JOURNAL OF GLOBAL ACCOUNTING
11(5) October, 2025.
ISSN (Online): 1597–7641; ISSN (Print): 1597-8273
https://journals.unizik.edu.ng/joga

EFFECT OF TAX AUDIT ON TAX COMPLIANCE IN NIGERIA

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CITATION: Pitan, O.O., Aminu, I.Y. & Ene, J.C. (2025). Effect of tax audit on tax compliance in Nigeria, *Journal of Global Accounting*, 11(5), 195 - 211. Available:https://journals.unizik.edu.ng/joga

ABSTRACT

The study examined the effect of Tax audit on Tax compliance in Nigeria. Specifically, it sought to assess the effect of desk audit and the field audits on Tax compliance in Nigeria Adopting the quantitative survey approach, a total of 139 Respondents were sampled from 235 permanent (Managerial and Non-managerial cadres) staff of Federal Inland Revenue Service (FIRS), Abuja. However, primary data collated from 127 Samples were analysed using the Partial Least Squares Structural Equation Modeling (PLS-SEM) with the aid of Statistical Package for Social Sciences (SPSS) version 23.0. Findings showed that desk audit has significant effect on the Tax compliance in Nigeria (p-value 0.002 < 0.05). It was discovered that Field audit has significant positive effect on Tax compliance in Nigeria (p-value 0.005 < 0.05). In conclusion, The country's Tax system, therefore, stands to benefit from continued investment in audit technologies, human resource development, and the establishment of risk-based audit selection criteria to optimize audit outcomes. The study recommended that Tax authorities, particularly the Federal Inland Revenue Service (FIRS) and State Internal Revenue Services (SIRS), should invest in modernizing audit infrastructure. This includes upgrading digital audit tools and data analytics systems for desk audits to improve efficiency and reduce manual errors. Also, efforts should be made to enhance logistics and staffing capabilities for field audits to allow more coverage of non-compliant or high-risk Taxpayers..

Key words: *Desk Audit, Field Audit, Tax Audit, Tax Compliance.*

INTRODUCTION

Governments worldwide have a responsibility to provide essential services and social amenities to their citizens, which is a fundamental task of elected officials. However, fulfilling these obligations requires significant funding. While governments rely on various revenue sources, taxes are the most important and dependable means, generating much more revenue than any other sources (Jones, 2018). Taxes are compulsory payments imposed by governments on individuals, families, communities, corporations, and unincorporated bodies, among others, based on their income, profits, or wealth.

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In Nigeria, where Tax revenue serves as the primary source of internally generated income, Tax compliance remains a critical issue. Despite the existence of Tax laws and regulations, compliance levels have been relatively low (Adebayo, 2022). Tax compliance refers to the willingness of Taxpayers to submit accurate, satisfactory, and complete Tax returns in accordance with the Tax laws and regulations of a given jurisdiction (Adams, 2018), as cited in (Blaufus, Schöndube, &Wielenberg, 2024). It is a voluntary adherence to Tax obligations without coercion, ensuring timely and adequate remittance of returns (Okoli, 2020). The failure to comply results in low remittance rates or outright Tax evasion (Okoli, 2020).
Blaufus et al. (2024) argue that Tax compliance involves Taxpayers adhering strictly to stipulated Tax laws by submitting accurate and truthful Tax returns. However, in Nigeria, the level of remittance remains significantly low, affecting the total internally generated revenue each fiscal year. Alshira'h and Abdul-Jabbar (2020) assert that low Tax revenue is primarily due to excessive Tax evasion and avoidance (Oyelere, 2020). Although Tax compliance should be a civic duty of every patriotic citizen contributing to national development, extensive research has highlighted that it continues to be a persistent challenge (Adeyemi, 2019; Oduwole2021).

Consequently, Tax audits have been identified as an essential tool in improving Tax revenue collection. It increase Tax revenue directly by assessing additional Taxes and indirectly by promoting Taxpayer compliance (Adams, 2018). Tax audit is a systematic examination of Taxpayer records to ascertain compliance with Tax laws (Alemu, 2020). It serves as a vital mechanism for ensuring proper Tax remittance and detecting fraudulent practices. The Tax audits also include desk audit and field audit by ensuring that all eligible Taxpayers are properly registered with the Tax authorities and fulfilling their Tax obligations. Despite implementing Tax audits and education initiatives, the level of Tax compliance among Taxpayers remains challenging in many jurisdictions (Blaufus, Schöndube, &Wielenberg, 2022), especially among corporate entities (Bedi, 2016; Siregar, Nasution, &Arifin, 2019). This has prompted Tax authorities on the prevalence of Tax non-compliance globally (Yusof, Ling,&Wah, 2021). The existing literature on Tax audits and Tax compliance is abundant, particularly about individual Taxpayers and Small and Medium-Sized Enterprises (SMEs) (Alshira'h& Abdul-Jabbar, 2020; Ayalew, 2014; Beer, Kasper, Kirchler, &Erard 2020; Best, Shah, &Waseem, 2021; Chalu&Mzee, 2018; Kasper &Alm, 2022). The conceptions of these authors, including Alemu (2020), Ayalew (2014), Chalu and Mzee (2018), George and Diavastis (2015), Kasper and Alm (2022), Olaoye, Ogunleye, &Solanke, (2018), Olaoye and

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Ekundayo (2019), Nurebo and Lekaw (2019), primarily focus on the perspective of Tax authorities, neglecting the interests of Tax payers. Despite the enormous attention given by researchers regarding Tax audit and Tax compliance, there still remains a need for empirical research on these concepts in lessexplored African countries and regions within emerging nations such as Nigeria. Moreso, studies examining the role of Tax audit using desk audit and field audit as explanatory variables, and the Tax compliance moderating their relationship, are typically few, thus making this study distinctive and unparalleled. It is against this backdrop that this study seeks to address the gap in knowledge on the effect of Tax audit on Tax compliance in Nigeria, withspecific emphasis on the federal inland revenue services, Abuja.

Objectives

The main objective of the study is to determine the effect of Tax audit on Tax compliance in Nigeria. The specific objectives are to:

1. assess the effect of desk audit on Tax compliance in Nigeria
2. determine the effect of field audits on Tax compliance in Nigeria.

Research Questions

The following research questions were envisaged towards achieving the objectives earlier stated:

i. What is the effect of desk audit on Tax compliance in Nigeria?
ii. What is the effect of field audits on Tax compliance in Nigeria?

LITERATURE REVIEW

Tax Audit

Tax audits have been a widely employed tool by Tax authorities over time to boost Tax compliance because companies found evading Taxes are required to pay the Taxes on their undisclosed income, including associated penalties (Alm, 2021). As noted by Brown (2018), Tax audit is an inquiry aimed at determining the level of fraud or willful default or neglect that a Taxpayer has perpetrated and to obtain evidence for possible prosecution. This suggests that Tax audits are centered on identifying undisclosed sources of revenue, gross non-compliance, or proof of underpayment and fraud. Similarly, according to Johnson (2020), Tax audit and investigation involves inspecting Taxpayers' business records to ensure compliance with Tax laws and regulations. This indicates that the primary objective of Tax audits is to

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ensure that Taxpayers comply with Tax laws and regulations, with the goal of increasing the revenue pool of the government. As of late 2024, Nigeria has proposed significant Tax reforms aimed at simplifying the Tax system, enhancing compliance, and increasing revenue generation (Richard,Josephine, &., Emmanuel, (2024). The Nigeria Tax Bill (NTB) 2024 according to Richard, et al., (2034) serves as a comprehensive legislation that consolidates various Tax laws into a unified framework. This includes Consolidation of Tax Laws**:** The NTB unifies multiple Tax statutes, including the Companies Income Tax Act, Personal Income Tax Act, Capital Gains Tax Act, and Value Added Tax Act, into a single legislation. This consolidation aims to streamline Tax administration and reduce complexities.

Desk Audit

This type of audit takes place within the premises of the Tax officials. Requests of relevant documents are made by the Tax authority and the auditor does all the review in the confines of his own office. A study by Anam et al. (2019) noted that no prior notice is given to the Tax payer and that he only gets to know when letters are written to him requesting for certain documents or explanations. Nurebo, and Lekaw, (2019) affirmed that office audit is cost effective and affords auditors to independently determine the accurate Tax liability of the Tax payers (Fakile et al., 2017; Anam et al., 2019).

H_{01}: Desk audits has no significant effect on Tax compliance in Nigeria.

Field Audit

Mohammed, (2020) opined that desk audit often times lead to field audit when additional documents are needed to complete the inspection of a Tax payer. This implies that field audit is more elaborate and broader than office audit because it transcends the office of the auditor. Explaining further, Sadiq et al., (2011) noted that field audit requires that the Taxpayers are well-informed before the commencement of the audit. This type of audit allows physical verification of Tax payers claims so as to confirm the facts and figure of the returns. The study by Kasper, and Alm, (2022) affirmed that field audit would improve the level of compliance by the Tax payers (Mohammed, 2020; Sadiq et al., 2011).

H_{o2}: Field audit has no significant effect on Tax compliance in Nigeria.

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Tax Compliance

The non-compliance of Tax laws and regulations by Taxpayers is a major concern for Tax administration in developing countries and obviously beacons an urgent solution because of the indispensability of Tax revenue to states' development. Smith (2019) reported that the willingness of individuals to comply with Tax laws and regulations without force is known to be Tax compliance. Concurring with this, Jameson (2014), as cited in Ojo and Owolabi (2018), defined Tax remittance and compliance as the willingness of Taxpayers to submit accurate, satisfactory, and complete returns in conformity with Tax laws and regulations peculiar to a particular Tax jurisdiction. This implies that Tax compliance revolves around the readiness of Taxpayers to cooperate with Tax laws and regulations without being forced or coerced.

According to Phillips (2020), Tax compliance is the degree to which a Taxpayer obliges to Tax rules and regulations willingly without any use of force. Corroborating this, Johnson (2017) described Tax remittance and compliance as Taxpayers' willingness to comply with Tax laws, declare the correct income, claim the correct deductions, relief, and rebates, and pay all Taxes on time. Similarly, Raza and Hunjra (2019) stated that Tax compliance mean the ability and willingness of Taxpayers to comply with Tax laws, declare the correct income in each year and pay the right amount of Taxes on time. Tax non-compliance, mostly avoidance and evasion had made many countries consider an alternative approach that could help improve the voluntary compliance and consequently increase Tax revenue (Horby,2020). The do-it-yourself mechanism commonly referred to as self-assessment system (SAS) has, for long become the essential administrative approach for both individual and corporate Taxations in developed countries including the United States of America (USA), Australia and the United Kingdom (UK). The same process was first, introduced in Nigeria in 1994 leading to the enactment of decree no. 30 of 1996 (Iheanyi, 2019). This successfully commenced in 1998 after the decree, but was not in fully implemented, until 2011, with the adoption of Tax administration (self-assessment) regulations. With the proliferation of this regulation, most experts believed that this administrative framework gained ground as it laid the formal procedure and processes for Taxpayers to assess their Tax liability themselves, (George, &Diavastis, 2018)

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Tax Revenue

According to Smith (2019), revenue refers to the income that public authorities (Federal, State and Local Government) collect from individuals or entities to finance their expenditures. It is an essential income that governments require to fund their growing expenses. As stated by Johnson (2020), Tax revenue is a compulsory charge that the government imposes on the income and profits of individuals and companies, respectively. Moreover, as cited in Smith (2019), Taxation is the primary source of revenue for modern governments, accounting for over ninety percent of their income. This emphasizes that Tax revenue is a mandatory charge that government agencies impose on the income, consumption, and capital of citizens. These levies are imposed on personal income, including salaries, business profits, interests, dividends, discounts, and royalties. In addition, Taxes are imposed on company profits, petroleum profits, capital gains, and capital transfers (Johnson, 2020). Taxes are mandatory charges imposed by the government on individuals or their property to provide security (Smith, 2019).

Empirical Review

Richard, Josephine and Emmanuel, (2024) carried out a study explores the effect of Tax education on fear-appealing messages in the linkage between Tax audit and Tax compliance among corporate entities. Data was collected from 205 corporate entities using questionnaire as an instrument. The data was analyses using the PLS-SEM. It was observed that Tax audit enhances Tax compliance among corporate entities. Again, while Tax education partially mediates the linkage between Tax audit and Tax compliance, fear-appealing messages negatively moderate the relationship between the two. The study recommended that Tax revenue authorities should increase Tax audit frequency and educate Taxpayers during the audit exercise.

Abdulhamid, Yusuf, Bala, and Naziru, (2024) investigated the effect Tax audits have on Tax compliance of Micro, Small and Medium Enterprises (MSMEs) in Nigeria. Five hundred (500) MSMEs were selected for the study and the regression technique through Statistical Package for Social Sciences (SPSS) was adopted for the analysis. The study found that Tax audits do have a significant effect on the Tax compliance of MSMEs in Nigeria. Also, intentional Tax fraud investigation and enterprise Tax return verification both have a significant effect on the Tax compliance of MSMEs in Nigeria. The study recommended that, the government should train and retrain the Tax authority staff and their agents to enhance

their capacities in carrying out their assignment of collecting revenue and Tax audits when the need arises.

Henry, and Chineny, (2024) sought to examine the influence of Tax audits on Tax compliance: and Tax revenues from SMEs in Nigeria: the study employed a cross-sectional survey design consisting of 205 Owners and managers of SMEs in Nigeria. The study used a structured questionnaire to elicit the desired data from the respondents and used structural equation modelling to analyses the data. The results indicate that desk and field Tax audits have a significant positive influence on Tax compliance. Tax compliance, desk and field Tax audits have a significant positive influence on Tax revenue. In addition, Tax compliance provides a partial linkage for the relationship between Tax audits and Tax revenues from SMEs. The study recommended that policymakers in government and Tax authorities should employ Tax audits to enhance SMEs' Tax compliance in boosting Tax revenues from the SMEs and thus, improve the nation's GDP with the Tax revenues.

Shamsuddeen James, and Stella, (2023), examined the effect of Tax audit on compliance of Taxpayers in Katsina State Board of Inland Revenue. The study adopted the survey research design, using primary data. The target population of the study comprised of the entire staff of the Katsina State Board of Internal Revenue in Katsina State, which aggregated to a total of seventy-five (75) staff. Questions were measured on a 5-point "Likert" scale. The result on Tax Compliance proxy by Tax Remittances was found to be positively associated with Audit Yield and Field Tax Audit is statistically significant. The study recommended that government should efficiently execute capital projects preferred by citizens; this will satisfy the Taxpayers that the Tax collected by the government is for the general benefit of the society thereby increasing the level of compliance.

Kennedy (2023) examined the impact of Tax audit and other qualitative attributes on the Tax compliance level of companies in Nigeria. Questionnaires were administered to staff of sampled companies in selected states of the five geo-political zones of Nigeria. Ordered Logistic Regression technique was employed to analyses the responses. The result showed that there exists a positive relationship between Tax audit and Tax compliance. The result also revealed that the probability of being audited, perception on government spending, penalties and enforcement, the joint effect of Tax audit and penalties have a tendency to significantly influence Tax compliance in Nigeria. The study therefore recommend that the relevant authorities should seek more pragmatic and effective means of enhancing the impact of Tax

audits on corporate Tax compliance in Nigeria in order to consolidate on government's revenue

Kasper and Alm, (2022), in their study titled impact of Tax audit on Tax compliance in Nigeria, conducted an empirical analysis to evaluate the effect of Tax audits and related qualitative factors on corporate Tax compliance in Nigeria. Data was gathered through questionnaires distributed to employees across various states within Nigeria's five geo-political zones. The authors utilized the Ordered Logistic Regression technique for data analysis. The results revealed a positive relationship between Tax audits and Tax compliance. Factors such as the likelihood of being audited, perceptions of government spending, the role of penalties and enforcement, as well as the combined effect of audits and penalties, were found to significantly influence Tax compliance. The study recommended that relevant authorities implement more effective strategies to strengthen the impact of Tax audits on corporate Tax compliance, thereby enhancing government revenue.

Kennedy, and John, (2022) examined the impact of Tax audit and other qualitative attributes on the Tax compliance level of companies in Nigeria. Copies of the questionnaire were administered to staff of sampled companies in selected states of the five geo-political zones of Nigeria. Ordered Logistic Regression technique was employed to analyse the responses. The result showed that there exists a positive relationship between Tax audit and Tax compliance. The result also revealed that the probability of being audited, perception on government spending, penalties and enforcement, the joint effect of Tax audit and penalties have a tendency to significantly influence Tax compliance in Nigeria. The study recommend that the relevant authorities should seek more pragmatic and effective means of enhancing the impact of Tax audits on corporate Tax compliance in Nigeria in order to consolidate on government's revenue

Widuri (2019) study, titled "The influence of penalties, the trust on authorities, and the Tax audit toward Tax compliance" (2019), aims to examine the impact of Tax penalties, trust in Tax authorities, and Tax audits on Taxpayer compliance. The research is motivated by the challenge of achieving target Tax revenues set in the state budget. The study identifies factors significantly affecting Taxpayer compliance, specifically focusing on Tax penalties, trust in Tax authorities, and Tax audits. Using a quantitative approach with 153 respondents as the sample, the study employs multiple linear regression for data analysis. The results demonstrate that both Tax penalties, trust in Tax authorities, and Tax audits have a significant influence on Taxpayer compliance. The study contributes to our understanding of the factors

affecting Tax compliance and suggests the need for effective Tax penalties, trust-building measures, and diligent Tax audits.

Badara (2019) investigated the impact of Tax audits on Tax compliance in Nigeria, focusing on the Bauchi State Board of Internal Revenue. The study examines Tax audits as an independent assessment of Taxpayers' submissions to determine their compliance levels. Data were collected from both primary and secondary sources, with a structured questionnaire administered to 204 respondents. Various statistical techniques were used for data analysis, including diagnostic tests, the augmented Dickey-Fuller test, ordinary least squares, and Granger causality. The empirical findings indicate a significant relationship between different types of Tax audits and Tax compliance in Nigeria. Based on the results, the study recommends enhancing government transparency, ensuring the effective implementation of Tax laws, and improving the quality of Tax audits.

Theoretical Framework

Deterrence Theory

The deterrence theory posits that the fear of punishment or penalty can deter individuals from engaging in non-compliant behavior (Becker, 1968). In the context of Tax compliance, the fear of Tax audit and subsequent penalties can motivate Taxpayers to comply with Tax laws (Alm, Jackson, and McKee, 1992). This theory can be used to explain how Tax audits can influence Tax compliance behavior among Taxpayer. Deterrence theory, a cornerstone of criminology and economics, was developed by Cesare, B, and Jeremy, B, (1738-1794) and extensively applied to the realm of Taxation and Tax compliance. This theoretical framework suggests that individuals and entities make rational decisions based on a cost-benefit analysis, where they weigh the potential benefits of Tax evasion against the expected costs, including legal penalties and the likelihood of detection. In the context of the study on the "Effect of Tax Audit on Tax Compliance," deterrence theory plays a crucial role in understanding the mechanisms through which Tax audits can impact Taxpayers' compliance behavior.

The core proposition of deterrence theory is that the perceived risk of detection and the severity of sanctions act as deterrence mechanisms, influencing individuals' and organizations' decisions to comply with Tax obligations (Allingham &Sandmo, 1972). This theory posits that Tax audits, as a part of enforcement strategies, serve to enhance deterrence by increasing the perceived risk of detection. This heightened risk is expected to discourage potential Tax evaders and motivate Taxpayers to comply voluntarily. Tax audits, therefore,

function as a powerful policy tool to mitigate Tax evasion. Numerous empirical studies have examined the relationship between Tax audits and Tax compliance, and the findings generally align with deterrence theory guidance. For example, Kleven et al. (2011) found that increased audit rates significantly reduce Tax evasion, indicating that Taxpayers are responsive to the deterrence effect. Furthermore, the perceived severity of penalties, including fines and legal consequences, also influences Taxpayers' decisions to comply (Alm, McClelland, & Schulze, 1992).

In the context of this study, deterrence theory provides a theoretical framework to explore how different types of Tax audits, such as desk audits, field audits, back-duty audits, and registration audits, influence Taxpayers' compliance behavior. The theory posits that the intensity and intrusiveness of these audits, as well as the perceived risk of detection, will vary and, consequently, affect Taxpayers differently. For instance, field audits, which involve in-person inspections of financial records, may be perceived as more severe and intrusive, thus potentially exerting a stronger deterrence effect. In contrast, desk audits, which may involve a review of documents without in-person interaction, might be perceived as less severe.
Deterrence theory also suggests that the impact of Tax audits on Tax compliance may vary across different types of Taxpayers (e.g., individuals, small businesses, corporations). This is because individual and organizational Taxpayers may have distinct risk perceptions, attitudes, and responses to audit procedures and sanctions (Torgler, 2003). Therefore, understanding these variations is critical in the context of the study to provide a comprehensive analysis of the effect of Tax audits on Tax compliance in Nigeria. Deterrence theory offers a valuable lens through which to analyze the impact of Tax audits on Tax compliance in the study. It underscores the significance of perceived risks and sanctions in shaping Taxpayer behavior and provides a solid theoretical foundation for examining how different audit types and Taxpayer categories may respond to enforcement strategies, shedding light on effective policies for enhancing Tax compliance.

Deterrence theory is most suitable as the underpinning theory because it directly explains the rationale behind Tax audits and their impact on compliance. The theory posits that individuals comply with Tax laws primarily due to the fear of detection and punishment. Tax audits are a core mechanism of enforcement, increasing the perceived risk of non-compliance. Therefore, deterrence theory provides a strong theoretical foundation, as it connects enforcement actions like audits, with behavioral responses such as compliance.

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MATERIALS AND METHOD

The quantitative survey approach was employed as it finds out how people think, act or feel concerning the phenomenon under investigation. Specifically, the research design used is survey by administration of questionnaire. The main reason for this choice of research design or approach is to ensure that same questions are asked to every respondent, thereby creating room for equity and fairness in the analysis of the data sample and draw from the different perceptions of the respondents the conclusions on the objectives of the study.

The population comprised all 235 permanent (Managerial and Non-managerial cadres) staff of Federal Inland Revenue Service (FIRS), Abuja (as at December, 2024 staff data). The Managerial Staff consisted of all the staff on grade levels Management Six (M6) to Management One (M1) while the Non-managerial staff, on the other hand, involves all staff on grade levels Junior Staff One (JS1) to Senior Staff One (SS1).

Table 1 Population

S/No.	Departments	Population	Percentage%
1.	Personnel Department	40	17.02
2.	Tax Administration Department	65	27.66
3.	Standard committee and inspectorate Department	25	10.64
4.	Technical Department	20	8.51
5.	Administrative Department	75	31.91
6.	Tribunal/ Legal Department	10	4.26
	Total	**235**	**100%**

Source: Federal Inland Revenue Service (FIRS), 2024

Using Yamane's formula of sample size with level of significance 5 percent and confidence coefficient of 95 percent (Yamane, 1967) demonstrated below:

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

Where; n= Sample size

N= the size of Population

e= Level of significance

1= Constant

Therefore,

$$\mathrm{n} = \frac{235}{1 + 235(0.05)^2}$$

$$\mathrm{n} = \frac{235}{1.525}$$

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n = 139.

Hence, a sample size of 139 staff was derived. And this consequently distributed among the managerial and the non managerial staff cadre using the stratified sampling technique.

For Management Staff:

Sample for Management= (38/235) ×139= 22

For Non-Management Staff:

Sample for Non-Management= (197/235) ×139≈ 117

Therefore, randomly selected is twenty-two (22) individuals from the thirty-eight (38) management staff while one hundred and seventeen (117) individual from non-management staff The distribution of the 5 point Likert rating scale structured questionnaire was done using the Simple Random Sampling technique as it ensures one gets results from the sample size which are approximate if the whole population was measured. The response of the various respondents, were collated and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with the aid of Statistical Package for Social Sciences (SPSS) version 23.0.

RESULT AND DISCUSSIONS

The responses obtained from the respondents are discussed in table 4.1 below:

Table 2 Questionnaires Administration Analysis

Set of Questionnaires	**Number Administered**	**Number Retrieved**	**Percentage (%)**
Personnel Department	24	24	100%
Tax Administration Department	38	35	92%
Standard committee and Inspectory Department	15	15	100%
Technical Department	12	10	83%
Administrative Department	44	37	84%
Tribunal/ Legal Department	6	6	100%
Total	**139**	**127**	**91.4%**

Source: Field Survey, 2025

Table 2 shows that out of the one hundred and thirty-nine (139) questionnaires distributed, only one hundred and twenty-seven(127) were returned. This denotes that 91.4% of the questionnaires were responded to, and all conformed with the sorting criteria. This implies a success rate achieved.

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Descriptive Statistics

The descriptive statistics for the dependent and independent variables with a total of 127 observations are as presented in Table 3.

Table 3: Descriptive Statistics

Constructs	N	Min	Max	Mean	SD
Tax compliance	127	1	5	4.486	0.671
Desk Audit	127	1	5	4.415	0.634
Field Audit	127	1	5	4.496	0.665

Table 3 presents the descriptive statistics for the key constructs used in this study, including Tax compliance and various dimensions of Tax audit. The results indicate a generally high level of Tax compliance among the sampled respondents. The mean value for Tax compliance is 4.486, with a minimum value of 1 and a maximum of 5, suggesting that, on average, respondents exhibit a high degree of compliance with Tax regulations. The standard deviation of 0.671 indicates a moderate level of variability in responses, implying that while most respondents report high compliance, there is some variation in their experiences or perceptions.

For the desk audit variable, the mean value is 4.415, with a standard deviation of 0.634, minimum of 1, and maximum of 5. This suggests that desk audits are generally perceived as effective in promoting Tax compliance, with relatively low dispersion in responses, indicating consistent views among respondents.

The field audit variable has a mean of 4.496 and a standard deviation of 0.665, implying that field audits are also widely viewed as an effective mechanism for enhancing Tax compliance. The closeness of the mean to the maximum value further supports the perception of its effectiveness. Overall, the descriptive statistics suggest that all two dimensions of Tax audit are perceived by respondents as effective tools in promoting Tax compliance in Nigeria.

4.6: Test of Hypotheses

The formulated hypotheses were tested using p-value statistics. A sig-value less than $\alpha=0.05$ indicates that there is enough statistical evidence to reject the null hypothesis, and thereby accept the alternative hypothesis. If P-value is >0.05, then we do not have adequate statistical evidence to reject the null hypothesis or accept the alternative hypothesis.

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Table 4: Hypothesis Testing

Hypothesis	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Desk Audit -> Tax Compliance & Remittance	0.138	0.158	0.091	1.521	0.002
Field Audit -> Tax Compliance & Remittance	-0.088	-0.066	0.14	0.627	0.005

Hypothesis One

H_{01}: Desk audits has no significant effect on Tax compliance in Nigeria.

H_{01}: Desk audits has significant effect on Tax compliance in Nigeria.

Decision Rule: To test this hypothesis, table 4 was used. The strength of the positive relationship between desk audit and Tax compliance was measured by the calculated p-value at 0.05. Since the computed p-value of 0.002 is less than the 0.05, therefore the result supported the alternative hypothesis that desk audit has significant effect on the Tax compliance in Nigeria.

This means that when the Federal Inland Revenue Service (FIRS) intensifies the use of desk audits such as reviewing submitted Tax returns for accuracy, completeness, and consistency. It encourages more accurate and honest reporting by Taxpayers. It suggests that Taxpayers are more likely to comply with Tax regulations when they know their returns are being scrutinized, even without face-to-face audits. Additionally, the findings highlight the importance of continuous monitoring, risk-based audit selection, and follow-up actions as key strategies for improving the efficiency of the Tax administration system. This is consistent with prior empirical evidence of Henry, and Chineny, (2024) who examined the effect of desk Tax on Tax compliance in Nigeria. The study revealed that desk Tax has statistically significant effect on Tax compliance in Nigeria.

Hypothesis Two

H_{o2}: Field audit has no significant effect on Tax compliance in Nigeria.

H_{i2}: Field audit has significant effect on Tax compliance in Nigeria.

Decision Rule: To test this hypothesis, table 4 was used. The strength of the positive relationship between field audit and Tax compliance was measured by the calculated p-value at 0.05. Since the computed p-value of 0.005 is less than the significant level of 0.05, therefore

the result did not support the null hypothesis that Field audit have no significant effect on Tax compliance in Nigeria. Therefore, the alternate hypothesis is accepted.

This implies that when the Federal Inland Revenue Service (FIRS) conducts field audits such as physical visits to Taxpayers' premises to verify records and investigate discrepancies. It significantly influences Taxpayers' behavior towards fulfilling their Tax obligations accurately and promptly. The implication is that field audits serve as a strong deterrent to Tax evasion and underreporting, as they increase the perceived risk of detection and enforcement. This result suggests that expanding the coverage and frequency of field audits, particularly for high-risk or large Taxpayers, can enhance revenue generation and improve overall Tax system credibility. However, this is consistent with prior empirical evidence of whose (Shamsuddeen James, & Stella, 2023). Study found that field Tax positively impact Tax compliance.

CONCLUSION AND RECOMMENDATIONS

This study provides empirical evidence that the four Tax audit mechanisms play a significant role in improving Tax compliance in Nigeria. The country's Tax system, therefore, stands to benefit from continued investment in audit technologies, human resource development, and the establishment of risk-based audit selection criteria to optimize audit outcomes.

The study therefore recommends that:

i. Tax authorities, particularly the Federal Inland Revenue Service (FIRS) and State Internal Revenue Services (SIRS), should invest in modernizing audit infrastructure. This includes upgrading digital audit tools and data analytics systems for desk audits to improve efficiency and reduce manual errors.
ii. Enhancing logistics and staffing capabilities for field and back duty audits to allow more coverage of non-compliant or high-risk Taxpayers. This includes the uses of machine learning tools to detect anomalies in returns that may indicate under-reporting or evasion.

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