GOVERNMENT REGULATIONS ON TAX AUDIT AND GOVERNMENT TAX REVENUE IN NIGERIA

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Abstract
Government regulations have evolved into a major research topic in economic psychology. The issue has been approached from various viewpoints shedding light on different aspects of taxpayer’s behaviour. Attitudes were measured, prevailing social norms and lay theories explored, which people have made where fulfill their annual tax declarations. The main objectives of this study is to establish empirically the moderating effect of government regulation on tax audit and government tax revenue generation specially, the moderating effect of government regulation on tax audit and government tax revenue generation. Data were collected through primary and secondary source and the data collected was analyzed using descriptive analysis, using Pearson product moment of coefficient of correlation, ordinary least square regression analysis and partial correlation with the aid of SPSS version 22. With an r value of .835, 0.594, 0.613, and 0.500, 0.218 and .677 the study evidences that government regulation have moderating significant effect on tax audit and government tax revenue generation in Nigeria. Based on this, the study recommends that government should try as much as possible to engage tax auditors and other tax staff of high and proven integrity in tax matters. Such tax officers should be well trained and motivated staff so as not to compromise their stand. It is clear that governments all over the world wish to increase tax audit and government tax revenue. Government policy should take the significance of government regulations. The considered topic demonstrate that, despite the many improvements and fascinating insights, much future research can be done for better understanding of government regulations in Nigeria.

Keywords: Government Regulations Tax Audit, Tax Revenue Generation, Company Income Tax, Personal Income Tax.
Introduction
The ultimate aim of any government’s tax system is to achieve its legitimate projected revenue to finance the country’s expenditure. This can only be immensely realized if all taxpayers both in developed countries such as “USA, China, Russia, Malaysia, New Zealand” and less developing countries such as Nigeria, Togo, Ghana and Mail” willingly comply with the tax laws. The focus of this empirical paper is therefore a discussion and analysis of the effect of taxpayer’s internal values, particularly tax audit and government tax revenue generation. Even though the development of tax audit in Nigeria has expanded recently with a few empirical studies exploring tax compliance audit, the role of tax audit has been neglected. The current study provides a different standpoint to view tax audit in Nigeria while contributing to the existing tax audit compliance literature, particularly from a developing country perspective. The findings may also be generalized for other countries since all of the world’s major tax audit have a substantial representation in Nigeria (Adediran, Alade & Oshode, 2013; Nwaiwu, 2016). The underlying assumption is that the more highly tax audit the taxpayers are, and the more positive their perceptive towards government, the more they comply with tax laws (Due, 2008; Avi – Jonah, 2009; Ironkwe & Nwaiwu, 2016).

Government regulations are a much discussed topic and many researchers have investigated the relationship between tax audit and tax revenue. Earlier empirical studies focused on direct relationship between tax audit and tax revenue but their findings are mixed. Akindele & Obiyan (2002), Christensen & Kapoor (2004, Due (2008), Adediran; Alade & Oshode (2013), find a positive relationship between tax audit and tax revenue, while, Akindele & Obiyan (2002), Avi-Jonah (2009); Ballas & Tsoukas (2008) examine the endogenous relationship between tax audit and tax revenue and an insignificant relationship between tax audit and tax revenue. Allingham & Sandom (2012) find that the explanatory power of tax revenue is very low and this casts doubts on the descriptive validity of deterrence theory. They suggest that it is important to test the explanatory value of alternative paradigms to the deterrence based models. Avi-Jonah (2009); Adediran, Alade & Oshode (2013) use deterrence theory to explain the relationship between tax audit and tax revenue; Alade & Oshod (2013); Nwaiwu (2015) on the other hand, use a strategic management perspective to explain the same relationship and they reach a different conclusion. In sum, economic theory, psychological theory, sociological theory and deterrence theory and other management theories may give contrasting predictions on the relationship between tax audit and tax revenue.

A number of recent studies take a contingent view of the sector. Researchers have investigated the mutual relationship among government regulations, tax audit and tax revenue. This research argues that examining tax audit in an isolated context is not effective. For example, Abudlrazaq (1992); Akindele & Obiyan (2002) examine the inter-linkages between tax audit, and argue that the tax operate as substitutes and work simultaneously in the sector. The underlying assumption in this study is that government regulations, tax audit and tax revenue are interrelated. Subgroup moderating analysis based on government regulations, the nature of the tax revenue indicators, and operationalisation of personal income tax and company income tax has the same character, i.e., no evidence of a substantive relationship. The rest of the paper
offer the introduction as follow: section 2 develops the theoretical framework reviews the related empirical and theoretical literature of tax audit and tax revenue, and also specifies the hypotheses of the study. Section 3 describes the research methodology. Section 4 discusses the empirical results, while the last section presents conclusion ad recommendations of the study.

Theoretical framework and Hypotheses

Any strategy to prevent tax evasion should begin with theory of why many people cheat on their taxes. Naturally, much of it is unconvincing and ambiguous. Nevertheless, to give an indication of the full range of variables that social scientists have studied in an attempt to answer their questions. The form on tax administration (2004) “identified same of the basic theories of tax compliance which include, among others: economic theory, psychological theories and sociological theories.

i) Psychological theories: many analysts, researchers and professional accountancy bodies have suggested that the economic model of human behaviour reflects a too simplistic view of human beings and, in the real world of everyday life, is without any predictive value. Like economists, psychologists also tend to explain human behaviour in terms of variables that relate to individuals. However, they tend to model human behaviour in much more complex terms than economists.

ii) Sociological theories under these trends, sociologists tend to see the cause of variation in human behaviour in the structure of the social system. Thus, they explain people’s actions by examining the forces that impinge on the position that they occupy within the system.

iii) Economic theories: Strikingly, economists approaching the question of why people fail to comply with the law began by constructing a theory based upon the assumption about human behaviour that underlies all economics, namely that individuals generally act rationally in evaluating the cost and benefit of any chosen activity.

There is a large number of literatures on the potential moderating influence of government regulation on tax audit and government tax revenue generation. Over half a century ago, Fray & Foppa (1986) argued that “the role of government regulations in accelerating tax revenue generation was of utmost importance in every country irrespective of the prevailing ideology or political situation of the country. That postulation remains valid today.

This empirical study anchored on “Ipsative theory”. Under certain circumstances human actions can be constrained by a set of possibilities which is considered to be more relevant only for oneself. But, other alternatives are disregarded (see Frey & Foppa, 1986). Frey (1997) terms it the “Ipsative possibility set”. The theory behind strongly relies on psychological evidence and can be seen as an attempt to model an aspect of a human imperfection. The Ipsative possibility sets are characterized by Frey (1997) as (i) non-marginal, (ii) asymmetric (iii) personal Frey (1997) claims that “an under-extension of the Ipsative set is a common
phenomenon among rational actors. Tax moral can be seen as such an issue, which is not open to a marginal but rather an absolute evaluation. There are tax payers who do not even search for ways to cheat Frey (1997) even speaks of a perverse effect that arises when the government threatens citizens of high tax morality with increased punishment. Citizens can take this is as an indication that the government does not honour compliant behaviours. If the government distrusts, the morale can be undermined.

**Perception towards Government and Tax Audit Compliance**

Tax audit compliance is proposed to be studied in-line on a psychological tax contract representing “a complicated interaction between taxpayers and the government in establishing a fair and reciprocal exchange” (Feld & Frey, 2007:103). The existence and survival of this tax contract is apparent in a number of circumstances in prior studies. For example, if taxes paid and public services provided by government are regarded as equitable, taxpayers may be inclined to comply with tax laws and this has a significant positive effect on tax audit compliance (e.g. Feld & Frey, 2006; Torgler et al 2008). The taxpayers indeed are willing to pay taxes even though they were not given the exact value of public goods, compared to the taxes they have paid, if they perceived the political process as fair and lawful (Feld & Frey, 2007).

As shown in many empirical and theoretical studies, the involvement of taxpayers in a political process has a positive influence on tax audit compliance and taxpayers will direct democratic rights are found to be compliant (i.e. Panerehne, Hart & Frey, 1994; Torgler, 2005; Torgler & Schneider, 2007). The reverse is evident in transition countries such as Russia, Belarus or Latvia after the collapse of communism because of the “Institutional crisis”, where the citizens’ tax morale is lower, compared to non-transition countries such as Bulgaria & Croetia (Frey & Torgler, 2007). Tax compliance is also influenced substantially by trust in government and legal systems (e.g Frey, 2003; Torgler, 2003) and this trust can only be gained if the government can assure that taxpayers” expectations are fulfilled (Hardin, 2008). The taxpayer’s opinion on the tax system either as a fair or an unfair system, is also identified as influencing tax compliance behaviour, as apparent in a number of research studies (i.e., Alm., Jackson & Mckee, 1993; Murphy, 2003). Overall, voluntary tax compliance may be increased if government achieves a policy exchange approach as promised to its citizens.

**Tax Audit**

Taxes are considered as a source of revenue for economic growth and development. Tax revenues and other revenues are central to the current economic development agenda. They provide a stable flow of revenue to finance development priorities, such as strengthening physical infrastructure, and are interwoven with numerous other policy areas, from good governance and formalizing the economy, to spurring growth (Pfister, 2009).

The Nigeria tax system has failed on the area of it ‘administration. Personal and company income tax administration in Nigeria today do not measure to the appropriate standard. The self-employed persons earn more than those in paid employment. The self-employed earn four
times than those in paid employment but the bulk of personal income yield comes from those paid employment whereas those who are self-employed earn most of the money. As a result of inadequacy in monitoring taxes paid, lots of those who are self-employed evade tax. These thus call for the need for a good and standard tax audit. Tax audit can be defined as “an examination of an individual or organization’s tax report by the relevant tax authorities in order to ascertain compliance with applicable tax laws and regulations of state”. He further said that tax audit is a process where the internal revenue service tries to confirm the numbers that you have put on your tax return (Kircher 2008). In other words, tax audit is an inspection of a taxpayer's business records and financial affairs to ensure that the amount of tax reported and paid are in accordance with tax laws and regulations. Tax audit in Nigeria are terms which embrace a variety of sectors. It simply means the advanced part of auditing practice that involves examination of books of account in order to check if the assessable profit showed by the taxpayer is correct. Tax audit just like financial audit involves the gathering of information and processing it for determining the level of compliance of an organization with tax laws of the territory. For a successful audit, it is necessary that the auditor organizes his work in such a way that the assignment is accomplished completely and efficiently.

More importantly however, a professional tax auditor or investigator must possess sound accounting and taxation knowledge, he must be sharp in interpreting the tax laws, tactical and must display high intelligence in applying tax laws, the must have sound knowledge of investigation techniques. Apart from technical skills, he must be alert and open minded with good communication Skills. These are necessary personal prerequisite for any tax auditor or investigator to be successful for tax audit assignments. A tax as we already know is a charge imposed by governmental authority upon property, individual or organisation to raise money for public purpose. An audit on the other hand can be seen as the examination of the records underlying a financial statement as will enable the auditors to report authoritatively, whether in his opinion, the statement gives a true and fair view (Izedonmi2000,Okoye,2006).

Adesina (2005) defined an audit as the examination of accounting documents and of supporting evidence for the purpose of reaching an opinion concerning their propriety. It is an examination intended to serve as a basis for an expression of opinion regarding the fairness, consistency, and conformity with accepted accounting principles of statement prepared by a corporation or other entity for submission to the public or to other interested parties. Tax audit is therefore a means of ensuring compliance with the tax laws. The primary purpose of tax audit is to maintain the confidence in the integrity of the self-assessment system. It helps to improve voluntary compliance by detecting and bring to book those who do not pay the correct amount of tax.

One of the cardinal principles governing the tax audit program is that each line of grade or business should receive at least a nominal amount of audit attention. The selection of times for audit is management decision and criteria used vary from time to time. (Ola: 1999).
The idea of tax audit became known through Lagos state where monitoring agents were appointed to carry out tax audit on government behalf. These monitoring agents mostly Chartered Accountants who are performing the function of carrying out tax audit of PAYE. The function of these monitoring agents however was taken over by tax consultant in 1996 and their mode of operations different from that of monitoring agents. It has become fashionable for state government to carry out tax audit exercise in order to fulfill all righteousness that the actual tax due to the government have been deducted and remitted to the government account (Ojo, 1998).

This exercise has however received some credits which are;
1. Making the taxpayer conversant with the applicable tax laws
2. The rate at which the taxpayers comply with tax laws has been increased.
3. It has added depth to the Nigeria tax practice
4. The revenue of the government was increased.

Erard (1994) mentioned some reasons for tax audit which include, among others:
To assist the government in collecting appropriate tax revenue necessary for budget, maintaining economic and financial order and stability, to ensure that satisfactory returns are submitted by the tax payers, to minimize the degree of tax avoidance and tax evasion, to ensure strict compliance with tax laws by tax payers, to improve the degree of voluntary compliance by tax payers and to ensure that the amount due is collected and remitted to government. It will enable the government to control and ensure the taxpayers’ compliance with tax laws thus this will increase tax revenue collected from taxpayers. One of the functions of auditing is to detect errors and frauds, RRA’s tax audit and investigation aim at stopping the loss which comes from tax evasion, fraud and corruption. If there is a fraudulent event by taxpayers, auditing practices will enable the RRA to find out the taxpayers who had avoided paying tax and paying the tax due with penalties and fines. The purpose of auditing is to discover, check, verify and control some or other aspects in an organization. It can therefore be said that one of the main characteristics of an audit is that it is diagnostic.

James (1993) identified a priority list of tax audit mission, this includes: to establish a viable and effective tax administration in order to deal with constantly changing economy, to put strategies in place in order to resolve tax dispute between the tax authority and the liable tax payers, to maintain a strong mechanism to deal with tax avoidance techniques which are available to various organizations, but are susceptible to tax abuse, to bring defaulting tax payers to the net of tax authorities, to prove the completeness, accuracy and timely filing of tax returns submitted by the tax payers.

Today’s tax agencies typically lose some percentage of total revenues due to tax evasion and other types of noncompliance known as the “tax gap” Brown et al., (2003). The primary goal of a revenue body’s compliance activity is to improve overall compliance with their tax laws, and in the process instill confidence in the community that the tax system and its administration are fair. Instances of failure to comply with the law are inevitable whether due to taxpayers’ ignorance, carelessness, recklessness and deliberate evasion, or weaknesses in
administration. To the extent that such failures occur, governments, and in turn the communities they represent, are denied the tax revenues they need to provide services to citizens Forum on tax administration’s compliance, (2006). At a time when tax evasion techniques have grown more sophisticated, tax agencies have simultaneously been hit with a cascade of budgetary and staffing restrictions, continually changing tax statutes and more rigorous requirements for privacy. As a result of these pressures, many tax agencies continue to rely on audits of taxpayers’ business records and financial affairs to ensure taxpayers have computed their tax payable in accordance with current tax laws and regulations and this implies the tax revenues growth otherwise, tax agencies can lose significant revenues opportunities.

Finally, when tax audit is well conducted, taxpayers understand that their returns will be quickly and scientifically analysed, voluntary compliance rates may rise which could help tax agencies avoid costs and further improve revenue collections, Brown et al. (2003) claim that tax audit and compliance system, is a comprehensive, integrated solution designed to improve tax auditor productivity and increase tax revenues. It is an additional audit to the statutory audit and is carried out by tax officials from a relevant tax authority. This is not the same as the statutory audit with respect to the requirement of the Company and Allied Matter Act (CAMA) 1990 (as amended). It should also be noted that the criteria for selecting cases for tax audit include persistent loses, nil tax returns, refund cases, non-submission of returns, low tax yield, suspicion of tax avoidance, fraud or evasion, transfer mispricing, thin capitalization and most often when the taxpayers request for tax clearance certificate among others (Bitrus, 2014, Okonkwo 2014, Oyedokun 2014).

Bassey (2013), however classified tax audit into two: Desk Audit and Field Audit.

**Desk Audit:** Desk or office audit is said to be the tax audit or examination which takes place in the tax office where books and financial records of the taxpayers are examined. This is one which the whole activity of the audit takes place within the confines of the office of the tax officials. In this situation the tax official may simply request the taxpayers to provide some additional documents to his office to enable him clear some issues in the returns submitted.

In this type of audit, no official notice is given to the taxpayer of the impending desk audit exercise. He only gets to know when letters are written to him requesting for certain documents or explanations. The essence is to ensure some level of compliance with tax laws, rules and regulations as well as performing the administrative checks on returns submitted.

**Field Audit:** Field audit refers to that tax audit conducted in the taxpayers’ office. In field tax audit, tax auditors have opportunity to examine the relevant documents, accounts, and other necessary schedules in taxpayers’ business premises and this affords the auditors opportunity to obtain information and explanations directly from the staff of the company (Bassey, 2013).

By the nature and scope of their work, regular assessing officers can only carry out limited desk audit through examination of accounts and returns. It is in a bid to check this handicap as
well as to improve on tax compliance that tax authorities carry out field audit exercise on taxpayers by physically conducting the exercise in the office of the taxpayer. The taxpayers are however formally notified of the arrival of the auditor prior to the commencement of the audit and the requirements of the auditors in terms of documents to be audited will also be requested for in advance. Field audit involves physical verification of documentary evidence and materials at the premises of a taxpayer so as to confirm the facts and figures of the tax returns filed by corporate taxpayers. The scope or depth of verification depends on the outcome of the desk audit work carried out by the tax auditor as well as the risk factors of the audit exercise. Special attention will normally be paid to those items likely to have high tax yield potentials.

A third classification of tax audit as indicated in the literature is the back duty audit.

### Condition for a Good Tax Audit

For the tax inspector to carry out a good audit exercise, the following conditions must be fulfilled.

1. The tax auditor must be familiar with the environment in which he works. It is a condition which is highly critical that the tax inspector must be properly schooled in the political, economical, social, cultural and religious environment of the taxpayer. A good knowledge of his environment will affect the decision made by him.

2. The tax officials should be motivated to carry out tax audit, he should be properly trained and have experience in his area. The tax inspector should not be carried away by corrupt practices that render the aim of the tax audit useless.

3. The tax audit should be properly supervised by those who are professional and when new tax inspectors are sent to carry out the audit, they should be monitored by older ones so as to make sure that the right thing is done.

4. Specialization should be encouraged. The cases should be grouped. This will allow the tax audit staff to become specialist in specific field.

5. The manner in which the audit is being carried out should be changed. The use of computer should replace the manual process as this will go a long way in facilitating the job and helping to preserve information for a long time. This will improve the efficiency of the exercise (Ogundele, 1999).

### Legal Basis of Tax Audit

Unlike the statutory audit that derived its power form the CAMA 1990 (as amended), the legal framework for tax audit and investigation are in relation to various tax laws. The tax laws confer power on the tax authorities to carry out tax audit and investigations. Some of the provisions could be inferred. In the word of Okonkwo (2014), there was no specific provision in Companies Income Tax Act (CITA) for tax audit prior to the introduction of the self-assessment scheme. Subsection 4 of Section 43 was, however, introduced to empower FIRS to carry out tax audit. “Nothing in the foregoing provisions of this Section or in any other provisions of the Act shall be construed as precluding the Revenue Service from verifying by tax audit any matter relating to entries in any books, documents, accounts or returns as the Service may from time to time specify in any guideline.” An integral part of the self-
assessment scheme is the need to periodically verify the tax returns filed by taxpayers through tax audit procedures. The tax audit exercise essentially is meant to enable the revenue authority to further satisfy itself that audited financial statements and the related tax computations submitted by the taxpayer agree with the underlying records.

Examples of specific legal provisions according to Okonkwo (2014) and Bassey (2013) include:

i) FIRS (Establishment) Act, 2007- S.8, S. 23, S 29 & S.35;
v) Value Added Tax Cap. VI LFN 2004. S. 39;
vi) Stamp Duties Act Cap. S8, 2004 S 24; and

International Perspective of Tax Audit

Cremer (1990) concluded that international tax laws have their domicile in their domestic tax laws of respective states (countries)”. Countries enact laws in order to enable their tax authorities to collect tax funds for public welfare and stimulation of domestic investment and business. From the explanation, it can be seen that the international taxation system has taken an important role in many countries of the world. The tax system is so important that world bodies were organized to deal with administration, collection and prevention of tax avoidance, tax evasion and double taxation of multinational corporations (MNCs). Therefore, an international tax audit is the examination of MNCs tax reports to ascertain compliance with applicable tax laws and regulations, domestic and foreign.

Empirical studies

A lot of good number of empirical studies has been carried out in both developed economies on the influence of government regulation on tax audit compliance and government tax revenue generation could have on a number of macro and micro economic variables. For example, Ironkwe & Nwaiwu (2017) studied the effect among government regulations on tax audit and government tax revenue generation in Nigeria. Adopting a three phase modeling approach, the authors used tax laws passed in 2000, cumulating into tax reform fact of 2000, in Nigeria to provide evidence that government regulations have on tax audit compliance and government tax revenue. The study first examined the relationship among government regulations on tax audit compliance and government tax revenue, effect of government regulations on tax audit compliance and government tax revenue generation.

Lastly, the partial relationship of government regulations on tax audit compliance and government tax revenue generation, the empirical study revealed mixed and inconclusive results. Alm (1999), Avi – Jonah (2009), Ballas & Tsoukas (2008) are in support of positive empirical results of the moderating effect among Adedira; Alade & Oshode (2013) examine the
impact of tax audit and investigation on revenue generation in Nigeria and conclude that tax audit and investigation can increase the revenue base of the government and can also stamp out the incidents of tax evasion in the country. He recommended that tax audit and investigations should be carried out more often and as thorough as possible to accomplish its task of increasing the revenue base and stamping out tax evasion in the country.

Ibrahim, Yusuf & Bello (2014) examined the contribution of tax audit and investigation to the sustainable development of the Nigerian economy and concluded that the practicing accountants should uphold the fundamental principles of professional ethics while rendering consultancy services since they often act for taxpayers in their dealing with the relevant tax authority.

Afuberoh & Okoye (2014) examined impact of taxation on revenue generation in Nigeria and recommends among others that Well Equipped Data Base (WEDB) on all tax payers should be established by the federal, state and local governments with the aim of identifying all possible sources of income of taxpayers for tax purpose however the tax collection process must be free from corruption.

A study conducted in Nigeria by Samuel & Tyokoso (2014) on an empirical investigation of tax audit and revenue generation in Nigeria; found that it has a significant effect on revenue generation in Nigeria. Regression analysis was used to analyses both primary and secondary data generated. The scope of this study was from 2001 to 2010, and as such, current issues left out in their study.

Similarly, Stanley (2014) conducted a study titled effective tax administration and institutionalization of accounting systems in small and medium scale enterprises; evidence from Nigeria”. One of the variables he used for operationalizing tax administration is tax audit. He used the econometric e-view to analyse the data obtained and he found that lack of effective tax audit undermines the collection of profit tax from the operators of those sector. His study also revealed that several variables militate against the establishment of an effective tax administration in Nigeria. The study concentrated more on the SMS's than the Nigerian economy as a whole. Theoretical and empirical gaps were also evident. In another study conducted by Machira and Irura (2009) on taxation and SMS's sector growth in Nigeria. Data used for this study were collected using the questionnaire, interview and observation. It was analyzed using binary logistic regression empirical model. The study found that there is a significant correlation between taxation and SMS's sector growth.

**Specification of Hypotheses**
The figure below shows the relationship between tax audit and tax revenue in Nigeria. While tax audit is the explanatory (predictor) variable operationalised as desk tax audit and field tax audit, the measures for tax revenue are personal income tax (PIT) and company income tax and this is captured in the model show below.
Figure 1: Operational Framework of Tax Audit and Tax Revenue in Nigeria.

The justification of this framework is based on the assumption that a positive relationship exists between tax audit practice brings about increase in tax revenue in Nigeria. With due consideration to the objectives of the study, the following hypotheses stated in the null form are raised.

H₀₁: There is no significant relationship between Tax Audit and Tax Revenue Generation in Nigeria.

H₀₂: There is no significant relationship between Tax Audit and Company Income Tax in Nigeria.

H₀₃: There is no significant relationship between Tax Audit and Personal Income Tax in Nigeria.

H₀₄: Government regulations do not significantly moderate between tax audit and government tax revenue in Nigeria.

Methods

This section shows the methodology used to evaluate the moderating relationship of government regulations on tax audit and tax revenue generation. The research design adopted was descriptive survey and causal-comparative research design which attempts to identify the cause-effect relationship between or among variables. The study is to evaluate the effect of overall tax audit and tax revenue generation and to determine the causal relationships of the variables. The researchers – designed questionnaire that was validated by exerts in corporate reporting, accounting, finance and economics and its reliability established using Cronbach Alpha in a test-retest interval of two weeks was used. It gave a reliability coefficient of .90% which is considered to be high enough. The instrument was administered on a sample of 225 respondents drawn from among directors, auditors, accountants and regulators of corporate entities. The area of study was limited to Port-Harcourt, Lagos State and the Federal Capital territory Abuja where the FIRS currently has operational base. Also in addition to panel data, regarding the variables were sourced from Federal Inland Revenue Services, Central Bank of...
Nigeria statistical bulletin, and annual CBN reports (Nwaiwu & Ironkwe, 2017). Both data collected were analyzed using Pearson moment product coefficient of correlation, ordinary least square regress analysis and partial coefficient of correlation, with the aid of SPSS version 21.

**Model Specification**

The model specification is based on the theory of tax audit and tax revenue generation in Nigeria (Feld & Frey, 2007). Specially, the model from related empirical evidence used by Murphy (2003) was adopted but we immensely made modifications. We generated three models to achieve the first four research hypotheses. Consequently, the model specification was formulated in the following functional forms:

\[
PIT_\tau = f(FTA_\tau, DTA_\tau) - - - - (i)
\]

\[
CIT_\tau = f(FTA_\tau, DTA_\tau) - - - - (ii)
\]

\[
GR_\tau = f(JA_\tau, TRG_\tau) - - - - (iii)
\]

Expanding the functional form into mathematical forms as thus:

\[
PIT_\tau = \alpha_0 + \alpha_1 FTA_\tau + \alpha_2 DTA_\tau + \mu_\tau - - - (iv)
\]

\[
CIT_\tau = \alpha_0 + \alpha_1 FTA_\tau + \alpha_2 DTA_\tau - - - (v)
\]

\[
GR_\tau = \alpha_0 + \alpha_1 TA_\tau + TRG_\tau - - - (vi)
\]

These mathematical forms do not have a random or stochastic variable and since in statistical relationship we deal with random or stochastic variables, that is variables that have probability distribution, the above mathematical equations are stated in equation that describes how the dependent variables are related to all the independent variables and on stochastic error term stated as a multiple regression analysis model as follows.

\[
PIT_\tau = \alpha_0 + \alpha_1 FTA_\tau + \alpha_2 DTA_\tau + \mu_\tau - - - (vii)
\]

\[
CIT_\tau = \alpha_0 + \alpha_1 FTA_\tau + \alpha_2 DTA_\tau - - - (viii)
\]

\[
GR_\tau = \alpha_0 + \alpha_1 TA_\tau + TRG_\tau - - - (ix)
\]

Where:

- **PIT** = Personal Income Tax for the period of time.
- **CIT** = Company Income Tax for the period of time
- **GR** = Government Regulations for the period of time
- **FTA** = Field Tax Audit for the period of time
- **DTA** = Desk Tax Audit for the period of time
- **TA** = Tax Audit for the period of time
- **TA** = Tax Audit for the period of time
- **μ** = Intercept term (Parameter).

\[
\alpha_0, \alpha_1 = \text{Partial regression Coefficient or partial slope coefficients (Nwaiwu, 2014; Jones, Ihendinihu & Nwaiwu, 2015).}
\]

\[
\mu_\tau = \text{Stochastic disturbance term.}
\]

**Empirical Results and Discussion**

This section is devoted to investigate the contribution of company income tax, personal income and total tax audit compliance. To achieve this objectives data were obtained from available records. The result obtained is presented in tables 1 – 4 below.
**H01:** Relationship between tax audit compliance and government tax revenue generation in Nigeria.

Table 1: Relationship between Tax Audit Compliance and Government Tax Revenue Generation in Nigeria.

<table>
<thead>
<tr>
<th>Tax Audit Compliance</th>
<th>Pearson Correlation</th>
<th>Sig(2-tailed)</th>
<th>N</th>
<th>Government Tax Rev. Regeneration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td></td>
<td>30</td>
<td>0.835</td>
</tr>
<tr>
<td>Govt Tax Rev Gen</td>
<td>0.835</td>
<td>0.30</td>
<td>30</td>
<td>1</td>
</tr>
</tbody>
</table>

From Table 1 above, the test results on the empirical relationship between tax audit compliance and government tax revenue generation in Nigeria. With an r value of .835 significant at 1% probability level. The result indicated the existence of significant positive relationship between tax audit compliance and government tax revenue generation in Nigeria. We therefore reject the null hypotheses. This research finding is consistent with empirical results of previous research conducted by Akindele & Obiyan, 2002; Bobek & Hotfiled, 2003; Bernard; Guy & Villeval, 2004; Karen, 2013. And inconsistent with the findings of Ololube (2006), Franzeni (2008), Ibrahim, Yusuf & Bello (2014), who found a negative relationship between tax audit compliance and government tax revenue generation in Nigeria.

**Relationship between field tax audit and personal income tax in Nigeria**

The null hypothesis tested here is that field tax audit has no significant effect on personal income tax revenue in Nigeria.

In testing this hypothesis, data generated on field tax audit for the period under review were regressed with data generated on personal income tax and the result obtained is presented in Table 2 below.

**H02:** There is no significant relationship between tax audit compliance and company income tax in Nigeria.

Table 2: Relationship between field tax audit and personal income tax in Nigeria

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta</th>
<th>R Squared</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTA</td>
<td>0.639</td>
<td>0.594</td>
<td>4.128</td>
<td>0.025</td>
</tr>
</tbody>
</table>

The result presented in Table 2 revealed a correlation coefficient (R) of 0.639, which is positive and high. This suggests that there is a positive relationship between field tax audit and
personal income tax in Nigeria. The coefficient of determination ($R^2$) of 0.594 suggests that about 59.4% of the variance in personal income tax is associated with variations in field tax audit. In other words, about 40.6% variation in personal income tax is due to other variables other than the field tax audit. The p-value (0.025) and t-statistic (4.128) indicate a significant relationship. This implies that there is a significant relationship between field tax audit and personal income tax in Nigeria at the 5% level of statistical significance.

**Relationship between field tax audit and company income tax in Nigeria**

The null hypothesis tested here is that field tax audit has no significant effect on company income tax revenue in Nigeria.

In testing this hypothesis, data generated on field tax audit for the period under review were regressed with data generated on company income tax and the result obtained is presented in Table 3 below.

**Table 3: Relationship between field tax audit and company income tax in Nigeria**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta</th>
<th>R Squared</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTA</td>
<td>0.661</td>
<td>0.613</td>
<td>4.238</td>
<td>0.011</td>
</tr>
</tbody>
</table>

The result presented in Table 3 revealed a correlation coefficient (R) of 0.661, which is positive and high. This suggests that there is a positive relationship between field tax audit and company income tax in Nigeria. The coefficient of determination ($R^2$) of 0.613 suggests that about 61.3% of the variance in company income tax is associated with variations in field tax audit. In other words, about 38.7% variation in company income tax is due to other variables other than the field tax audit. The p-value (0.011) and t-statistic (4.238) indicate a significant relationship. This implies that there is a significant relationship between field tax audit and company income tax in Nigeria at the 5% level of statistical significance.

$H_{03}$: There is no significant relationship between tax audit compliance and personal income tax in Nigeria.

**Relationship between desk tax audit and personal income tax in Nigeria**

Hypothesis one states that desk tax audit has no significant influence on personal income tax revenue in Nigeria.

In testing this hypothesis, data generated on desk tax audit for the period under review were regressed with data generated on personal income tax and the result obtained is presented in Table 4 below.
Table 4. Relationship between desk tax audit and personal income tax in Nigeria

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta</th>
<th>R Squared</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>DETA</td>
<td>0.711</td>
<td>0.5001</td>
<td>6.418</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The result presented in Table 4 revealed a correlation coefficient (R) of 0.711, which is positive and high. This suggests that there is a positive relationship between desk tax audit and personal income tax in Nigeria. The coefficient of determination (R^2) of 0.5001 suggests that about 50.1% of the variance in personal income tax is associated with variations in desk tax audit. In other words, about 49.9% variation in personal income tax is due to other variables other than the desk tax audit. The p-value (0.000) and t-statistic (6.418) indicate a significant relationship. This implies that there is a significant relationship between desk tax audit and personal income tax in Nigeria at the 5% level of statistical significance.

Relationship between desk tax audit and company income tax in Nigeria

The null hypothesis tested here is that desk tax audit has no significant influence on company income tax revenue in Nigeria.

In testing this hypothesis, data generated on desk tax audit for the period under review were regressed with data generated on company income tax and the result obtained is presented in Table 5 below.

Table 5: Relationship between desk tax audit and company income tax in Nigeria

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta</th>
<th>R Squared</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>DETA</td>
<td>0.416</td>
<td>0.218</td>
<td>3.121</td>
<td>0.031</td>
</tr>
</tbody>
</table>

The result presented in Table 5 revealed a correlation coefficient (R) of 0.416, which is positive but low. This suggests that there is a positive relationship between desk tax audit and personal income tax in Nigeria. The coefficient of determination (R^2) of 0.5001 suggests that about 50.1% of the variance in personal income tax is associated with variations in desk tax audit. In other words, about 49.9% variation in personal income tax is due to other variables other than the desk tax audit. The p-value (0.031) and t-statistic (3.121) indicate a significant relationship. This implies that there is a significant relationship between desk tax audit and company income tax in Nigeria at the 5% level of statistical significance.

H_{04} Government regulations do not significantly moderate between Tax Audit Compliance and Government Tax Revenue in Nigeria.
Table 6 revealed the partial correlation empirical results of the moderating influence of government regulations on the relationship between tax audit compliance and tax revenue generation in Nigeria.” A partial correlation coefficient of -.677 is revealed to be significant at 1% probability level and negatively correlated. Accordingly, we regulate the null hypothesis and conclude that “Government regulations” significantly mediates the relationship between “tax audit compliance” and tax revenue generation in Nigeria. The finding is in consistence with findings of Baimeran (2004), Avi-Jonah (2009), FIRS (2012), Adediran; Alade & Oshode (2013), Nwaiwu (2014), investigating moderating influence of government regulation on “tax audit compliance and tax revenue generation in USA, China, Russia and New Zealand.

**Concluding Remark and Recommendations**

Although a significant body of empirical research has already been accumulated concerning government regulations on tax audit and government tax revenue in Nigeria. The main aim of this investigation is to present the work that has been done in analyzing the three constructs and comprehensive way, focusing on three important topics; Government regulations, tax audit and government tax revenue. It can also be seen as an attempt to describe the research that tries to incorporate non-economic factors into the economic analysis of government regulations. Studies show that reciprocity plays an important role as explained first by Nwaiwu & Ironkwe (2014). Positive reciprocity signifies that positive government regulations can moderate positively on tax audit and government tax revenue in Nigeria.

It is clear that governments all over the world wish to increase tax audit and government tax revenue. Government policy should take the significance of government regulations. The considered topic demonstrate that, despite the many improvements and fascinating insights, much future research can be done for better understanding of government regulations in Nigeria.

Tax audit should be regularly carried out by both state government and federal government of Nigeria, and such exercise must be thoroughly carried out so as to bring down the rate of evasion and avoidance of tax to the minimum.
Government should try as much as possible to engage tax auditors and other tax staff of high ad proven integrity in tax matters. Such tax officers should be well trained and motivated staff so as not to compromise their stand.

The federal government, state governments and local governments should urgently fully modernize and automate all its tax system, improve tax payers convenience in the assessment and payment process whilst at the same time entrenching effective and modern human resource management practices in the tax authorities.
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