

# DETERRENT MEASURES OF TAX FRAUD ON TAX COMPLIANCE IN NIGERIA

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## Abstract

*Government all over the world generates revenue for expenditure through tax. Tax compliance gives incentive to tax control and reduces collection burden. This paper focused on deterrent measure of tax fraud on tax compliance in Nigeria. Specifically, the paper examined the influence of stiff penalty, tax audit, tax amnesty and tax deterrence policy on tax compliance. This study used an ex- post facto and field survey research type, which employed combination of both qualitative and quantitative design covering time frame of five years from 2016 to 2020. The main instrument used in the study was questionnaire administration and analyzed with least square regression method. The study revealed that stiff penalty, tax audit and tax deterrence policy indicated positive significant relationship with tax compliance, and by implications were critical influencing deterrent tax fraud measures enhancing tax compliance. The study also showed that tax amnesty has no significant influence but positively related with tax compliance which by implication is a weak enhancing factor of tax compliance. It therefore recommended that tax authorities in federal and states should ensure that stringent penalty and policies are meted on defaults taxpayer as to enhance compliance to boost revenue for government expenditure.*

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

## 1.0 Background to the study

Taxation is an age long event. It is a process in which taxpayers file all the required tax returns by declaring all income accurately and paying the exact tax liability using applicable tax laws and regulations (Palil & Mustapha, 2011). Taxes levy form the bedrock of social phenomenon and are sources of revenue to government in most countries. The need for tax payments has been a phenomenon of global significance as it affects every economy irrespective of national differences (Ojong, Ogar & Oka, 2016). Taxes build capacity to provide security, meet basic needs and therefore foster economic development, shape the balance between accumulation and redistribution that gives state their social character (Onyeka & Nwankwo, 2016). Consequently, government requires funds to finance its operations and policies. Government undertakes huge public expenditure on behalf of its citizens and the populace for the provision of basic amenities and other social services (Modugu & Anyaduba, 2014) for citizens' welfare. One of the ways opened to government to raise or perhaps drive the needed revenue to fund these numerous programmes is through imposition of taxes (Umanhonlen & Umanhonlen, 2020). Taxes are among compelling services from which governments can and will

generate income, taxes serves 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 levy 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 parliament irrespective of the exact amount of service of the payer 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 is 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 it 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 strategies 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 invaded (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 downtrodden clear tax deterrent measure has 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. But, the challenges that face tax system in Nigeria and most developing countries are the level of tax fraud among informal sector operators (Adekoya, Olaoye & Lawal, 2021). Agreeably, tax fraud encompasses all illegal method employed to misrepresent their tax 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 wiliness 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 Nigeria 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 than 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 do not constitute a lawful justification for non-payment of tax (Fadeyi, 2020). Hence, the objectives of this study were to examine 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 & Izedonmi, 2014). Analysts have identified inconsistency in tax policies, needless programmes, coercion and lacks of engaging stiff deterrence measures on defaulter forms the nucleus-nexus to tax fraud in Nigeria. Notable argument speculated that seamless policy trust, policy summersault, unnecessary tax incentives, holiday, waver, weak implementation of sanctions, exemptions without due consultations and lukewarm attitude by states toward tax fraud unties windows for tax non-compliance (Akan & Oditia, 2013; Modugu & Anyaduba, 2014; Oyedokun, 2016; Abdulhamid, 2014; Amjad *et al.*, 2018; Rotimi, Foluso, Abdul-lateef, Saliu & Muyiwa, 2019; Umanhonlen & Umanhonlen, 2020).

It has also been speculated in some other quarters that the issue may not have been far fetch from Nigeria tax system viewpoints which has different tax laws, and are reviewed occasionally among personal income tax (amendment) Act 2011; Companies Income Tax Act Cap C21 LFN 2004 (as amended); Capital Gains Tax Act Cap C1 2004; Value Added Tax Act Cap V1 LFN 2004 (as amended); Education tax Act Cap E4 LFN 2004; and the Stamp Duties Act Cap 58 LFN 2004 (finance Act 2019 as amended) to suit government purpose against this backdrop of taxpayer. Thus, that at the moment companies' income tax payment is at a woebegone state in Nigeria (Jim-Suleiman & Ibiameke,

2021). Besides that, asserts that the unclear nature of the Petroleum Profit Tax Rate (PPTR) of 85% (percent) in the form of royalties imposed by section 19 (1) of the PPTA may have contributed to tax menace (Anyadugba *et al.*, 2014; Aronmwan *et al.*, 2014; Umanhonlen & Umanhonlen, 2020). The PPT is taxed on royalties and memorandum of understanding (MOU) which guarantees an after tax margin on crude oil levels or operating and capital expenditure, which the taxpayer has expected to choose from whichever is considered lower and comfortable among the two categories of measures (royalties or MOU) without adjustments. The paragraph 6 of the second (2<sup>nd</sup>) schedule of the Act stipulated 65.75% (percent) concession to indigenous companies producing less than 50,000 barrels pay a rate from 85% (percent) to 30% (percent). This rate accordingly is conflicting because the MOU that is yet to be legislated and passed into law in Nigeria coupled with taxes without adjustment for remittance, 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 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) Tunde Fowler has said that Nigeria loss about \$ 15 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 issues. 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 compliance or pay taxes revenue will be a thing of the past if taxpayers file correct and genuine returns on regular basis without *defato* 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 deliver 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 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 without perception of government accountability. Tax compliance is a matter of will (Verboon & Van Djike, 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, and acceptable returns 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) advances 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 payer 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 default 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 tax-collection. He noted therefore that if people do not see their governments as accountable, there is an increased likelihood that state demands a review or higher taxes which will be met with protest and violence that is costly and might even jeopardize the position of those in power. According to Chow (2004), tax compliance is in administrative and judicious compliance. Therefore, where administrative compliance refers to compliance with the applicable tax laws as required in the relevant regulations, judicious compliance refers to the accuracy in filling the tax return forms.

On the other hand, fraud is being seen as an activity that occurs with the context of socio economic interaction and has serious implication for the economy, organizations and people (Silverstone & Sheetz, 2007). Essentially, tax fraud entails cheating on a tax return in an attempt to avoid paying the correct tax obligations (Allain, Fraudeau & Martin, 2016). Tax fraud is a menace, which causes great losses to government revenue and economic progress. Any individual, group of individuals or company agents involve in tax fraud or perversely defrauding government on tax returns commits fraudulent acts. Fraud does not include the thought of money related gain. It may be characterized as enveloping a wide variety of corrupt, misleading, untrustworthy or exploitative practices (Eke & Okah, 2019). Chamber English Dictionary (2002) described fraud as an act of deliberate deception with the intention of gaining some benefits, that is, acts of dishonestly pretending to be something that one is not.

Tax fraud is a global phenomenon and challenges (Umanhonlen & Umanhonlen, 2020). According to the Guardian Business News (2019), Enwegnara has said that Nigerian government has over the year loss staggering sum of over \$ 17.8 billion to tax fraud. The Guardian Business News (2019) asserted that Fowler said that these challenges offer a global response to issues of international tax avoidance; tax evasion; illicit financial flows; money laundering and other harmful tax practices based cooperation and use of advanced technologies to tackle them. Adebgbite, Oyebamiji and Oyedokun (2018) noted that tax fraud is very prevalent in the Nigeria concept, it has cost the

government billions of Naira, and the cost of tracking tax fraud has further constitute 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 is 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 measure for non-compliance include a penalties up to 25,000 for employers who fail to register their employers and remits such faxes to relevant tax authorities in respect of personal income tax (PIT), and also face 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 attracts fines or penalties of the sum of N 50, 000 for every month of default plus interest at commercial rate. Thus, tax offenses comprises 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 or results in or form part of a serious matter, which 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 counties 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 increase 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 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 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 punishment for tax offenses, measures all other 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 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 (Olaoye & 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 a taxpayer has properly assessed and reported their tax liabilities and meets 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 require to know whether the position of the tax payers 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 ascertain the extent to which tax payers may have comply with relevant statutory provisions of the tax Act in respect of their audited financial statements and other tax related returns. Usually, tax audit is a routine exercise, which its outcome could lead to a



reassessment or referral for special investigation especially if tax evasion is suspected. As currently in force in Nigeria, tax audit may help sustained the confidence and integrity reposed in self-assessment scheme. Tax audit is an dependent examination of book of accounts, tax returns, tax payments and other records of a taxpayer to confirm compliance with statutory tax requirement, rules and regulations, accuracy and correctness of tax paid and adhering to generally accepted accounting principles and standards (Onuoha & Dada, 2016). According to organization for Economic Cooperation and Development [OECD] (2001; 2008), tax audit is an examination of whether a tax payer has correctly assessed and reported their tax liability and fulfilled other obligation. Compliance can be through enforcement by relevant authorities or through voluntary willingness of the taxpayer. Modugu and Anyaduba (2014) defined tax audit as a process whereby the tax authority examines certain issues concerning to the profits of a company and its other related returns as it may deem necessary and expedient in accordance with the relevant provisions of the Act.

Anah and Nwaiwu (2018) described tax audit as an examination of an individual or entity's tax report by the relevant authorities in order to find out compliance with applicable tax laws and regulations of the state. Jemaiyo and Mutai (2016) noted that tax audit as an examination of an individual or organization's tax report by the relevance tax authorities in order to ascertain compliance with applicable tax laws and regulations of the state. Rotimi *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 capable of reducing tax gap while maximizing tax revenue to the top most. Oyedokun (2016) agreed that the tax audit exercise essentially is meant to enable the revenue authority to further satisfy itself that audited financial statements and the related tax computations submitted by the taxpayer agree with the underlying records. Therefore, tax compliance enforcement is through powers conferred on the relevant authorities to force the taxpayers to pay while voluntary is morality of taxpayers to pay tax willingly (Kastlunger, Lozza, Kirchler & Schabmann, 2013; Abdulsalam *et al.*, 2014).

Abdulsalam *et. al.* (2014) advances that tax compliance defines 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 amnesty policy was meant to regularize tax status and ensuring total compliance. In July 1, 2017, the Nigeria government introduces 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 file tax returns or defaulting taxpayers to use the window to declare and normalize his/her taxes status. The programme was to last March 30, 2018 and later extended to June 30, 2018. The amnesty policy tend to made 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) collects that tax amnesty eliminates the punishments or penalties supposedly accruing to be executed against tax defaulters. It represents the legal deals and which is 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 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 provide the most reliable permissive and dominant sources of government 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 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 reports (2019), says 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 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 uses 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 improve to 4.8% (percent). Which the report noted that 15% (percent) was the level of acceptance, and the World Bank says 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 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 serves as clog in the wheel of the successful implementation of tax policies in Nigeria. Abdulhamid (2018) agreed that the lopsidedness of Nigeria 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 the meager nature of the system leading to an extensive practice of tax evasion and avoidance which has been a major impediment to economic growth, and both tax evasion and avoidance prevalent (Ezeoba & Ogamba, 2010). Kerly (2015) opined that tax non-compliance involves both tax avoidance and tax evasion, which is major critical problem, and are global phenomena among developed and developing countries. An individual's perception of personalized inequality or equity can be rationalized and reflected in their tax morale and compliance behaviour (Cowell, 1992).

Tax avoidance is an important factor as it affects both the volume and nature of government finances. Federal, state government may lose both individual and corporate income tax revenue due to tax avoidance (Akinleye & Ogunmakin, 2016). A report by the United Nations Economic Commission for Africa (UNECA, 2009) estimated that African countries loss more than N50 billion each year to illegal financial outflows through tax avoidance and evasion. Similarly, PWC (2012) revealed that the ease of paying taxes ranking indicates that Nigeria ranked 138 out of 183 economics that have relative ease in tax payment. Nigeria National Bureau of Statistics (NBS) indicated that the Nation has taxable

workforce of around 77 million, but government figures shows just 14 million pay income tax. Alm and Targler (2006) agreed that effect of tax fraud has a globally phenomena in its contents and has reduce revenue generated by government. A major set-back for efficient and effective tax administration. FIRS (2009; 2018 a & b) revealed that estimated 680 tax cases relating to domestic and foreign audited and investigated companies in 2009 shows that staggering sum amount of N 94.68billion revenue to the government affected, but was covered. Ocheni (2015) agreed that 90% (percent) of owners of business acknowledged that tax were a serious barrier to their businesses.

Worlu and Nkoro (2012) confirmed that reduces government revenue, endangers the reputation of tax system. Hence, expectations of government are not being met due to corruption, tax evasion and avoidance which strong associate with low revenue. Eroding the existing welfare state is however a major social problems inhibiting development in Nigeria (Eboziegbe, 2007). Erikume Kenneth, Tax Director with PWC Nigeria, asserts 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 gives 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), 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 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 for about 60 countries fall below the 15% threshold. Bernardin Aitoby, an Assistant-Director in the IMF says 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 remain uncollected in most developing countries. It is an effect to government when non-compliance or evasion create tax gap which is described as the differences between the total amounts of taxes pay voluntarily on time and actual taxes liabilities which is 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 task 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 oblige to do their civic responsibility or duties. Authority means that citizens known that by not obligatory to tax payment amount 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 attempt to connect the different 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 midst 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 analyzes 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 reduces 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 espouse understanding on tax morale. Explain 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 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 that tax morale has no significant effects on taxpayers' compliance. Hence, the study anchored its premise on tax morale theory.

### 2.3 Empirical review

Several studies have been done on this subject in Nigeria. These can be reviewed from evidence on the underlying part of this page. Below table represented a review summary of some studies and their findings.

**Table 2.3.1: Summary of empirical review**

AUTHORS (STUDY)	SAMPLE SIZE/ YEAR	OBJECTIVE (MEASURE)	METHOD OF ESTIMATE (METHODOLOGY)	RESULTS (FINDINGS)
1). Abdulsalam <i>et.al.</i> (2014)	2012 to 2013	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
2). Adedeji & Oboh (2012)	185 respondents	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
3). Akan & Odita (2013)	100 sample size	The study investigated tax morale and its effect on taxpayers' compliance to tax policies.	Regression (SPSS 16), Taro Yamani (Both Primary & Secondary data	Positive, Non-Positive, & Negative effect
4). Anyaduba <i>et.al.</i> (2014)	150 responses out of 200	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
5). Anyaduba & Oboh (2019)	600-550 reponses	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
6). Amjad <i>et.al.</i> (2018)	184 responses	The study aimed at examines relationship between probabilities of deterrent, tax rate, income tax evasion.	Partial least Square (PLS)	Both Negative, & Positive

7). eHassan, Ahmed & Gulzar, (2021)	455 Individuals including Taxpayer	The relationship among voluntary tax compliance behaviour of individual taxpayers in Parkistan	Quantitative research design and structural equation modeling techniques	Large impact on filing (positive relationships among variables)
8). Jim-Suleiman & Ibiameke, (2021)	68 companies for five years, with period 2014-2018	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
7). Ojong <i>et.al.</i> (2016)	1986 to 2010	The study impact of tax revenue on the Nigeria economy.	Multiple regression of the ordinary least square (OLS)	Positive Significant & non-significant positive
8). Modugu & Anyaduba (2014)	500 Questionnaires, 100 each zone	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
9). Modugu <i>et.al.</i> (2012)	600 participants	The study sought to examine the nexus between government accountability and voluntary tax compliance.	Z-Score, simple random sampling techniques.	Mixed Result Nigeria (Inconclusive).
10) Nwanne (2015)	2007 to 2011	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
11). Olaoye & Ekundayo (2018)	160 responses	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
12). Rotimi <i>et.al.</i> (2019)	Pop 243, 150 responses	The study assessed the effectiveness of tax enforcement tools as panacea for improving tax compliance and overall tax income in the Ondo State.	OLS regression. Taro Yamane formula with judgment sampling techniques.	Positive significant relationship with tax compliance.

Source: Author compilations (2021).

### 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 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 zone 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 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 make 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:

$$y_{ij} = \beta_0 + \beta_{1j}X_1 + \beta_{2j}X_2 + \beta_{3j}X_3 + \beta_{4j}X_4 + \mu_t \text{ ----- 1}$$

Where:  $Y_{ij}$  = Tax Compliance;  $\beta_0$  = Intercept or Constant Variable or Fixed Term;  $\beta_{1j}$  = Slopes or Regression Coefficient of the Explanatory Variables;  $\beta_{1j}X_1$  = Stiff Penalty;  $\beta_{2j}X_2$  = Tax Audit;  $\beta_{3j}X_3$  = Tax Amnesty;  $\beta_{4j}X_4$  = Tax Deterrence Policy;  $\mu_t$  = Stochastic Variable (Also known as residual Error Term). Meanwhile, Deterrence tax Measures is proxied with Stiff Penalty, Tax Audit, Tax amnesty, Tax deterrent policies.

$$\text{TaxCOPC}_{ij} = f(\text{DeTaxMESR}_{ji}) \text{ ----- 2}$$

Where:

$$\text{DeTaxMESR}_{ji} = \beta_0 + \beta_{1j}\text{SFPET}_1 + \beta_{2j}\text{TaxAUDT}_2 + \beta_{3j}\text{TaxAMST}_3 + \beta_{4j}\text{TaxDTNT}_4 + \mu_t \text{ ---- 3}$$

$$\text{TaxCOPC}_{ij} = f(\beta_0 + \beta_{1j}\text{SFPET}_1 + \beta_{2j}\text{TaxAUDT}_2 + \beta_{3j}\text{TaxAMST}_3 + \beta_{4j}\text{TaxDTNT}_4) \text{ ----- 4}$$

$$\text{TaxCOPC}_{ij} = \beta_0 + \beta_{1j}\text{SFPET}_1 + \beta_{2j}\text{TaxAUDT}_2 + \beta_{3j}\text{TaxAMST}_3 + \beta_{4j}\text{TaxDTNT}_4 + \mu_t \text{ ----- 5}$$

#### 3.1.1 Definition of variable

$\text{TaxCOPC}_{ij}$  = Tax Compliance is dependent of deterrent tax measures;

$\text{DeTaxMESR}_{ji}$  = Deterrence tax Measures is independence of Tax Compliance;

$\beta_{1j}\text{SFPET}_1$  = Stiff Penalty: to discourage poor compliance or tax payment offender;

$\beta_{2j}\text{TaxAUDT}_2$  = Tax Audit: to discourage under filling in tax returns and detection of tax theft;

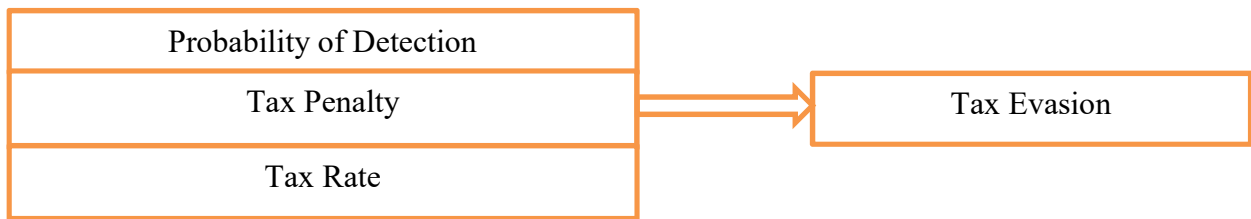
$\beta_{3j}\text{TaxAMST}_3$  = Tax Amnesty: to encourage compliance and willingness to return into tax next;

$\beta_{4j}\text{TaxDTNT}_4$  = 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  $Tax\_Comp = \beta_0 + \beta_1 Vol\_Comp + \beta_2 Acc\_Trans + \beta_3 Penalty + \beta_4 TaxDP + U_t$ .

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 the Ondo State, Nigeria. The paper used ordinary least square (OLS) regression on population of 243 staff of Federal Inland and Ondo State Internal Revenue Services with 150 responses. Taro Yamane’s formula was adopted to arrive at sample method through judgment sampling techniques on primary data to assessed TAXCOMP (Tax compliance); TAXAUDIT (Possibility of Audit); TAXPEN (Tax penalty);

TAXNESTY (Tax amnesty). When their model specification was  $TAXCOMP = \beta_1 TAXAUDIT + \beta_2 TAXPEN + \beta_3 TAXNESTY + \epsilon_{ij}$ .

#### 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 4.1 Ordinary Least Square (OLS) Regression Estimation (coefficients')**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-1.851	1.173		-1.577	.127
SFPET	.494	.090	.583	5.483	.000
TaxAUDT	.831	.180	.823	4.617	.000
TaxAMST	.227	.168	.311	1.351	.158
TaxDTNT	.713	.124	.934	5.746	.000
R= Correlation coefficient			0.978 <sup>a</sup>		
R-Square (R <sup>2</sup> )= Coefficient of Determination			0.956		
R Square Bar (R̂ <sup>2</sup> )= 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).

It is deduced that the results showed a very high positive correlation coefficient value of 0.978 (98%), suggesting that the independent variables used to proxy tax fraud measures which consisted of Stiff Penalty (SFPET), Tax Audit (TaxAUDT), Tax Amnesty (TaxAMST) and Tax Deterrence Policy (TaxDTNT) all have a very high effects on Tax Compliance (TaxCOPC). The coefficient of determination (R<sup>2</sup>= 0.956) with tax compliance, implied that the independent variables in the model accounted for 96% systematic variations in the dependent variable (tax compliance) while only 4% were accounted by the error term. Also, on adjusting the degree of freedom, the coefficient of determination showed adjusted value of (R̂<sup>2</sup>=0.949), implying 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-of-fit measure) which indicated value of 135.930 units and at significant level of 1%, compared with minimal standard error of regression value of 0.4377. This suggested that the overall result is statistically significant, meaning that there is linear relationship among the dependent and independent variables.

The Durbin-Watson Statistic value of 1.75, implied absent of autocorrelation in the result. Meanwhile, all the independent variables (Stiff Penalty, Tax Audit, and Tax Deterrence Policy) were

positively and statistically significant except Tax Amnesty (TaxAMST) which was statistically insignificant but positively related with tax compliance. It was also observed that stiff penalty (SFPET) with positive coefficient value of 0.494 in table 4.1 implied that a unit increase in stiff penalty could result to over 49% increase in tax compliance. Stiff penalty 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 extant studies of Modugu and Anyaduba (2014) who revealed that penalties and enforcement have a tendency to significantly influence tax compliance in Nigeria.

Also, tax audit with positive coefficient value of 0.831 in the above table 4.1, implied that a unit variation in tax 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 that 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. Olaoye 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 exist some divergence in opinion and views. Tax deterrence theoretical framework has showed that penalty for default in payment of tax or 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 implications, 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 up 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.

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