of government Federal, state governments may lose both and corporate income tax revenues due to ance (Akinleye & Ogunmakin, 2016). A the United Nations Economic Commission (UNECA, 2009) estimated that African lost more than N50 billion each year to ancial outflows through tax avoidance and Similarly, PWC (2012) revealed that the ayng taxes ranking indicates that Nigeria 8 out of 183 economies that have relative ax payment. Nigeria National Bureau of (NBS) indicated that the Nation has taxable e of around 77 million, but government lows just 14 million pay income tax. Alm er (2006) agreed that the effect of tax fraud bal phenomenon in its contents and has revenue generated by government. A major t for efficient and effective tax ation. FIRS (2009; 2018 a & b) revealed ated 680 tax cases relating to domestic and dited and investigated companies in 2009 at staggering sum amount of N94.68billion o the government affected, but was covered. (2015) agreed that 90% (percent) of owners ss acknowledged that tax was a serious their businesses.

orlu and Nkoro (2012) confirmed that of government revenue, endangers the a of tax system. Hence, expectations of ent are not being met due to corruption, tax and avoidance which strongly associated

with low revenue. Eroding the existing welfare state is however a major social problem inhibiting development in Nigeria (Eboziegbe, 2007). Erikume Kenneth, Tax Director with PWC Nigeria, asserted in his compendium that based on statistics, only 1% of the population should account for about 50% (percent) of the tax revenue accruing to the government. This gave an indication of where the revenue generating potential of any state lies. This is not cast in stone and may defer from one jurisdiction to another. Rotini et. al.(2019), National Bureau of Statistics [NBS], (2015), said among workforce of about 77 billion, just about 10 million then representing 13% are within the tax audits and fines, the tax evasion reverse effects can be minimized. PWC (2012) reports showed that the average tax compliance time in Nigeria is 936 hours as against 318 hours for the organization for OECD countries. This has government policy implication, where for instance, many developing countries have low tax-to-GDP ratio where about 60 countries fall below the 15% threshold. Bernardin Aitoby, an Assistant-Director in the IMF said a typical advanced country has a tax-to-GDP ratio of around 40%. Aronmwan et. al. (2014) have emphasized that the above assertion would have gone through tax related fraud if effort was not regard toward tax recovery.

In addition, Fiawoo (2018) noted that with about 195 million people, Nigeria is Africa's most populous country and has big needs. Even so, it has the lowest tax-to-GDP ratio of any nation in the International Monetary Fund (IMF)'s report. Hence, just at 5.9%. Amanamah (2016) found that more than 50% (percent) of potential tax revenue remains uncollected in most developing countries. It is an effect to government when non-compliance or evasion creates tax gap which is described as the difference between the total amounts of taxes paid voluntarily on time and actual taxes liabilities which are supposed to have been paid for the same period with little or no much effects (Anyaduba, Eragbhe, & Madugu 2012). Besides that, unpatriotic act of tax evaders, and inadequate accounting records maintained by traders, mistaken belief on part of uneducated taxpayers that only wages and salaries represent taxable. Therefore, this avoidance generates

investment distortion in the form of the purchase of assets exemption from tax or undervalued for tax purposes (Adedeji & Oboh, 2012), which practices they presumed erode moral values and build up inflationary pressures.

2.2 Theoretical review

This study is discussed upon theory of social influence which tasked residence of tax on welfare, and tax morale theory which devoted taxes base on self-esteem. Theory of social Influence was promulgated by Cialdini in 1984. Cialdini in 1984 published a work on influence. Its premise centered on reciprocity, social proof, liking, authority and scarcity. The theory was psychological in nature. Cialdini (1984) noted that reciprocity is a belief that when you give you expect in return. It is natural that when taxes are paid government should endeavour to judiciously put the funds to use. Cialdini (1984) advocated that consistency and commitment should be watchword and an impression platform is that where government made promise to provide amenities, government should adhere to its promise. However, noted that when this is done taxpayers are disposed with rule to oblige to their taxes obligations. Social proof shows lack of policy implementation, where people evade taxes and are not punished, this is replicated, copied and cycle on routine basis. Liking according to Cialdini (1984), is when the citizens perceived good governance which make them feel sense of liked and are obliged to do their civic responsibility or duties. Authority means that citizens knew that being not obligatory to tax payment amounts to consequence which has no option rather than to pay. The proponent noted that scarcity would be that if government knew that without promoting tax payer welfare, in order to generate money through tax always, may be dangerous and the state may lack money to run or finance programmes.

On the other hand, tax morale theory was first traced to the preliminary reports in the 60s and 70s to the works of German scholars Schmolders 1960, Strumpel, 1969 by the Cologne School of Psychology. Their studies attempted to connect the difference between economics and social psychology with the emphasis on that social psychology should

also be viewed in the direction of economic phenomena as being viewed from the traditional neoclassical angle. Their interest was that morale is an important integral attribute that is related to tax non-compliance, and tax morale is seen as the intrinsic motivation to pay taxes, which helped to explain the high degree of tax compliance (Frey & Feld, 2002). This shows that a considerable portion of taxpayers are always honest, while some taxpayers are simply predisposed not to evade, and do not rehearse for any mind to cheat on payment of taxes. Moreso, there are individuals who may enjoy evading taxes and perceive it as a game playing with the state. However, opposite extreme of morale is represented by tax evaders who in a nutshell have low tax morale and tend to act as a rational actor tried comparing the benefits of evading taxes to the benefits of complying (Torgler, 2003).

Kirchler, Hoelzl and Wahl (2007) added that Schmolders (1960) and Strumpel (1969) saw tax morale as an attitude regarding tax non-compliance. Strumpel (1969) therefore analyzed tax morale and tax systems on the basis of an international comparative survey in Europe. He noted that treating taxpayers with great caution helped cultivate tax morale and reduced tax compliance costs. In their words, there are three key factors prevalence to the doctrine: morale rule and sentiments, fairness and relationship between taxpayers and government. Essentially, these three basic factors espoused understanding on tax morale. They explained that moral rules and sentiments focused on social norms which has to its fore four sentiments which is such as guilt, shame, duty and fairness. According to them, a false declaration will generate anxiety, guilt or if caught bring about shame or prejudice to taxpayers self-image. It is perceived that a taxpayer feels moral costs acts as a restriction on non-compliance. If a taxpayer feels or believes that the tax system is unfair by raising a higher tax burden, moral cost is to behave honesty with decrease, hence tax evasion can be seen as a sort of resistance against the tax system. Erard and Feinstein (1994) gave credit to the relevance of integrating morale sentiments into the models to provide a reasonable explanation of actual compliance behaviour. Akan and Odita (2013) found

morale has no significant effects on taxpayers' compliance. Hence, the study anchored its premise on the theory.

Empirical review

Several studies have been done on this subject. These can be reviewed from evidence on the following part of this page. Below table is a review summary of some studies and findings.

Summary of empirical review

STUDY	OBJECTIVE (MEASURE)	METHOD OF ESTIMATE (METHODOLOGY)	RESULTS (FINDINGS)
to	The paper sought to examine the correlation effect of tax rate on compliance in African	Multi stage approach simple regression (SPSS Version 19)	Both Negative
to	The paper empirically examined the economic implication of tax leakages on the Nigerian Economy	Chi-Square, Kendall W. Test, Test Statistics	Tax Evasion, avoidance adversely affect economic growth and development
sample	The study investigated tax morale and its effect on taxpayers' compliance to tax policies.	Regression (SPSS 16), Taro Yamane (Both Primary & Secondary data)	Positive, Non-Positive, & Negative effect
es	The paper sought to examine the effects of deterrent tax policies on tax compliance in Nigeria	Ordinary least square regression (Microfit 4.1)	Both Negative and Positive
000	The study examined the determinants of tax compliance behaviour under the self-assessment Scheme in Nigeria	Regression analysis, multi-statements design	positive & non-significant impact
0	The study aimed at examines relationship between probabilities of deterrent, tax rate, income tax evasion.	Partial least Square (PLS)	Both Negative, & Positive
es	The relationship among voluntary tax compliance behaviour of individual taxpayers in Pakistan	Quantitative research design and structural equation modeling techniques	Large impact on filing (positive relationships among variables)
als	How profitability companies in Nigeria are able to significantly employed the loopholes in the Nigerian tax system to significantly lower their effective tax rate over the past five years	GAAP, ETR	Negative
g	The study impact of tax revenue on the Nigeria economy.	Multiple regression of the ordinary least square (OLS)	Positive Significant & non-significant positive
er	The paper sought to examine the impact of tax audit and other qualitative attributes on the tax compliance level of companies in Nigeria	OLR techniques 500 questionnaire administered, 100 each state of five geopolitical zone of Nigeria	Both Positive
es	The study sought to examine the nexus between government accountability and voluntary tax compliance.	Z-Score, simple random sampling techniques.	Mixed Result (Inconclusive).
five	The study evaluated the effect of the Nigerian tax policy on the ability of local government to raise and spend tax money.	OLS, adopted descriptive approach.	Both Positive Effect through
with	The paper sought to examine the effects of tax audit on tax compliance in Ekiti State	Multinomial logistic regression, ranked with five point likert scale, questionnaire.	Tax law, tax accuracy & current relationship has Positive, Negative effect on compliance
014-	The study assessed the effectiveness of tax enforcement tools as panacea for improving tax compliance and	OLS regression, Taro Yamane formula with judgment, compliance	Positive significant relationship with tax compliance

3.0 Methodology

The study tried to empirically evaluate influence of deterrent measure of tax fraud on compliance in Nigeria. The descriptive and simple random sampling technique was adopted in selecting seven hundred and twenty (720) respondents consisting one hundred and twenty (120) each for a state of Delta in South-South; Enugu in Southeast; Ogun in Southwest; Nassarawa in North-Central; Kano Northwest; Gombe in Northeast from the six (6) geopolitical zones among entrepreneurs, professionals, owners of businesses, taxpayers, selected public servants, banking, manufacturing, construction industries and others in Nigeria. The test was carried out using five percent (5%) level of significance on likert five (5) scales points as strongly agreed and disagreed with Taro Yamane's formula to assess multiple regression Ordinary Least Square model and Spearman Correlation for analysis on primary data with the use of questionnaires.

The Yemane's formula is thus; $n = \frac{N}{1 + N(e)^i}$

Where: N = Number of population size; n = Appropriate sample size; e = Margin of error; i = Constant term. Therefore, from all the seven hundred (720) questionnaires administered among the above strata.

We have N = 720; e = 0.05; i = 2; $n = \frac{720}{1 + 720(0.05)^2}$;

; n = 257. The Taro Yemane's sample size determination technique is arrived at n = 257 which makes the basis for our analysis.

3.1. Model specification

The study introduced Path model to evaluate which among the deterrence tax measures variables has effects on tax compliance. The regression model to test for the direct and indirect actual relationship between tax compliance and each of the deterrent measures indicators are as stated below:

$$y_{ij} = \beta_0 + \beta_1 X_1 + \beta_{ij} X_2 + \beta_{ij} X_3 + \beta_{ij} X_4 + \mu_t \dots 1$$

Where: Y_{ij} = Tax Compliance; β_0 = Intercept or Constant Variable or Fixed Term; β_{1j} = Slopes or Regression Coefficient of the Explanatory Variables; $\beta_{1j} X_1$ = Stiff Penalty; $\beta_{ij} X_2$ = Tax Audit; $\beta_{ij} X_3$ = Tax Amnesty; $\beta_{ij} X_4$ = Tax Deterrence Policy; μ_t = Stochastic Variable (Also known as residual Error Term). Meanwhile, Deterrence tax Measures is proxied with Stiff Penalty, Tax Audit, Tax

Where:

$$\begin{aligned} \text{DeTaxMESR}_{ji} &= \beta_0 + \beta_{ij}\text{SFPET1} + \beta_{ij}\text{TaxAUDT2} + \beta_{ij}\text{TaxAMST3} + \beta_{ij}\text{TaxDTNT4} + \mu_t \quad \text{--- 3} \\ \text{TaxCOPC}_{ij} &= f(\beta_0 + \beta_{ij}\text{SFPET1} + \beta_{ij}\text{TaxAUDT2} + \beta_{ij}\text{TaxAMST3} + \beta_{ij}\text{TaxDTNT4}) \quad \text{--- 4} \\ \text{TaxCOPC}_{ij} &= \beta_0 + \beta_{ij}\text{SFPET1} + \beta_{ij}\text{TaxAUDT2} + \beta_{ij}\text{TaxAMST3} + \beta_{ij}\text{TaxDTNT4} + \mu_t \quad \text{--- 5} \end{aligned}$$

3.1.1 Definition of variables

TaxCOPC_{ij} = Tax Compliance is dependent of deterrent tax measures;

DeTaxMESR_{ji} = Deterrence tax Measures are independence of Tax Compliance;

β_{1j}SFPET 1 = Stiff Penalty: to discourage poor compliance or tax payment offender;

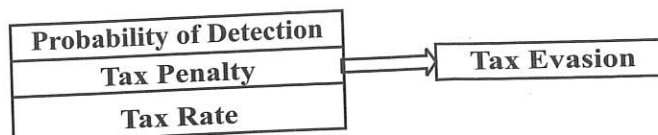
β_{ij}TaxAUDT 2 = Tax Audit: to discourage under filling in tax returns and detection of tax theft;

β_{ij}TaxAMST 3 = Tax Amnesty: to encourage compliance and willingness to return into tax net;

β_{ij}TaxDTNT 4 = Tax Deterrence Policy: policies aimed at punishing tax evader or fraudsters.

3.2 Model justification

Our Model estimation and methodology in use are in accordance with the procedure adopted in Amjad et. al. (2018); Anyaduba et. al. (2014); and Rotimi et. al. (2019). In a study conducted by Amjad et. al. (2018) studied the effects of deterrence factor on income tax evasion among Palestinian SMEs. The paper aimed at examining relationship between probability of detection, tax penalty, tax rate and income tax evasion by applying the deterrence theory. The data were obtained from 500 SMEs registered under the Federation of Palestinian Chambers of Commerce and Industry. A total number of useable questionnaires collected for the analysis were 184 in two months at 37% response rate. The research model used deterrence theory which signifies that tax behaviour is influenced by the probability of detection, tax penalty and tax rates. Deterrence theory has noted the variation in crime propensity between individuals is dependent on the expected benefit or cost rather than the difference in motivation to commit crime. The proponents believed that an individual is rational in decision making and only aimed at maximizing expected utility.



Source: Research Model

Anyaduba et. al. (2014) studied impact of deterrent tax policies on tax compliance: The

Nigerian Experience. The study attempted to empirically examine the effects of deterrent tax measure on tax compliance in Nigeria. The paper adopted Ordinary Least Square (OLS) regression techniques and used mainly primary data, two hundred (200) questionnaires, and one hundred and fifty (150) responses about 75% (percent) to examine the Tax_Comp (Tax Compliance with Tax Administration); Vol_Comp (Enforcing Voluntary Compliance); Acc_Trans (Accountability and Transparency in the use of public funds); Penalty (Introduction of Stiff Penalties); TaxDp (Tax Deterrence Policy). The model was Tax_Comp = β₀ + β₁Vol_Comp + β₂Acc_Trans + β₃Penalty + β₄TaxDP + Ut.

Moreso, Rotimi et. al. (2019) study also justified our empirical results. Their work was on Tax enforcement tools on tax compliance in Ondo State. The study assessed the effectiveness of tax enforcement tools as panacea for improving tax compliance and overall tax income in Ondo State, Nigeria. The paper used ordinary least square (OLS) regression on population of 243 staff of Federal Inland and Ondo State Internal Revenue Service with 150 responses. Taro Yamane's formula was adopted to arrive at sample method through judgmental sampling techniques on primary data to assess TAXCOMP (Tax compliance); TAXAUD (Possibility of Audit); TAXPEN (Tax penalty); TAXNESTY (Tax amnesty). When their model specification was TAXCOMP = β₁TAXAUDIT + β₂TAXPEN + β₃TAXNESTY + ε_{ij}.

4.0 Results and discussions

This section examines variable of interest and discusses the results of findings. The section also covers conclusions and recommendations.

Table 2. Ordinary Least Square (OLS) Registration Estimation (coefficients)

Model	Unstandardized Coefficients		Standardized Coefficients	T
	B	Std. Error	Beta	
(Constant)	-1.851	1.173		-1.577
SFPET	.494	.090	.583	5.483
TaxAUDT	.831	.180	.823	4.617
TaxAMST	.227	.168	.311	1.351
TaxDTNT	.713	.124	.934	5.746
R = Correlation coefficient				0.978 ^a
R-Square (R ²) = Coefficient of Determination				0.956
R Square Bar (R ²) = Adjusted Coefficient of Determination				0.949
Std. Error of the Estimate				0.4377
F-Statistics				135.93 (0.000)
Durbin-Watson				1.951

Source: Researcher's Computation (2021).

duced that the results showed a very high correlation coefficient value of 0.978 (98%), suggesting that the independent variables used to tax fraud measures which consisted of Stiff Penalty (SFPET), Tax Audit (TaxAUDT), Tax Amnesty (TaxAMST) and Tax Deterrence Policy (TaxDTP) all have very high effects on Tax Compliance (TaxCOPC). The coefficient of determination ($R^2 = 0.956$) with tax compliance, that the independent variables in the model explained for 96% systematic variations in the dependent variable (tax compliance) while only 4% accounted by the error term. Also, on adjusting degree of freedom, the coefficient of determination showed adjusted value of ($\hat{R}^2 = 0.949$), that about 95% of the variations were explained by the independent variables and the remaining 5% were unexplained, hence captured by the error term. The overall test (F-statistic) (goodness-measure) which indicated value of 135.930 at significant level of 1%, compared with standard error of regression value of 0.4377. suggested that the overall result is statistically significant, meaning that there is linear relationship between the dependent and independent variables.

The Durbin-Watson Statistic value of 1.95, in the absence of autocorrelation in the result. Hence, all the independent variables (Stiff Penalty, Tax Audit, and Tax Deterrence Policy) were statistically significant except Tax Amnesty (TaxAMST) which was statistically insignificant but positively related with tax compliance. It was also observed that stiff penalty was positively related with positive coefficient value of 0.494 in the model, implying that a unit increase in stiff penalty would result to over 49% increase in tax compliance. Tax Audit which indicated statistical significant t-value of 5.483 at probability value of 1% suggested that stiff penalty is a critical factor capable of enhancing tax compliance in Nigeria. The result is in line with our apriori expectation and also in tandem with previous studies of Modugu and Anyaduba (2014) who stated that penalties and enforcement have a significant effect to significantly influence tax compliance in

audit could bring over 83% in tax compliance. Tax Audit which indicated positive significant-statistic value of 4.617 at probability value of 1%, suggested that tax audit is a strong influencing measure enhancing tax compliance in Nigeria. It corroborated the finding of Oladele et. al. (2019) who showed that marginal increase in tax audit leads to increase in tax compliance in Nigeria. Similarly, Tax Amnesty (TaxAMST) which exhibited positive coefficient value of 0.227, indicated that a unit increase in Tax Amnesty (TaxAMST) could bring about 23% increase in tax compliance in Nigeria. The insignificant statistic value of implied tax amnesty is a weak influencing tax fraud measure on tax compliance in Nigeria.

Finally, tax deterrence policy was found to have positive significant influence on tax compliance. Its positive coefficient value of 0.713, suggested that a unit increase in tax deterrence policy could bring over 71% increases in tax compliance. The finding is consistent with Nwanne (2015) who found that the tax policy had a significant positive effect on the expenditure of local governments and improve the ability of local governments to raise revenue through various forms of taxes. Olaoeye and Ekundayo (2018) also revealed that tax law has effect on tax compliance.

5. Conclusion and recommendations

The thrust of this paper was on deterrent measure of tax fraud on compliance in Nigeria. Considerable extant studies have been carried out on deterrent measures of tax fraud on compliance and there existed some divergence in opinion and views. Tax deterrence theoretical framework has showed that penalty for default in payment of tax or non-compliance will act as deterrent to others that choose to avoid or evade tax. Having analyzed outcomes, it was observed that stiff penalty, tax audit and tax deterrence policy indicated positive significant relationship with tax compliance which by implication, there are critical influencing deterrent tax fraud measures enhancing tax compliance. The study also showed that Tax Amnesty (TaxAMST) has no significant influence but positively related with tax compliance which by implication is a weak

enhancing factor of tax compliance. Therefore, deterrent measure of tax fraud is an avenue for tax compliance which can have implication in revenue generation for expenditure in Nigeria, hence, the following recommendations:

- (1) Government authority such as Federal Inland Revenue Service (FIRS) should come out with stringent penalty that can be used to punish defaults of annual tax without undermined taxpayer sensibility.
- (2) Tax authorities should always embark on tax audit of businesses before rounding off with what should be paid by tax payers. Assessment should be thoroughly carried out to ensure equity, fair justice and clear conscience.
- (3) Tax authorities should make deterrent tax policy in line with the nature of businesses, and such that devoid ambiguity.
- (4) Tax amnesty is a welcome development to be implemented by tax authorities in both federal and states. Tax amnesty should be given or allowed every five years. Possibly emphasis on terms of reference, an acceptable trustworthiness intention to attract more taxpayers on compliance.

References

- Abati, R. (2006). *Nigeria's deplorable roads*. The Guardian, P. 2.
- Abdulhamid, E. (2018). Effect of tax evasion on economic development of Yobe State, Nigeria. *Journal of Accounting and Marketing*, 7(1), 1-8.
- Abdulsalam, M., Almustapha, A. A., & El-Maude, J. G., (2014). Tax rate and compliance in African. *European Journal of Accounting, Auditing and Finance Research*, 2(3), 22-30
- Abumere, F. A. (2021). Taxation in the COVID-19 pandemic: To pay or not to pay. *Philosophia*, p. 1-9. Available @ <https://doi.org/10.1007/511406-021-00354-2>.
- Adegbite, S. A., Oyebamiji, A. T., & Oyedokun, E. G (2018). Forensic accounting and tax evasion in Nigeria. *Journal of Taxation and Economic Development*, 7(2), 131-140.
- Adedeji, T. O., & Oboh, C. S., (2012). An empirical analysis of tax leakages and economic growth in Nigeria, *European Journal of Economics, Finance and Administrative Sciences*, 1(48), 42-52.
- Adekoya, A. A., Olaoye, A. S., & Lawal, A. B. (2021). Informal sector tax administration and ways of reducing tax evasion and fraud in the hard to tax sector in Nigeria: The way forward. *International Journal of Management Studies and Social Science Research*, 20 - 31. Retrieved from <https://www.searchgate.net/public/349899522>.
- Adenuga, F. A., & Abdulrazak, N. A. (2016). The link between economic growth crime and deterrence measures in Nigeria. *Studia Universities "Vasile Goldis" Arad Economics Series* 26(4), 24-40.
- Agu, O. D. (2018). *The effect of good governance on the voluntary payment of taxes*. Munich, GRIN Verlag. Retrieved from <https://www.grin.com/document/427240>.
- Akinleye, G. T., & Ogunmakin, A. A. (2016). The effect of tax avoidance on government budget implementation in south-west Nigeria. *International Journal of Accounting and Taxation*, 4(1), 53-68.
- Akinyomi, J. O., & Okpala, K. E., (2013). Appraisal of factors influencing tax avoidance and evasion in Nigeria. *International Journal of Research in Commerce and Management* 4(5), 107-111.
- Akan, D. C., & Odita, O. A. (2013). Tax morale and its effect on taxpayers. Compliance to tax policies of the Nigerian government. *Journal of Business and Management*, 12(6), 35- 55.
- Alabede, J. O., Ariffin, Z. B., & Idris, K. M. (2011). Public governance quality and tax compliance behaviour in Nigeria; The moderating role of financial condition and risk preference. *Issues in Social Environmental Accounting*, 5(1/2), 3-24.
- Alm, J., & Torgler, B. (2006). Measuring, explaining, and controlling tax evasion: Lessons from theory experiments, and field studies. *International and Public Finance* 19(1), 54-77.
- Allian, C., Fraudeau, J., & Martin oooo (2016). Facing tax fraud in the European union- challenges and personalities. Thesis competition -2016 edition Retrieved from <http://www.e.jtn.e/ Documents/THEMIS%202016/semi%20Afrance2 Pdf>
- Amanamah, R. (2016). Tax compliance among small and medium scale enterprises in Kumasi metropolis Ghana. *Journal of Economic and Sustainable Development*, 7(16). Retrieved from <https://www.iiste.org/journals/index.php/JEDS/article/view/32637/33528>.
- Amjad, A. A., Hijattulab, A. J., & Munusamu, M., (2018). The effect of African deterrence factors on income tax evasion among Palestinian SMEs. *International Journal of Academic Research in Accounting, Finance*

- Management Sciences, 8 (4), 144-152
- J. O. Eragbhe, E., & Modugu, K. P. (2014). Deterrent tax policies on tax compliance: Nigeria experience. *International Journal of Business and Social Sciences*, 5(9), 150 – 158.
- O., & Nwaiwu, J. N. (2018). Tax audit practice in the south tax revenue generation in Nigeria. *International Journal of Innovative Finance and Economics Research*, 6(1), 99-112.
- J. O., Eragbhe, E., & Madugu, K. P. (2012). Tax measures and tax compliance in Nigeria. *Journal of Business and Management*, 4(11), 99
- J. O., & Oboh, T. (2019). Determinants of tax compliance behaviour under the self-assessment system in Nigeria. *Accounting and Finance Research*, 3-31.
- A. J. E., Imobhio, E., & Izedonmi, F. P. (2014). Determinants of personal income tax compliance: A study of Nigerian taxpayers. *Research Journal of Finance and Accounting*, 6(1), 81-99.
- , & Ojeka, S. (2012). Factors that affects tax compliance among small and medium enterprises in north central Nigeria. *International Journal of Business and Management*, 7(2). Retrieved from <http://www.ccsebet.org/journal/index.php/ijbm/article/view/15251>.
- . (2009). Contesting: good governance in Nigeria: Legitimacy and accountability perspectives. *Journal of Social Science*. 21(3), 217-224.
- s Report (2019). Nigeria: Why is it struggling to meet its tax targets? Retrieved from <http://bbc.com/news/world-africa-52727272> & Accessed [online] March, 9 2020.
- L. (2009). *Public Finance*. Vikas Publishing POT Ltd, New Delhi 4th ed. p.756
- er English Dictionary (2002) Oxford English Dictionary, New York
- Institute of Taxation of Nigeria (CITN) (2010) *Nigeria tax system is weak*. Punch/News Agency.
- Y. (2004). *Gearing up for the self-assessment time for individual's tax*. National 2nd quarter,
- R. (1984). *Influence: The psychological of tax evasion*. New York: Quill.
- . A. (1992). *Cheating the government: The economics of evasion*. MIT press, Cambridge.
- , M. O. (2007). *Tax evasion hinders local development*. The Saturday tribune October, 13th,
- . Ahmed, N., & Gulzar, S. (2021). Voluntary tax compliance behaviour of individual taxpayers in Nigeria Pakistan. *Financial Innovation*, 7(21), 2-23.
- Eke, R. I., & Okoh, J. I. (2019). Influence of forensic accounting in fraud reduction in Nigeria. *The Annual International Academic Conference Proceeding*, 1(1), 300-328.
- Erard, B., & Feinstein, J. S. (1994). The role of morale sentiments and audit perceptions in tax compliance. *Public Finance*, 49(1), 70-89.
- Ezeoba, A. E., & Ogamba, E. (2010). Corporate tax shielded fraud? Insight from Nigeria. *International Journal of Law and Management*, 52(1), 5-20.
- Fadeyi, A. (2020). Nigeria: Tax planning: Walking the thin line between tax avoidance and tax evasion. Retrieved from <http://lelawlegal.com/2019/04/11/tax-planning:walking-the-thin-line-between-tax-avoidance-and-tax-evasion>.
- Fata, F., Seye, A., & Yomi, O., (2019). Amnesty for tax defaulters: How viable for voluntary tax compliance in Nigeria? Retrieved from <https://www.2.deloittecom/ng/en/pages/tax/articles/inside-tax->
- Federal Inland Revenue Service (2009). *Gauge*. A quarterly publication of the FIRS: April-June
- Federal Inland Revenue Service (2018a). *Gauge*. A quarterly publication of the Federal Inland Revenue Service (FIRS). Retrieved from <https://www.firs.gov.ng/sites/authority/content/11/b/r/a/r/y/GAUGE%204th%20QUARTER%202018.pdf>
- Federal Inland Revenue Service (2018b). *Annual summary of collection from 2000*. Retrieved from <https://www.firs.gov.ng/TaxResources/TaxStatistics/Reports>
- Fiawoo, J. (2018). Closing African's tax revenue gap. Economic matters. Retrieved from <http://www.theglobalist.com/African.tax-evasion-Nigeria.Togo-technology/>
- Frey, B. S., & Feld, L. P. (2002). Trust breeds trust: How taxpayers are treated. *Economics of governance*, 3(2), 87-99.
- Ibadin, P. O., & Kemebradikemor, E. (2020). Tax fraud in Nigeria: A review of causal factors. *Journal of Taxation and Economic Development*, 19(1), 64-80.
- Igbeng, E., Tapang, A. T., & Usang, O. E. (2013). Analysis of tax morale and tax compliance in Nigeria. *European Journal of Business and Management*, 4(14), 182-207.
- Jemaoye, B., & Mutai, G. C. (2016). Determinants of tax

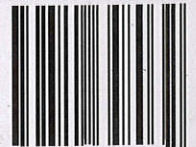
- 20 | APRIL - JUNE, 2022

- A. O., & Obazee, U., (2016). Tax knowledge, and tax compliance in small and medium enterprises in Nigeria. *Journal of Business*, 8(1), 1-12.
- B. A., Awodun, M., Akintoye, O. D., & Vale, H. I., (2018). Tax offences: clogs in the way of progress and development of Nigeria as a developing country. *Journal of Business*, 9(1), 1-12.
- O., & Ekundayo, A. T. (2018). Effect of tax on tax compliance in Ekiti State, Nigeria. *Journal of Accounting, Auditing and Finance Research*, 6(5), 13-19.
- M. O. (2001). *Principles of taxation*. Ibadan, Nigeria: Shepherd Investment 1st Ed.
- N., & Dada, S. O. (2016). Tax audit and compliance as imperatives for efficient tax administration in Nigeria. *Journal of Business Administration and Management Sciences Research*, 1(6), 6-077.
- N., & Nwankwo, C., (2016). The effect of tax evasion and avoidance on Nigeria's economic growth. *Journal of Business and Management*, 12(1), 1-10.
- Organisation for Economic Cooperation and Development (2008). Improving taxpayer service delivery: Channel strategy development. Forum on Tax Administration Tax Services Sub-group. Retrieved from <http://data.oecd.org/56/47/3528306>.
- S., & Eren, C. (2011). Tax amnesty with effects on compliance aspects. Tax compliance, tax audits and tax payments around the Turkish case. *International Journal of Business and Social Science*, 2(7), 95.
- G. E. (2016). Relevance of tax audit and tax administration in Nigeria. Chief technical officer/CEO Obe Professional Services Limited per 27th, pg. 1-16. Retrieved from ssrn.com/abstract=2910322. Doi:10.2139/ssrn.2910322.
- , & Mustapha, A. F. (2011). Tax audit and tax compliance in Asia: A case of Malaysia. *European Journal of Social Science*, 24(1), 7-32.
- (2006). *Principles of Microeconomics*. New York: Prentice-Hall.
- World Economic Forum [PWC], (2012). The global economic crime survey: Economic crime in a downturn, 2009.
- L. K. (2010). *Improving voluntary tax compliance within the informal sector in Lagos State. Paper delivered at the 4th Lagos State taxation stakeholders conference*. Victoria Island, Lagos, Nigeria.
- Rotimi, O., Foluso, O. A., Abdul-lateef, O. A., Saliu, A. Y., & Muiyiwa, A. (2019). Tax enforcement tools and tax compliance in Ondo State, Nigeria. *Academic Journal of Interdisciplinary Studies*, 8(2), 27-38.
- Sam, D. (2017). Breaking resistance to voluntary tax compliance. Retrieved from <https://www.leadershipnews.com>
- Samuel, K. N. (2015). The effect of enforcement measures on value added tax revenue for firms in the large corporate taxpayer category in Kenya. A master thesis, School of Business, University of Nairobi.
- Sanni, A. U. (2007). *Tax reforms in the capital market: A welcome development*. Seminar paper, Ogun State Internal Revenue Services.
- Schmolders, G. (1960). *Das irrationale in der öffentlichen Finanzwirtschaft*. Frankfurt am Main: Suhrkamp.
- Silverstone, H., & Sheetz, M. (2007). *Forensic accounting and fraud investigation for non-experts*. New Jersey John Wiley and Sons Inc.
- Slemrod, J. (2000). *Why people pay taxes: Tax compliance and enforcement*, Ann Arbor, University of Michigan Press, 1-8.
- The Guardian Business News (2019). Nigeria losses \$15 billion annually to tax evasion say FIRS, by Matthias Okwe, Abuja, 24th October, 2019. Retrieved from <http://guardian.ng/business-services/Nigeria-losses-15-billion-annually-to-tax-evasion-say-firs/>
- Torgler, B. (2003). *Theory and empirical analysis of tax compliance*. Basel: University of Basel.
- Umanhonlen, F. O., & Umanhonlen, R. I. (2020). Deterrent tax fraud in Nigeria: A causal factor and conceptual review. *Journal of Management and Science*, 10(4), 33-43.
- United Nations (2009). *Rethinking poverty: Report on the world social situation 2010*: Department of Economic and Social Affairs. UNECA, 2009. United Nations publications, New York.
- VAIDS (2017). VAIDS aimed at correcting Nigeria's poor tax to GDP ratio (2017). Vanguard.
- Verboon, P., & Van Dijke, M. (2011). When do severe sanctions enhance compliance? The role of procedural fairness. *Journal of Economic Psychology*, 32(1), 120-130.
- Wang, Y., & Hsien, W. (2015). A fairness approach to tax amnesty. *Journal of Accounting and Taxation*, 7(2), 19-28.
- Worlu, C. N., & Nkoro, E. (2012). Tax revenue and economic development in Nigeria: A macroeconomic approach. *Academic Journal of Interdisciplinary Studies*, 1(2), 1-12.



ANAN CORPORATE HEADQUARTERS
PLOT 559, MABUSHI DISTRICT, OFF AHMADU BELLO WAY,
ABUJA, FCT.

N800 UK£5 US\$8



29

1