

Full Length Research Paper

Tax Compliance Strategy and Tax Revenue Yield: Empirical Evidence from Rivers State, Nigeria (2007- 2016)

Uchechukwu Godwill Akpu^{1*} and John Ohaka²

¹Department of Accounting, College of Management and Social Sciences, Novena University, Nigeria.

²Department of Accounting, Faculty of Management Sciences, Rivers State University, Nigeria.

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Abstract

This study empirically evaluates the relationship between tax compliance strategy and tax revenue yield, evidence from Rivers state, Nigeria. The study is motivated by the wake of persistent dwindling of internally generated revenue of various levels of government in Nigeria occasioned by the collapse of crude oil price at the international market and the difficulties in optimizing the non-oil tax revenue yield in the state. This paper adopted a regression/correlational and causal comparative (Ex-post Facto) research design. Ten years' data of tax revenue yield from Rivers State Board of internal revenue service for the period 2007-2017, and Survey data from 100 respondent stakeholders in the Rivers state tax environment using researcher-designed questionnaire validated by experts and shown to have a reliability coefficient of .850 Data were analysed using regression technique and Pearson product moments correlation with the aid of Statistical package for social sciences (SPSS) version 20. With r value of .705 the study found significant relationship between tax compliance strategy and tax revenue yield. Furthermore, voluntary compliance and enforcement were shown to have significant effects on personal income tax revenue yield and withholding tax revenue yield explaining 66.70% and 89.40% changes in tax revenue yield respectively. The study conclude that increase in tax revenue yield depend on effective tax compliance strategy. The study recommends government provision of infrastructural amenities, transparency and accountability of taxpayers' money, tax education, strict enforcement of tax laws, and demonstration of high ethical standards and integrity, patriotism and professionalism by tax consultants/practitioners.

Keywords: Tax compliance strategy, Tax Revenue yield, voluntary compliance, enforcement.

INTRODUCTION

In the recent times various strata of government in Nigeria are being faced with developmental challenges due to the dwindling and insufficient revenue at its disposal. Rivers state is without exception. Extant National Bureau for Statistics report on tax revenue

components of internally generated revenue of Rivers State between 2007 and 2016 is estimated at N586 Billion which is equivalent to \$189 Million at naira/ Dollar conversion rate of N310 per \$1. This meager sum cannot complement fully the state statutory allocation from the federation account. Thus, the need to strategize toward improving non-oil tax revenue sources which are independent revenue sources available to states and local governments in Nigeria. Perhaps the efforts of

government and tax agencies to improve tax administration and tax revenue yield will be meaningless except on appreciable level of voluntary compliance of taxpayers and effective enforcement of tax laws that can propel taxpayers' behavior to obey tax laws. Modugu *et al.*, (2012) conclude that voluntary compliance is significantly increased when government fulfill the social/fiscal contract with the governed. While, Akpo (2009) argued that citizens are reluctant to pay tax due to the failure of government to provide essential physical and social infrastructure for her people and therefore a failure of good governance. This implies that government failure to fulfill her promises to the citizenry can induce negative taxpayers' morale, apathy of taxpayers to pay tax perhaps due lack of provision of essential amenities by the government of the day.

An indispensable tax administrative policy measure for improving tax revenue performance of state government is building a comprehensive and articulated plan of action designed to induce voluntary compliance and effective implementation of tax enforcement program. Tax compliance is behavioral and requires strategies that can induce behavior to succeed. Oyedele, (2016) identified why Nigerians are tax averse which include incoherent fiscal policies, complex and inefficient tax management system, high level of tax leakages, complex tax laws, lack of transparency on utilization of tax revenue and visible development. How to improve tax revenue potentials of Rivers state governments in Nigeria through the instrumentality of consolidated and comprehensive tax compliance strategies so as to reduce the wide tax revenue gap is the concern of the researcher.

There seems to be wider disconnection between tax compliance system and revenue growth in Nigeria due to perceived weak application of a comprehensive and all-inclusive plan of actions by government and tax authority that can propel voluntary tax compliance/self-assessment, enforcement and penalties to resolve the lingering tax revenue yield problem of various governments Dandago (2015) identified the challenges of revenue collections in Nigeria to include neglect of many revenue sources, underutilization of some revenue sources, leakages, poor staffing and training, weak structural, legal institutional and personnel commitment. It is essential that the state quickly and vigorously laid good strategies to optimize non-oil revenue to enhance public service delivery. Relatively, using enforcement will in no small measure improve compliance level. However, James and Alloy (2004) contend that there is no doubt in the existence of sanctions in tax administration. However, the extent they are needed and the enthusiasm of enforcement raised questions. Using harsh enforcement as tax compliance strategy is beneficial for purposes of revenue drive and at the same time may have adverse consequences which may call for caution. In view of the above challenges is pertinent to carry out an empirical

study to unravel the latent efficacy of voluntary compliance and tax enforcement strategies on tax revenue yield of Rivers state government, Nigeria. Consequently, we raised this research question: To what extent does tax compliance strategic measures (voluntary compliance and enforcement) affects tax revenue yield measures (personal income tax and withholding tax) in Rivers State?

RELATED LITERATURE

Tax compliance is perceived to be behavioral induced toward government actions on provision of basic infrastructural amenities. However, Batrancea *et al.*, (2012) identified social psychological issues, political, industry, business and economic among others as the determinant of tax compliance behavior. Sarker (2003) conclude that introduction of tax week, filing tax returns, tax counseling, establishing tax information management system, regular auditing and examination, penalty provisions, tax education are capable of improving the satisfactory level of revenue in developing countries through self-assessment. While, Okello (2014) identified education, provision of service-oriented attitude, enacting stringent deterrents to non-compliance, regular auditing and transparency on the part of government and tax authority will enhance voluntary compliance capable of improving revenue generation.

Voluntary Compliance Strategy

The plan of action to achieve compliance with tax laws without cohesion and enforcement is vital in improving the revenue of tax authority. Strategically meeting taxpayers' needs through the provision of essential amenities, transparency and accountability etc. can induce voluntary compliance. Akintoye and Tashie (2013) conclude that the provision of infrastructural amenities, moral ethics, tax rate, tax accountability and confidence in government, the level of service delivery and the efficient system of tax payment in Lagos state Nigeria motivated the voluntary compliance to pay tax by taxpayers. Voluntary non-compliance has necessitated the compliance gaps in tax revenue of most states in Nigeria. Adimassu and Jerene (2015) identified economic, demographic, social, institutional, individual factors as the determinant of voluntary tax compliance behavior in self-assessment system in Ethiopia. Appah and Ogbonna (2014) conclude that revenue generation in Nigeria is significantly affected by self-assessment compliance. Thus, an efficient compliance strategy increases revenue generation positively. Olowokere and Fashina (2013) conclude that transparency, accountability, tax education directed on the adverse effect of tax evasion on the socio-economic life of the

country have significant influence on tax payers' self-assessment compliance in Lagos state. The breakthrough experienced by Lagos state government in the area of internationally generated revenue in the recent times may have resulted from these strategic compliance initiatives which should serve as a reference point worthy to emulate by other state governments in Nigeria

Tax Enforcement Strategy

The veritable plan of action available for tax administrators capable of enhancing tax revenue is tax enforcement. Elleman and Obaro (2011) identified different kinds of tax enforcement strategy capable of inducing compliance as aggressive tax drive campaign by relevant complying units to meet non-complying companies to convince their decisions to effect tax payment, the use of judgment debts, sealing up of office premises and seizing movable properties of indebted taxpayer to compel him to pay the taxes due, the legitimate right to distrain the taxpayers of his goods, chattel, real estates, financial instruments belonging to the indebted taxpayer for purposes of sale to the tax amount due to government are possible enforcement strategy. Though enforcement is a strong tool for improving compliance, but could psychologically be dangerous tool that may encourage non-compliance if not properly applied. Wittberg (2016) asserts that it is difficult to predict the impact of an enforcement activity in the context of what is implemented, and that enforcement effects can vary contrary to anticipated benefits. Hence, enforcement can lead to high, low or no effect on tax evasion, avoidance behavior of tax payers. Swistak, (2015) argued that tax penalties though indispensable for tax enforcement but may not be the first choice of tool in ensuring compliance, and for tax penalties to be effective, it should deter and motivate tax payers as against exerting repressive measures against them. On the centrally, Zeng (2014) found that tax law system greatly affects individual tax compliance behavior than enforcement of the law and nature of government expenditure.

This implies that a well structure tax law system will encourage and induce taxpayers to comply in payment of taxes. Howbeit, enforcement must be convincing to tax payers to do the right thing. It is essential to note that the justification for legitimizing enforcement will be eroded if invasively and harshly applied. Tanko (2015) State that tax authority now catches tax defaulters and cheats, increase the level of compliance by enforcing relevant tax laws. While, KPMG (2016) observed the aggressive tax enforcement strategy adopted by tax authorities in Nigeria in the recent times to enhance compliance to recover unpaid taxes from defaulting tax payers, enforcement compliance with tax provisions, defaulting

companies has been sealed up. Hence, enforcement is the driving force that promotes tax compliance, and the inevitability of tax enforcement engenders self-assessment that can impact positively on revenue drive of the tax authority.

Tax Practitioner

Extant Nigeria tax laws provides statutory role for professionals and professional bodies in the tax system. Hence, tax consultants and practitioners are also stakeholders in the tax system. These stakeholders are required to use their expertise and skills to simplify the process of tax compliance, provide tax advice to taxpayers on compliance requirements and extend the services to tax authorities and government. According to Okonjo-lweala (2013) the justification for government hire of tax consultants is to increase revenue generation by tightening the laps in tax collection in the non-oil sector, increase the capacity of tax authorities in its tax drive. Thus, engaging tax consultants will strengthen the perceived weakness in Nigeria tax policy resulting to non-payment of appropriate taxes by relevant tax payers. Furthermore, Okonjo-lweala (2013) identified key tax consultants' operational strategies and areas that need urgent attention for revenue improvement as the need for an improved audit, tax filing enforcement, review of tax holidays and exemptions, tax areas and debts enforcement, increased registration of tax payers, and improvement in external communication. Thus, the burden is on tax practitioners and consultants to demonstrate and justify the reason for their engagement.

Therefore, it is expected of tax practitioners and consultants to demonstrate integrity and patriotism in discharging of their duties so as enhance the effectiveness and efficiency of the tax system. The inevitability of the moderating role of tax practitioners to governments, tax authorities and taxpayers can impact on tax revenues of government, tax administration efficiency and taxpayers' moral and education. In advanced economy tax practitioners and consultants play significant role in improving government tax revenues. According to Erard (1993) half of federal individual income tax returns are prepared by professional tax return preparers in the United States of America. In the recent times, various levels of governments in Nigeria opt for tax consultants and tax practitioners to monitor and in most cases, collect revenues on behalf of government. Thus, the recent marginal increase in internally generated revenue of some government is confirmed to have resulted from the use of tax consultants and tax monitoring agents. Hence, tax consultants and practitioners are strategic stakeholders in tax administration system. The adoption of this strategy could reduce tax leakages (evasion and avoidance), and minimize and prevent collusion among tax officers. Rotimi

et al., (2013) identified the justification for use of tax consultants in Lagos State as an increase in tax revenue, tax education to improve voluntary compliance, accountability for tax collected, standard tax payer record update, debt recovery and training of employers of tax authority. Regrettably, Okafor (2012) observed that external auditors in their capacity as tax consultants aid and abet (the filing of accounting returns which are "window dressed" to understate tax liability. This indeed is counter-productive to tax revenue due to state government.

STATE GOVERNMENT TAXES AND COMPLIANCE REQUIREMENTS

Personal Income Tax (PIT)

The Personal Income Act, Cap P8, LFN, 2007 (as amended by PIT Amendment Act 2011) is the legal basis for the imposition of PIT on the income of individuals in Nigeria. Each State has a State Board of Internal Revenue (SBIR) that administers this tax. They are responsible for assessment and collection of PIT. As a residency based country, personal income tax is paid in the state of residency. PIT operates the Pay-As-You-Earn scheme which applies to employees and the Personal Income Tax scheme which applies to business owners. Even though the same tax rate applies to both schemes, the method of computing differs. Companies/Individuals liable: Ventures, Partnerships, Sole Proprietorships, employees.

Rate

PIT rate is applied on a graduated scale on taxable annual income as follows: First N300, 000; 7%; Next N300, 000; 11%; Next N500, 000; 15%; Next N500, 000; 19%; Next N1, 600, 000; 21%; Above N3, 200, 000; 24%.

Minimum Tax

Minimum tax is computed at 1% of an individual's gross income. This is applicable where actual tax payable according to the table above is less than 1% of gross income.

Compliance Requirements

According to PAYE regulations, PAYE taxes should be remitted on the 10th day following the month of deduction; Taxation of business profits is similar to the provisions of the CIT; A taxable person must file with the relevant tax authority the returns as stipulated within 90 days from the commencement of every year of assessment; Every employer must file a return of all

emoluments paid to employers not later than 31st January of every year in respect of all employees in his employment in the preceding year; Where the tax authority has raised an assessment for the tax due, the assessment must be paid within 2 months from the date the assessment is received if the assessment is not in dispute. If the assessment is disputed, it would be suspended until the dispute is resolved.

The penalty for non-compliance

Non-compliance attracts a penalty of 10% per annum of the amount plus interest at the prevailing commercial rate from the date when the tax becomes payable until it is paid.

Withholding Tax (WHT)

Withholding Tax is an advance payment of income tax deductible at source on qualifying transactions. It may also represent the final tax liability on certain passive income. The relevant provisions are in the CITA, PITA, PPTA and WHT Regulations. The FIRS administer this tax for corporate entities while the SBIR administers this tax for individuals and unincorporated entities. Withholding tax rate in Nigeria varies according to tax items viz: (Dividend, Interest & rent, Hire of equipment, motor vehicles, plant and machinery are Company 10%, Individual 10%; Royalties: Company 10%, Individual 5%; Commission, consultancy, technical and management fees, legal fees, audit fees and other professional fees: Company 10%, Individual 5%; Building, Construction and related activities: Company 2.5%, Individual 5%; All types of contracts and agency arrangements other than sales in the ordinary course of business: Company 5%, Individual 5%; Directors' fees: Company N/A, Individual 10%).

Companies liable

All Companies, organizations and establishments approved for the operation of the Pay-As-You-Earn Scheme

Compliance Requirements

For WHT deducted from companies, remittance to the FIRS is due within 21 days after the duty to deduct arose; For WHT deducted from individuals and unincorporated entities, remittance to the SIBR is due within 30 days after the duty to deduct arose; Submission of WHT to FIRS must be in electronic form and must contain the Tax Identification numbers of all the suppliers from whom tax has been deducted

The penalty for non-compliance

Failure to remit to FIRS attracts a penalty of 10% per annum and interest at the Central Bank rate; Failure to remit to SBIR attracts a penalty of N5,000 or 10% of tax due, whichever is higher in addition to the principal tax and interest at bank lending rate.

THEORETICAL FRAMEWORK

This study is based on the following theories of taxation:

1). The Economic Theory of Tax Compliance model is categorized into two theoretical models namely;

i). The Economic Deterrence Model

This theoretical model sees taxpayers as a risk averse individual with high degree of morality who seek to maximize their satisfaction and may evade tax if the expected gain is higher than the cost. According to Devos (2014) increasing the penalty level will not necessarily achieve greater deterrent effect if the offender is aware that a chance of being caught is very high. While Falkinger and Walther (1991) study suggested that a tax system that combined both penalties and reward is more effective in maximizing compliance than a tax administration system that concentrates only on sanctions. This implies that reward to taxpayers based on swift tax refunds, reduction in tax payable could induce compliance.

ii). Fiscal and Social Psychology Model

This critically evaluates the human behavior aspect of taxpayers concerning his attitude and beliefs as he interacts with the societal norms. Thus, the theory examines the human factors capable of affecting taxpayers' compliance attitude and behavior. Vogel *et al.*, (1978) as quoted in Devos (2014) evaluated the impact of ethical values on taxpayers' compliance and concluded that equity and morals are in strong relationship with compliance behavior.

2). Benefit Received Theory of Taxation

This theory posits that payment of tax should depend on the benefit received from the government which implies that there should be a direct proportion between the burden of tax on an economic entity and benefits received by the economic entity. This beneficial exchange of relationship between state and citizens depends on the provision of essential services, and the level of tax paid should be in line with the service provided. While goods and services are provided by the state to the society, citizens and beneficiaries are expected to bear the cost of the provision of the infrastructural amenities which they benefit from. In other

words the justification of payment of taxes is the hallmark of benefit theory of taxation. Musgrave (1959) emphasize that the benefit principles of taxation plays a dual role of working as a cumulative justice principle based on contract of relationship between the state and the citizens on one hand, and on the other hand it presents the principle of equity in taxation which makes citizens to pay taxes equivalent to the amount of benefits received by the state.

Empirical Review

The effect of plan of action on increased tax revenue through voluntary compliance and efficient and effective enforcement strategies have been empirically examined in literature but predominantly carried out in developed economies. Saad (2014) examined tax knowledge, complexity and compliance based on taxpayers view so as to uncover the reasons for non-compliance. A survey research design was used to obtain data for analysis with the aid of thematic statistical techniques. The result revealed that tax payers have inadequate technical knowledge and perceive tax system as complex and therefore contributing to non-compliance behavior of tax payers. Beesoon *et al.*, (2016) assessed the determinants of income tax compliance in Mauritius for individual tax payers. The study adopted primary survey design to obtain data which was analyzed with the aid of thematic statistical analysis. Their study result suggests that tax knowledge impact significantly on tax compliance and that statutory audit, penalties personal financial constraints perceptions of government expenditure influences compliance level.

The study concludes that reduction of non-compliance should be some collaborative efforts between tax payers and tax administrative. Marrandu *et al.*, (2014) examined determinants of tax compliance from social marketing point of view. The study obtained data from 18 empirical studies published between 1985 and 2012 from across the globe, the study found lack of theoretical framework to help guide the selection of determinants of tax compliance from several researchers. The study suggested the development and use of theory based set of relevant determinants of tax compliance and tax policy makers should desist from the use of conventional coercive methods used to compel tax compliance. Palil and Mustapha (2011) evaluated the determinants of tax compliance in Malaysia.

The study used survey method to obtained data for analysis. The result suggested that tax compliance is strongly influenced by tax payer's tax knowledge which varies significantly among respondents. It further revealed the probability of being audited, perception of government spending, penalties, personal financial constraints, and the influence of referent groups as determinants of tax compliance in Malaysia. Fauziati, *et*

al., (2016) examined the impact of tax knowledge on tax compliance.

The study adopted a survey research design to obtain data for examination with the aid of linear regression statistical model to estimate the relationship between tax knowledge and tax compliance, while T-test was used to examine the study variables. The study result suggests insignificant impact of tax knowledge on tax compliance. Consequently, the study recommended the need to improve tax payer knowledge that will be impactful on compliance and by extension improve revenue generation in Indonesia. Breuer (2012) examined tax compliance and whistleblowing the role of incentives in fostering tax compliance. The study was experimentally investigated and adopted Z-Tree Fischbacher 2007 Version 3.3.11 experimental technique in calculating whistle-blowing frequencies for non-tax compliance. The study result showed that monetary reward for whistle-blowing lead to a significant increase in reporting tax evasion. The larger the reward the more pronounced the increased in whistle-blowing on the resulting detection probability of tax evasion. The study concluded that whistle-blowing mechanisms for different tax regimes differ.

However, monetary reward for whistle-blowing lead to significant increase in the reporting of tax evasion and that the larger the reward the more pronounced the whistle-blowing. In this implied that whistle-blowing mechanism has the propensity to positively affect revenue generation if incentivized. Sapiei *et al.*, (2014) examined tax compliance behavior with respect to corporate income tax reporting requirements in Malaysia. Survey research method was adopted to generate data for analysis. The paper findings suggest that business age, tax liability and tax complexity consistently influence the likelihood of tax non-compliance however, the study conclude that tax compliance costs relationship with non-compliance behavior of corporate tax payers is insignificant. This suggests that tax compliance is behavioral and depend on attitude and character of the tax payer toward to obey tax laws. Anyaduba *et al.*, (2012) examined the effects of deterrent tax measures in tax compliance in Nigeria.

The study used ordinary least square (OLS) regression techniques which were estimated using computer software (Microfit 4.1). The study result suggests inadequate deterrent measure capable of promoting tax compliance in Nigeria, and that tax compliance will be enhanced upon fostering voluntary compliance and enhancing tax payers' morale. The study concludes that no single appropriate tax compliance strategy in Nigeria. Perhaps this could account for low revenue generation among states in Nigeria. Ezeagba (2014) examined generation of tax revenue in the Nigeria private sector to determine the causes of tax evasion and avoidance by the self-employed people so as to encourage them for

self-assessment and compliance. The study adopted survey research design administered among self-employed people and staff of federal Inland Revenue board at federal capital territory, Abuja. The study result suggests strong affirmation of tax evasion and avoidance among self-employed people due to lack of tax payer education, high cost of compliance, high personal income tax rates, lack of inadequate tax incentives, complexity assessment and collection procedures among others.

The study concludes that simplification of assessment and collection procedures, and reviewing the enforcement machinery will increase the tax revenue of government. Kiabel and Oyadonghan (2014) examined the effect of motivation on tax compliance so as to ascertain the motivational factors leading to voluntary tax compliance under the tax payers' pay-as-you-earn (PAYE) system in Bayelsa State. A survey research design was used to obtain data which was analyzed with the aid of least square analysis and Mann Whitney U-test statistical techniques. The study result suggest that tax compliance is not affected by public participation in tax policy formulation, but goal-oriented tax policies, effective and satisfactory use of tax revenue by government will significantly increase tax compliance level in Bayelsa State. The study recommended that tax policies be tied to specific goals to achieve voluntary tax compliance. That implies that achieving voluntary tax compliance is a function government executing tangible and laudable projects that will be for the benefits of the citizenry.

Thus, citizens' motivation to pay tax depends on proactive measures of government for effective delivery tangible projects to the people. Oboh *et al.*, (2013) investigated the issues of multiple tax practices tax payers' non-compliance attitude in Nigeria. The study used a survey research design to obtain data which was analyzed with the aid of correlation statistical analysis. The work revealed that multiple tax practices affect tax payers' compliance attitude significantly and multiple tax practices in Nigeria are corollaries of corruption, poor tax administration, greed and unfair revenue taxation practices can cause leakages in tax system and negative consequences on revenue generation of government at all levels. Appah and Ogbonna (2014) examined self-assessment scheme and revenue generation in Nigeria. The study adopted both primary and secondary research designs to obtain data for analysis with the aid of correlation coefficient statistical model. The study results suggested strong correlation between self-assessment compliance and revenue generation.

The study concludes that increased self-assessment compliance measure and compliance enforcement are pivotal in increased revenue generation. Olowookere and Fashina (2013) examined the education of tax payers in achieving voluntary compliance in Lagos state. The study adopted quasi-experimental research design to obtain data which was analyzed with the aid of analysis of

variance (ANOVA) statistical technique. The study result suggests tax education program for taxpayers, government accountability and transparency influences self-assessment compliance in Lagos state. The essence of tax compliance is to ensure that 'people' pay the "right" amount of tax. To pay the right amount of tax, a taxpayer needs to apply the right philosophy, the right principles, the right laws, declares the right amount of revenues or income, the right operating and non-operating expenses, the right qualifying capital expenditures, claim the right allowances, use the right opening balance, carry forward the right closing balances and apply the right tax rates. Non-compliance would be paying the "wrong tax". At the 'wrong time' in a 'wrong form' or not paying tax at all.

Identified Gap of the Study

A review of available literature shows that our study serves as complementary to the existing empirical studies both in advanced and emerging economies of the world but differ in the following areas:

- 1). Our study adopted a broad-based approach of capturing the causal effects of tax compliance strategies on tax revenue yield of Rivers State, Nigeria. Thus, voluntary compliance and enforcement were used as our proxies for tax compliance strategy. Tax consultants/practitioners' were used as moderating variable between tax compliance strategy and tax revenue yield. While, personal income tax revenue yield and withholding tax revenue yield of the state were used as our proxies for tax revenue yield. Thus, there is no available empirical evidence to our knowledge that categorized tax compliance strategy into voluntary compliance and enforcement and their respective influence on personal income tax revenue yield and withholding tax revenue yield of Rivers state, Nigeria. Hence, our work is distinguished from the existing studies.
- 2). Our work is based on different time periods spanning from 2007 to 2016. The 10 years' period is considered long enough to cover the period of transformation in the growth of non-oil revenue in Nigeria. In these periods, the economy of Rivers state and indeed Nigeria presents severe recession orchestrated by the volatility of international market oil price, persistent insecurity in the south/south geopolitical zone of Nigeria. Thus, the need for a study that will identify strategies to optimize non-oil revenue sources in the state.
- 3). We incorporated data from primary and secondary sources in our study. Existing studies that utilized both survey research and ex-post defacto research designs are scanty. Most studies adopted qualitative data drawn from opinion of various stakeholders in Nigeria tax environment.
- 4). Furthermore, we identified that extant studies rarely

recognized the influence of tax consultants/tax practitioners to both tax authorities and taxpayers. Thus, we incorporated the moderating effects of tax practitioners/consultants on compliance strategy and tax revenue yield in view of their significant role in tax revenue drive of the government and taxpayers' compliance.

METHODOLOGY

The study adopted both primary and secondary research design to obtain data. The survey research design involve questionnaires, interviews and telephone conversation with staff of Rivers state internal revenue service, taxpayers resident in the state comprising civil servants, the staff of corporate institutions, tax payers engaged in informal sectors and tax consultants based on sample size of 100 respondents drawn from the population . While, Secondary data (the ex-post defacto) design obtained from textbooks, journals, newspaper, Rivers state internal revenue reports on internally generated revenue of the state, Central Bank of Nigeria, National Bureau of Statistics and internet as well as through literature review of previous Research findings and existing literature on each study variable.

HYPOTHESES

In order to examine the effects of tax compliance strategy on tax revenue yield the following hypotheses were formulated

- Ho1:** There is no significant relationship between Tax compliance strategy and tax revenue yield in Rivers state, Nigeria.
- Ho2:** There is no significant effect of voluntary compliance on personal income tax revenue yield in Rivers State, Nigeria.
- Ho3:** There is no significant influence of voluntary compliance on withholding tax revenue yield in Rivers State, Nigeria.
- Ho4:** Tax enforcement does not influence personal tax revenue yield in Rivers state, Nigeria.
- Ho5:** There is no significant effect of tax enforcement on withholding tax revenue yield in Rivers state, Nigeria.
- Ho6:** The mediating role of tax consultants/practitioners' does not significantly influence the relationship between tax compliance strategies and tax revenue yield in Rivers state.

Model Specification and Functional Definition of Variables

The model economic specifications are based on the tax compliance and revenue optimization in emerging

economy. Our model specification adopts the multiple regression equation models. Hence, the following functional equations are therefore formulated in line with the theory and relevant literature:

1). $Y = a_0 + b_0 x_1 + b_0 x_2 + e$ Equation 1

Where Y = Tax Revenue Yield: Measured by Personal Income tax revenue yield and Withholding tax revenue yield.

Y1 = Personal income tax revenue yield (PITRY)

Y2= Withholding tax revenue yield (WTRY)

X1 = Tax compliance strategy: Measured by voluntary compliance (VC)

X2 = Tax compliance strategy: Measured by Tax enforcement (TE)

a_0 = Parameter showing the point of interception with Y-
a x U

b_i = parameter showing the slope of the model defining the specific relationship

e_t = Stochastic error term i.e. representing variable that could cause Variation in the dependent variable not stated in the model

2). Model specification for voluntary compliance (VC) on Personal Income tax revenue yield

$PITRY = a_0 + b_0 (VC) + e$ Equation 2

Where variables are defined above

3). Model specification for voluntary compliance on Withholding tax revenue yield

$WTRY = a_0 + b_0 (VC) + e$ Equation 3

Where variables are defined above

4). Model specification for tax enforcement (TE) On Personal Income tax revenue yield

$PITRY = a_0 + b_0 (TE) + e$ Equation 4

Where the variables are as defined above

5). Model specification for tax enforcement (TE) On Withholding tax revenue yield

$WTRY = a_0 + b_0 (TE) + e$ Equation 5

Where the variables are as defined above

6). Model specification for both equation 2 and 3 above

$PITRY = a_0 + b_0 (VC) + b_1 (TE) + e$ Equation 6

Where the Variables are as defined above

7). Model specification for both equation 2 and 3 above

$WTRY = a_0 + b_0 (VC) + b_1 (TE) + e$ Equation 7

Where the Variables are as defined above

We will estimate our regression equation and Pearson coefficient of correlation using SPSS version 20.

RESULTS AND DISCUSSIONS

Ho1: There is no significant relationship between tax compliance strategy and tax revenue in Rivers State

Summary of the test result is shown in Table 1 below

Table 1. Relationship between Tax Compliance Strategy and Tax Revenue Yield

Model Summary of Regression Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.859	.738	.705	14.73976

a). Predictors: (Constant), TAX Compliance Strategy

ANOVA

Model	Sum of Square	df	Mean Square	F	Sig.
Regression	4891.257	1	4891.257	22.513	.001 ^b
Residual	1738.085	8	217.261		
Total	6629.342	9			

a). Dependent variable: Total Tax Revenue Yield

b). Predictor: (Constant), Tax Compliance Strategy

The table 1 above presents the test result on the relationship between tax compliance strategy and tax revenue yield. The regression result indicates 85.90% high degree of correlation between tax compliance strategy variable such as voluntary compliance and tax enforcement and tax revenue yield, While 70.50% variation of tax revenue yield is explained by tax compliance strategy. Thus, with an r value of 85.9% the result indicates significant positive relationship between tax compliance strategy and tax revenue yield which implies that our regression model predicts the tax revenue yield significantly well since our P < 0.001 is less than 0.05, and which reveals that the regression model is

statistically significant in predicting the outcome of our variables. Based on the above, we therefore, reject the null hypothesis and conclude that there is a significant relationship between tax compliance strategy and tax revenue yield. Thus, effective tax compliance strategic machineries such as optimizing measures for voluntary compliance and enforcement can induce tax revenue yield for the state particularly in the areas of personal income tax revenue yield and withholding tax revenue yield. This finding is in agreement with the finding of Appah and Ogbonna (2014) that evaluated self-assessment scheme and revenue generation in Nigeria and found a strong correlation between voluntary compliance, self-assessment and revenue generation. Further collaboration with our finding is the study of Ezeagba (2014) who examined the generation of tax

revenue in the Nigerian private sector to determine the causes of tax evasion and avoidance by the self-employed people. The study result indicates strong affirmation between tax leakages and government revenue. While, Tanko (2015) assertions that the inevitability of tax enforcement engenders voluntary compliance/self-assessment that can impact positively on revenue drive of state government also affirm our study result.

Ho2: There is no significant effect of voluntary compliance on personal income tax revenue yield.

The test result is shown in table 2 below.

Table 2. Effect of voluntary compliance on personal income tax revenue yield

Correlation

		Personal income tax revenue yield	Voluntary tax compliance
Personal Income Tax	Pearson Correlation	1	.667
	Sig. (2-tailed)		.035
	N	10	10
Voluntary tax Compliance	Pearson Correlation	.667	1
	Sig. (2-tailed)	.035	
	N	10	12

*Correlation is significant at the 0.05 level (2-tailed)

Table 2 shows the effect of voluntary compliance on personal income tax revenue yield. With an r value of .667 the result indicates a positive effect of voluntary compliance on personal income tax revenue yield. The result also showed the statistically significant level of .035 which is less than .05 level (2-tail). The result indicates that voluntary compliance variables account for 66.70% change in personal income tax revenue yield which implies that a unit change in voluntary compliance measures will lead to 66.70% change in the level of personal income tax revenue yield generated by the state. Based on the above result, we, therefore, reject the null hypothesis and conclude that there is a significant influence of voluntary compliance on personal income tax revenue yield. However, voluntary compliance as a strategic component of tax compliance is significant and 5% level in explaining the level of personal income tax revenue yield. In affirmation, the significant increase in tax revenue generated in the period under study might have resulted from strong innovative measures by the state tax authority that induced voluntary compliance.

Thus, improvement in internal administrative process, the perceived fairness of tax system, government accountability and resource management, a collaboration of tax authority with tax payers, increased tax awareness and education campaign among others might have impressed tax payers and therefore encourage tax payer to voluntarily pay tax to the government without enforcement. Although, the statistical result showed a strong positive effect of voluntary compliance on personal income tax revenue, but in Rivers state efforts to bring more potential taxpayers who are outside the tax net remain a dilemma for the state tax authority due to perceived unaccountability of taxpayers' money by the government. Existing and potential taxpayers express gross dissatisfaction on the government inability to provide basic amenities to the citizens. The increasing level of agony and frustration suffered by the citizens and residents of the state due to age long dilapidated infrastructural amenities is immeasurable. The state of the roads, health and educational facilities etc. are nightmares in the state. The government and tax

authority's effort to educate taxpayers to obey tax laws, run efficient and effective tax administration to encourage taxpayers voluntary compliance will remain an illusion except infrastructural amenities are provided for the citizens. However, our result is consistent with the findings of Olowookere and Fashina (2013) that examined the education of taxpayers on achieving voluntary compliance in Lagos State Nigeria, and found that tax education program for taxpayers, government accountability and transparency influences voluntary/self-assessment compliance in Lagos State. Thus, the

motivators of voluntary compliance depend on the provision of vital infrastructural facilities and optimization of all measures necessary to encourage voluntary compliance.

Ho3: There is no significant influence of voluntary compliance on withholding tax revenue yield in Rivers State Nigeria.

The test result is shown in table 3 below.

Table 3. Influence of voluntary compliance on withholding tax revenue yield

Correlation

		Withholding tax revenue yield	Voluntary tax compliance
WITHHOLDING TAX REVENUE YIELD	Pearson Correlation	1	.667
	Sig. (2-tailed)		.035
	N	10	10
VOLUNTARY TAX COMPLIANCE	Pearson Correlation	.667	1
	Sig. (2-tailed)	.035	
	N	10	12

*Correlation is significant at the 0.05 level (2-tailed)

The table 3 above reveals the influence of voluntary compliance on withholding tax revenue yield. The correlation result shows r value of .667 which indicates the positive influence of voluntary tax compliance on withholding tax revenue yield which is significant at 0.035 level (2-tailed) and is less than 0.05 level (2-tailed). Therefore, voluntary compliance is statistically significant at 5% level (2-tailed). The result indicates that voluntary compliance measures account for 66.70% variation in the level of withholding tax revenue yield. Consequently, a unit change in voluntary compliance measures induces 66.70% variation in the level of withholding tax revenue yield. Sequels to the above result, we, therefore, reject the null hypothesis and conclude that voluntary tax compliance significantly influence by withholding tax revenue yield. Essentially, voluntary compliance as a strategic tool to drive government tax revenue is significant at 5% level in explaining the degree of withholding tax revenue yield. The perceived efforts by various governments particularly in Rivers State to improve the state revenue by addressing various measures that can propel voluntary compliance in the recent time may account for the positive results in withholding tax revenue yield. However, the degree of compliance to withholding tax revenue payment and

remittance to government purse remain challenging due to collusion between the taxpayers and the government and tax revenue agent responsible for deducting withholding tax at source. Significant proportion of businesses vehemently does not remit the withholding taxes deducted from taxpayers to the government. Their reasons for non-remittance are due to negative perception of government accountability, transparency and efficient management of taxpayer's resources. Thus, payment and remitting withholding taxes to the government will thrive provisions are made to lubricate voluntary compliance through good use of taxpayers resources, therefore motivating them to comply voluntarily with tax laws. This result is in affirmation with the study of Dandago (2015) who identified determinant of voluntary tax compliance as tax payers knowledge of tax laws, tax morality, perceive fairness of tax system, improvement of tax service, government/public accountability, political stability and government effectiveness in managing scarce resources. Our results also in consultant with the findings of Adimassu and Jerene (2015) that voluntary compliance behaviour is a function of identified economic, demographic, social, institutional and individual factors.

Ho4: Tax enforcement does not significantly influence personal income tax yield.

The result is shown in table 4

Table 4 influence of tax enforcement on personal income tax revenue yield

Correlation

		Personal income tax revenue yield	Tax enforcement
PERSONAL INCOME TAX REVENUE YIELD	Pearson Correlation	1	.894**
	Sig. (2-tailed)		.000
	N	10	10
TAX ENFORCEMENT	Pearson Correlation	.894**	1
	Sig. (2-tailed)	.000	
	N	10	12

*Correlation is significant at the 0.01 level (2-tailed)

The table 4 above shows the influence of tax enforcement as a strategic component of tax compliance strategy on personal income tax revenue yield. The correlation result indicates that the correlation between tax enforcement and personal income tax revenue yield is statistically significant at (2-tailed) value .000. The result also shows that person's r is .894 which implies that changes in tax enforcement as a component tax compliance strategy strongly correlation with variation in personal income tax revenue yields. Thus, a unit change in tax enforcement measures can induce 89.40 variations in the level of personal income tax revenue yield. Hence, as tax enforcement measure are effectively and efficiently intensified by the tax authority of the state. Personal income tax revenue yield also increases in value. Based on the above result, we reject our hypothesis and conclude that tax enforcement influence significantly personal income tax revenue yield.

Tax enforcement measures are therefore unavoidably important in driving tax revenue compliance. Taxpayers naturally will prefer being enforced before they can comply with tax laws. Tax payment compliance is therefore behavioural and tax payers may default to comply with tax laws irrespective of government provision of essential infrastructural amenities, efficient tax administrative system, low rate of taxes, incentives etc. unless and otherwise compelled to do so. This result is in affirmation with respondent's perception of the effect of tax enforcement measures on tax revenue yield in Rivers State. Where about 53% of the respondents strongly agree that tax revenue yield strongly depend on maximizing tax enforcement measures by the relevant tax authority. Although, respondents perception level on enforcement effect on tax revenue is statistically significant, but the extent to which state tax authority

implement enforcement on tax offenders remain a complex activity. The challenge of taxing the high net worth individuals, the issue of enforcing relevant penalties to the tax law offenders and the endless political interference tax administration, and in the state can mare the growth potential personal income tax revenue and in the same vein demoralize the taxpayers from obedience to tax laws.

Notably, most taxpayers does not see the morality to voluntary adhere to tax laws they will prefer to be compelled to do so, therefore the need for the government through its tax authority and legislations to enforce compliance, use judgment debts, sealing of office premises, seizing compelling tax payers to pay their taxes as at when due is imperative. Study findings are in line with the findings of Elleman and Obaro (2011) that identified different kinds of tax enforcement measure capable of inducing compliance as the rise of judgment debts, sealing of office premises, the legitimate right to distraint the tax payers of his goods, Chattel, real estates, financial instrument etc. However, they further identified psychological danger of tax enforcement in encouraging non-compliance if not properly applied. Thus, careful application of enforcement measures that can motivate compliance and directly improve personal income tax revenue yield is needed. Therefore, the extent of adoption of efficient and effective tax enforcement measure greatly influence the level of personal income tax revenue yield.

Ho5: There is no significant effect of tax enforcement on withholding tax revenue yield.

The test result is shown in table 5

Table 5. Effect of tax enforcement on withholding tax revenue yield**Correlation**

		Withholding tax revenue yield	Tax enforcement
WITHHOLDING TAX REVENUE YIELD	Pearson Correlation	1	.894**
	Sig. (2-tailed)		.000
	N	10	10
TAX ENFORCEMENT	Pearson Correlation	.894**	1
	Sig. (2-tailed)	.000	
	N	10	12

*Correlation is significant at the 0.01 level (2-tailed)

The table 5 above shows the correlation result of the effect of tax enforcement and withholding tax revenue yield. The correlation result revealed that the correlation between tax enforcement and withholding tax revenue yield is statistically significant at (2-tailed) value .000 which is less than $P < 0.05$. The result also shows r value of .894 which implies that changes in tax enforcement measures strongly correlate with variation in withholding tax revenue yield. Hence, a unit changes in tax enforcement as a measure of tax compliance strategy will result in 89.4% change in the level of withholding tax revenue yield. The direct relationship between enforcement and withholding tax revenue yield as revealed implies that intensifying and effectively adopting tax enforcement measures is capable of boosting withholding tax revenue yield. From the above result, we reject our hypothesis and conclude the tax enforcement significantly affect withholding tax revenue yield in Rivers State.

Thus, the degree of effect of tax enforcement as a component of tax compliance strategy on withholding tax revenue yield is large at 89.40% effect of tax enforcement on withholding tax revenue yield. This result, therefore, revealed the inevitability of application of tax enforcement measures to compel taxpayer's particularly individual tax payers to comply with payment of withholding tax to state government as required by the tax law. It is also important to note that there are dissident taxpayers and chronic tax defaulters that need to be forced to comply with tax laws.

Tax enforcement reveals potential hidden taxpayers, tax cheats and defaulters and with the capacity to induce compliance by tax payers who genuinely pay up their taxes to avoid disruption of business operations and reputational damages due to aggressive tax enforcement strategy measure. Our study result is at variance with the findings Zeng (2014) that examined what affects tax compliance behaviour in Canada.

The study found that good tax law system greatly affects individual tax compliance behaviour than

enforcement of the law and the nature of government expenditure. However, our study result is consistent with the study result of KPMG (2016) that identified aggressive tax enforcement strategy as recently adopted by most state tax authorities in Nigeria to enhance compliance to recover unpaid taxes from defaulting tax payers, sealing up defaulting companies, enforcing compliance with tax provision etc yielded positive result in terms of increased revenue profile of the government. Thus, improving withholding tax revenue yield of state government measures as provided by tax laws, optimizing the determinants of tax enforcement measures through the application of enforcement measures as provided by tax laws is a panacea for increased withholding tax revenue yield.

Ho₆: The mediating role of tax consultants does not significantly influence the relationship between tax compliance strategy and tax revenue yield

The table result is shown in table 6 below.

The table 6 above shows the partial correlation result of moderating influence of tax consultants/tax practitioner as controlling variable on the relationship between tax compliance strategy and tax revenue yield. The result shows strong correlation of the variables under study at an r value of .810 and statistically significant at .008 (2-tailed). The correlation (r) value of .810 implies that changes in control variable (tax consultants) strongly correlate with the variation in tax compliance strategy and tax revenue yield.

Thus, a unit changes in tax consultants/tax practitioner measures can induce 91% variation in the level of tax compliance strategy and tax revenue yield. Hence, there is a direct relationship between tax consultant measures on tax compliance strategy and tax revenue yield. Tax consultants have significant role to play to motivate tax compliance and same measures will induce tax revenue proportionate.

Table 6. Mediating influence of tax consultant in the relationship between tax compliance strategy and tax revenue Yield**Correlation**

Control variables			Tax compliance strategy	Total tax revenue yield
TAX CONSULTANTS	WITHHOLDING TAX REVENUE YIELD	Correlation	1.000	.810
		Significance (2-tailed)	.	.008
		df	0	7
TAX ENFORCEMENT	TAX ENFORCEMENT	Correlation	.810	1.000
		Significance (2-tailed)	.008	.
		df	7	0

Based on the above result, we reject our hypothesis and conclude that the mediating role of tax consultants/practitioner significantly influence the relationship between tax compliance strategy and tax revenue yield in Rivers State. This also provide answer to our research question that tax consultants/practitioner moderating role largely influence the relationship between tax compliance strategy and tax revenue yield, and in conformity with reaction of the respondents. Where about 61.50% of the respondents agreed that tax consultants influence taxpayers and tax authority. Unfortunately, the integrity, probity and professional ethics of the tax practitioner seems to be eroded in recent times. Reported cases of professional negligence, collusion, and other unethical behaviour of tax consultants is alarming and counter-productive to the revenue growth of the state. Tax consultants collude with the taxpayers to under state tax liabilities and engage in other corrupt tendencies. However, the use of tax consultants/practitioners that hold to esteem their professional ethics in discharging their duties in small measure impacted positively on their clients - government, tax authority and taxpayers.

Our study result is in affirmation with the findings of Rotimi *et al.*, (2013) that identified the justification for the use of tax consultants in Lagos state as increase in tax revenue, increased voluntary compliance through tax education and awareness, accountability for tax collected, keeping up to date standard taxpayer record, and recovery and training of employees of tax authority. Essentially, tax consultants are vital stakeholders in tax revenue environment that plays a dual role to taxpayers on the one hand, and on the other hand to the government and tax authorities. Tax practitioner and consultants render services to taxpayers in diverse ways. In the preparation of income tax return, training of employees of private and public sector organization, collect taxes on behalf of the government, serves as enforcement machinery to compel dissident taxpayers to comply with tax law and expose hidden taxpayers and

defaulters who do not comply with tax laws. The adoption of tax consultants stimulates tax revenue yield and reduce tax compliance gap, through reduced tax leakages (evasion and avoidance) predicated on efficient and effective tax compliance strategic initiatives.

CONCLUSION

The following conclusions are drawn from the above findings: There is a significant positive relationship between tax compliance strategy and tax revenue yield. Improvement of tax revenue yield is a function of strong efforts of the government/tax authority to provide measures capable of inducing taxpayers to voluntarily comply with tax laws. Personal income tax revenue yield and withholding tax revenue yield are significantly influenced by taxpayers' voluntary compliance and tax authority implementation of enforcement measures to compel taxpayers to obey tax laws. Taxpayers are sensitive about compliance and enforcement particularly when the government is accountable and transparent to taxpayers' money on the one hand and on the other hand when government and tax authorities enforce tax laws strictly to compel tax payers to obey tax laws. However, irrespective of such sensitivity to compliance measures, the panacea to citizens' obedience to tax laws is the government provision of infrastructural amenities like good roads, good and affordable health care and educational facilities, housing, transportation and security among others. Tax consultants/tax practitioners role in harnessing state revenue remain significant through services they render to both taxpayers and the government.

RECOMMENDATIONS

In consideration of the study findings, the following recommendations are proffered:

- 1). The government should provide essential infrastructure to the citizens, improved accountability and transparency on utilization of taxpayers' money, taxpayers' knowledge on tax laws, tax education and enlightenment among others, so as to increase tax revenue yield/growth of state government.
- 2). To make voluntary compliance possible and thereby boost tax revenue yield there should be seamless tax administration laws and policies, timely resolution of contentious tax issues and legal proceedings on tax cases between tax payers and tax authorities, and involving tax payers in tax policy matters among others.
- 3). Government and tax authority should ensure strict enforcement of tax laws and without bias to ensure that penalties are imposed on tax defaulters, and in particular tax collection agent, individual and institutions who are authorized to deduct tax at source and vehemently refused remittance to government taxes deducted from personal income tax and withholding tax revenues.
- 4). The need for tax consultants and tax practitioners to demonstrate high ethical standards and integrity, patriotism and professionalism in discharging their duties remain imperative. Tax consultants and tax practitioners are vital stakeholder in tax revenue environment of state government, their role in closing the tax revenue gap experienced by the most government in Nigeria remain significant. Punitive measures must be meted on tax consultants and tax practitioners who are found guilty of aiding and abetting tax payers to under state tax liability, and tax payers who collude with tax authority staff to defraud the state of her legitimate tax revenue. Although most tax payers avoid taxes with the help of tax consultants through effective tax planning process. This must be carried out with caution and with a high sense of morality on the part of both tax payers and the tax consultants/practitioners.
- 5). The model suggested in this study should serve as a foundation for common usage among stakeholders in the tax environment for assessing the effect of tax compliance proxies on tax revenue yield measures particularly in guiding stakeholders in making tax decisions. Thus, our model serves as complementary use by policy makers, tax payers, researchers and academicians, investors, tax practitioners and tax consultants as tool for evaluating tax revenue yield of government.

SUGGESTED AREA FOR FURTHER STUDIES

The reason for further studies emanates from the result of the study and the identified constraints of the investigation which include the following:

- 1). The investigation considered the relationship between tax compliance strategy and tax revenue yield in Rivers

Sate Nigeria 2007 to 2016, further research could be examined on tax compliance strategy relationship on other state government tax revenue sources like capital gains tax and market tax where state government invested in a different period.

- 2). The study focuses on the relationship between tax compliance strategy and tax revenue yield in River State. Further study should be focused on the relationship between tax compliance strategy and tax revenue yield in any of the Northern State in Nigeria comparatively.

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