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TAX AUDIT PRACTICES AND TAX COMPLIANCE IN NIGERIA

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Abstract
This study examined the effect of tax audit practices on tax compliance in Nigeria, with emphasis on tax audit detection rate and tax audit effectiveness and their influence on e-filing adoption and voluntary compliance rate. The study was motivated by persistent weaknesses in tax administration, tax evasion, revenue leakages and inadequate taxpayer compliance in Nigeria. A cross-sectional survey research design was adopted. The population comprised 900 personnel of the Nigeria Revenue Service across 26 tax offices in the six South-South states of Nigeria. Using Taro Yamane's formula, a sample size of 277 respondents was determined, while 230 valid questionnaires were retrieved, representing an 83.03% response rate. Data were collected using a structured five-point Likert-scale questionnaire and analyzed using Pearson correlation and linear regression techniques. The findings revealed that tax audit detection rate had a significant positive relationship with e-filing adoption ($r = 0.567$, $p < 0.05$) and voluntary compliance rate ($r = 0.680$, $p < 0.05$). Similarly, tax audit effectiveness had a significant positive relationship with e-filing adoption ($r = 0.633$, $p < 0.05$) and voluntary compliance rate ($r = 0.660$, $p < 0.05$). The study therefore concludes that effective tax audit practices are important determinants of tax compliance in Nigeria. The findings support the deterrence perspective of the classical theory of tax compliance, which suggests that increased probability of detecting non-compliance can discourage tax evasion and encourage taxpayers to fulfil their statutory obligations. The study recommends, among other measures, the strengthening of tax audit capacity through improved technology, skilled personnel, risk-based audit systems and integrated taxpayer information systems to improve detection, facilitate e-filing and enhance voluntary compliance.

KEYWORDS: TAX AUDIT, TAX AUDIT EFFECTIVENESS, AUDIT DETECTION RATE, TAX COMPLIANCE, VOLUNTARY COMPLIANCE, E-FILING ADOPTION

Introduction

Taxation is intended to be the principal source of government revenue but this is not always the case in Nigeria (Amah & Nwaiwu, 2018). The country relies more on the resource from crude oil, foreign loans and aid for a significant fraction of revenue for governance. This is largely due to poor tax administration capacity and collection ability in the country. Revenue administration reform is needed in a country for various reasons. In the first place, while tax policy and tax laws create the potential for raising tax revenues, the actual amount of taxes flowing into the government coffers, to a large extent, depends on the efficiency and effectiveness of the revenue administration. Weaknesses in revenue administration lead to inadequate tax collections. Borrowing to finance the resulting budget deficit could cause an unsustainable increase in public debt and inflation (Alabede, Ariffin & Idris, 2021).

Secondly, revenue shortfalls shrink the budgetary resource envelope, affecting the government's ability to implement its policies and programs and to provide public services. Unexpected drops in revenue collections also cause budget cuts that result in major inefficiencies in the management of public expenditure. More so, the quality of revenue administration influences the investment climate and private sector development. Firms considering investments, in addition to concerns about the formal tax system, are also concerned about how the system works.

Thirdly, there is a high incidence of corruption within the taxes and customs administrations. The government suffers major revenue leakages as dishonest revenue officials allow unjustified tax breaks to willing tax evaders. Also, honest taxpayers suffer as corruption in revenue administration leads to harassment, inflated assessment, high litigation cost and leniency towards non-compliant competitors. This high cost of corruption to the government and private sector respectively, is a major setback for the process of tax administration in a country. Any serious effort to reduce corruption in a country and improve governance, in all likelihood, has to involve reform of the revenue administration (Abel, 2017).

Reform of the revenue administration that includes efficient and effective tax enforcement may be needed to enable it to keep up with the increasing sophistication of business activity and tax evasion schemes. With globalization, goods and services are produced by taxable entities in multiple countries. This presents vast opportunities for manipulating transactions to reduce the tax burden. Without a matching increase in the professional and technological capacity of the revenue administration, the existence of corruption, tax havens and increasing use of electronic financial transactions will continue to pose major challenges in enforcing the tax laws (Oyebanji, 2020). This will further reduce the chances of monitoring taxable activity and countering tax evasion.
Consequently, effective tax enforcement is an important component of tax administration and tax compliance. Tax audit effectiveness, and tax audit detection rate, are among the mechanisms through which tax authorities can detect non-compliance, deter tax evasion, and encourage taxpayers to fulfil their statutory obligations. Against this background, this study examines the relationship between tax enforcement practices and tax compliance in Nigeria, with emphasis on tax audit effectiveness and tax audit detection rate, while tax compliance is measured through voluntary compliance rate and e-filing adoption.

Aim and Objectives of the Study
The main aim of this study is to empirically examine the relationship between tax enforcement practices and tax compliance in Nigeria.

Specific Objectives
i. Evaluate the effect of tax audit detection rate on e - filling adoption in Nigeria
ii. Determine the effect of tax audit detection rate on voluntary compliance rate in Nigeria.
iii. Evaluate the effect of tax audit effectiveness on e - filling adoption in Nigeria.
iv. Evaluate the effect of tax audit effectiveness on voluntary compliance rate in Nigeria.

Research Questions
In view of the above specific objectives, the following research questions were addressed in this study:
v. What is the effect of tax audit detection rate on e - filling adoption in Nigeria?
vi. What is the effect of tax audit detection rate on voluntary compliance rate in Nigeria?
vii. What is the effect of tax audit effectiveness on e - filling adoption in Nigeria?
viii. What is the effect of tax audit effectiveness on voluntary compliance rate in Nigeria?

Research Hypotheses

The following null hypotheses are formulated:

Ho1: There is no significant effect of tax audit detection rate on e - filling adoption in Nigeria.

Ho2: There is no significant effect of tax audit detection rate on voluntary compliance rate in Nigeria

Ho3: There is no significant effect of tax audit effectiveness on e - filling adoption in Nigeria.

Ho4: There is no significant effect of tax audit effectiveness on voluntary compliance rate in Nigeria

REVIEW OF RELATED LITERATURE

Conceptual Review

Concept of 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 (Amah & Nwaiwu, 2018). 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, 2019). The Nigeria tax system has failed on the area of it administration. Personal and voluntary compliance rate administration in Nigeria today does 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 2019). 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.

Dimensions of Tax Audit Practices.

Tax Audit Effectiveness

Tax audit effectiveness refers to the extent to which tax audit activities enable tax authorities to identify tax non-compliance, verify the accuracy of taxpayers' declarations, determine the correct tax liabilities, recover unpaid taxes and encourage taxpayers to comply with applicable tax laws. It is therefore concerned not merely with the number of audits conducted, but with the quality, efficiency and outcomes of the audit process**.** An effective tax audit system should be capable of identifying material compliance risks and directing limited audit resources towards taxpayers and transactions with a higher likelihood of non-compliance.

Audit Detection Rate (ADR) refers to the proportion or likelihood of tax non-compliance, underreported income, omitted transactions, or other tax irregularities that are identified through the tax audit process. It is an important indicator of **tax audit effectiveness**, because an audit system is effective when it can successfully identify discrepancies between taxpayers' reported obligations and their actual tax liabilities.

In the Nigerian context, a high audit detection rate is particularly relevant because weaknesses in tax administration, inadequate monitoring and tax evasion can contribute to revenue leakage. Effective tax audits can therefore assist tax authorities in detecting underreported income and unpaid taxes, recovering lost revenue and improving taxpayer compliance. This is consistent with the position of **Abiola and Asiweh (2012)** that effective enforcement is important for improving tax administration and reducing tax evasion in Nigeria.

Tax Compliance

The exact meaning of tax compliance has been defined in various ways. For example, Andreoni, Erard, and Feinstein (2019) opined that tax compliance should be defined as taxpayers' willingness to obey tax laws in order to obtain the economy equilibrium of a country. Kirchler (2019) perceived a simpler definition in which tax compliance is defined as the most neutral term to describe taxpayers' willingness to pay their taxes. Compliance in pure administrational terms therefore includes registering or informing tax authorities of status as a taxpayer, submitting a tax return every year (if required) and following the required payment time frames (Ming Ling, Normala & Meera, 2020).

Dimensions of Tax Compliance

Voluntary Compliance Rate (VCR)

Refers to the extent to which taxpayers willingly fulfil their tax obligations without being compelled through enforcement actions by tax authorities. It reflects taxpayers' willingness and ability to register for taxation, accurately declare taxable income, submit tax returns within the prescribed period, and pay the correct amount of tax when due. Thus, voluntary compliance represents an important indicator of the effectiveness of a tax administration system.

According to Kirchler (2019), tax compliance broadly reflects taxpayers' willingness to pay taxes and obey tax laws. Similarly, Andreoni, Erard, and Feinstein (1998) describe tax compliance in terms of taxpayers' willingness to comply with tax laws and fulfil their tax obligations. In administrative terms, compliance involves activities such as registering with the tax authority, filing required tax returns, correctly reporting taxable income, and making tax payments within the stipulated time.

Tax Gap

The tax gap is explained as the difference between the taxpayers' legal tax obligations and the amount of taxes collected by the tax authorities (Alm and Soled 2017; Dare, Du Plessis, and Jansen 2019). Raczkowski (2019) however, offered an alternative explanation that the tax gap represents the extent of evasion by taxpayers that reduces the tax base and decreases the country's tax revenue. It is submitted that Raczkowski (2019) explanation of the tax gap is reinforced by that offered by Alm and Soled (2018) and Dare, Du Plessis, and Jansen (2019). The tax gap comprises various components; however, divergent views exist in academic and other persuasive literature regarding these components (Raczkowski 2019). Raczkowski (2020) argued that the primary components of the tax gap are tax evasion and tax avoidance, whereas Alm and Soled (2017) and DuranCabre, More, Mas-Montserrat, and Salvadori (2019) argued that the tax gap should include only tax evasion and exclude tax avoidance. The postulations of Alm and Soled (2017) and Duran-Cabre et al, (2019) are consistent with the pronouncements of the US Internal Revenue Service (IRS) that the tax gap represents a legal tax liability incurred by the taxpayers. The pronouncement by the US IRS thus includes tax evasion as a contributor to the tax gap and ignores tax avoidance.

Theoretical Framework

The theory adopted in this study are ability to pay theory presented by Arthur Cecil Pigou and developed by Erik Lindhl in 1939, and classical theory of tax compliance developed by Allingham and Sandmo in 1927. The study therefore, is anchored on the classical theory of tax compliance because it underpins the objective of the study.

Ability to Pay Theory

The most popular and commonly accepted principle of equity or justice in taxation is that citizens of a country should pay taxes to the government in accordance with their ability to pay (Kagan, 2020). "It appears very reasonable and just that taxes should be levied on the basis of the taxable capacity of an individual. For instance, if the taxable capacity of a person A is greater than the person B, the former should be asked to pay more taxes than the latter. It seems that if the taxes are levied on this principle as stated above, then justice can be achieved. But our difficulties do not end here. The fact is that when we put this theory in practice, our difficulties actually begin. The trouble arises with the definition of ability to pay. The economists are not unanimous as to what should be the exact measure of a person's ability or faculty to pay. The main viewpoints advanced in this connection are as follow: Ownership of Property: Some economists are of the opinion that ownership of the property is a very good basis of measuring one's ability to pay. This idea is out rightly rejected on the ground that if a person’s earns a large income but does not spend on buying any property, he will then escape taxation.

On the other hand, another person earning income buys property; he will be subjected to taxation. Is this not absurd and unjustifiable that a person, earning large income is exempted from taxes and another person with small income is taxed? Tax on the Basis of Expenditure: It is also asserted by some economists that the ability or faculty to pay tax should be judged by the expenditure which a person incurs. The greater the expenditure, the higher should be the tax and *vice* versa”. The viewpoint is unsound and unfair in every respect. “A person having a large family to support has to spend more than a person having a small family. If we make expenditure as the test of one's ability to pay, the former person who is already burdened with many dependents will have to' pay more taxes than the latter who has a small family. So this is unjustifiable. Income as the Basics: Most of the economists are of the opinion that income should be the basis of measuring a man's ability to pay. It appears very just and fair that if the income of a person is greater than that of another, the former should be asked to pay more towards the support of the government than the latter. That is why in the modern tax system of the countries of the world, income has been accepted as the best test for measuring the ability to pay off a person”.

Classical Theory of Tax Compliance

The Classical Theory of Tax Compliance, commonly associated with the Allingham-Sandmo model, explains tax compliance from an economic deterrence perspective. The model assumes that taxpayers make rational decisions concerning whether to comply with tax laws by comparing the expected benefits of tax evasion with the probability of detection and the severity of sanctions.
Under this framework, taxpayers are more likely to comply when the probability of detection is high and the consequences of non-compliance are sufficiently severe. Tax audits increase the probability that non-compliance will be detected, while penalties and interest increase the financial consequences associated with non-compliance. The theory is therefore particularly relevant to this study because tax audits and penalties/interest constitute the two major dimensions of tax enforcement examined in the study.

Empirical Review

Abiola and Asiweh (2012) studied the impact of Tax Administration on Government Revenue in a Developing Economy – A Case Study of Nigeria. This study attempts to look at the Nigeria Tax administration and its capacity to reduce tax evasion and generate revenue for development desire of the populace. The study made use of 121 online survey questionnaires containing 25 relevant questions. Descriptive statistics were used to analyze 93 usable responses. The study found among other things that increasing tax revenue is a function of effective enforcement strategy which is the pure responsibility of tax administration. Nigeria lack enforcement machineries which include among other things, adequate manpower, computers and effective postal and communication system. The study has clear practical implications for tax practitioners and governments policy makers in developing countries in particular.

Okoye (2019) studied the influence of tax amnesty programme on tax compliance in Nigeriamoderating the effect of political trust. The survey research design was employed to understand the taxpayer's perception of the Voluntary Assets and Income Declaration Scheme (VAIDS). We collected the data through the administration of questionnaires to taxpayers across the most commercial states in Nigeria. The data obtained were analyzed using the frequency table, the Cronbach alpha test, and the binary logistic regression technique. The survey showed that the compliance rate was about 22%. The study showed that the primary driver of tax compliance in Nigeria is unannounced ad hoc tax audit; this implies that tax compliance will increase when taxpayers are aware there is an unannounced ad hoc tax audit. It is evident from this study that the low tax compliance was as a result of the moderating effect of political trust of the taxpayers as indicated by the amnesty*trust and trust showed a negative relationship with tax compliance in Nigeria. Based on the empirical analysis, the paper concludes that the Tax amnesty Programme VAIDS has a significant influence on tax compliance in Nigeria. The paper recommended that the government should build and strengthen the institutions, which give a sense of accountability and perception of good governance to the taxpayers, which will encourage voluntary tax compliance in the long run.

Enahoro and Jayeola (2012) studied Tax Administration and Tax Compliance of Lagos State Government, Nigeria. The study examines the overall effectiveness of tax administration in relation to assessment, collection and remittance of tax in Lagos State, Nigeria. A survey questionnaire of the machinery of tax administration was carried out where 130 questionnaires were administered to analyze the opinion of civil servants directly connected with tax administration in the five Local government areas of Lagos State (Somulu, Mushin, Ikeja, Kosofe and Surulere). Hypothesis tested for the relationship which exists between tax administration, tax regulation and Tax Compliance. The Kendall measure was adopted and finding is that the tax administration in Lagos state is not totally efficient. Hence, tax administration affects the revenue generated by the government; also, there is a significant relationship between tax administration, tax policies and tax laws. The study therefore recommends that Lagos State Government could put in place a tax system that can enhance better administration of tax systems and tax collections should be left in the hands of private organizations.

METHODOLOGY

Research Design

The study adopted **a** cross-sectional survey research design. The design was considered appropriate because the study sought to obtain information from respondents regarding tax audit practices and tax compliance at a particular point in time. The study examined the effect of tax audit detection rate, tax audit effectiveness, voluntary compliance rate, and e-filing adoption.

Population for the Study

The population of this study was sourced from the personnel departments of Nigeria Revenue Service (NSR) in South – South, Nigeria and consists of twenty six (26) tax offices across the Six (6) States in the region with nine hundred (900) staff (FIRS, 2022).

Sample Size and Sampling Techniques

This study adopted the probability technique because it concerns a selection among a population. The sample size for the study was determined using Taro Yamane's formula of 1967 as adopted by Baridam (2001). The formula is stated thus:

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

Where:
n = sample size
n = Population size
e = Level of significance desired

Hence;

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

N = 900

e = level of significant of 0.05

$$n = \frac{900}{1+900(0.05)^2}$$

$$= \frac{900}{1+2.25}$$

$$= \frac{900}{3.25} = 277$$

Sources of Data

The study utilized primary data sourced from the personnel of the Nigeria Revenue Service that work in the relevant departments such as personnel, auditing, finance, accounts etc.

Instrument for Data Collection

The study used primary data to carry out the analysis. The primary data were collected through the use of 5 point Likert scale designed questionnaire which sought responses from the respondent with the degree of response ranging from 1 = strongly disagree, 2 = disagree, 3 = undecided, 4 = agree and 5 = strongly agree, on tax enforcement practices and its dimensions of tax audit detection rate, and tax audit effectiveness as the independent variables while the dependent variable is tax compliance measured with voluntary compliance rate, and e-filing adoption

Method of Data Analysis

This study used both descriptive and inferential analyses. Descriptive analysis was used to determine the demographic of the respondents while the inferential analyses (Pearson's r and the Linear Regression Analysis) were used to test the hypotheses.

DATA PRESENTATION, ANALYSIS AND DISCUSION OF FINDINGS

Data Presentation

Two hundred and seventy seven (277) copies of questionnaire were administered to the respondents as explained in the methodology. The result of the survey distributed and retrieval is shown in Table 4.1 below:

Table 4.1: Questionnaire Distribution & Retrieval

Numbers	Questionnaire	Percentage (%)
No Distributed	277	100%
No Retrieved	230	83.03%
No Not Retrieved	47	16.97%
Useful Response	230	100% of Retrieved Questionnaire

Table 4.1 shows the distribution and collection of questionnaire sent to the respondents. It was shown that 277 copies of questionnaires were distributed to the respondents representing 100%. 230 copies of questionnaires representing 83.03% were correctly filled and successfully collected from the respondents; however, 47 copies of questionnaires representing 16.97% were not collected. However, the researcher used the 230 copies correctly filled questionnaires to represent 100% as a basis for the analysis.

Summary of Results of Hypotheses Tested

HYPOTHESES	T-STATISTICS	COEFFICIENTOF DETERMINATION	SIGN OF DIRECTION	P-VALUE	LEVEL OF SIGNIFICANCE	EFF. OF EMP. P-VALUE	DECISION EMPLOYING P-VALUE
Ho_1	0.041	O.567	Positive	0.000	0.05	0.000<0.005	REJECT Ho_1
Ho_2	0.000	0.680	Positive	0.000	0.05	0.000<0.005	REJECT Ho_5
Ho_3	0.005	0.633	Positive	0.000	0.05	0.000<0.005	REJECT Ho_2
Ho_4	0.000	0.660	Positive	0.000	0.05	0.000<0.005	REJECT Ho_4

Source: Researcher, 2026

Summary of Findings
This study was carried out to empirically examine the effect of tax audit practices and tax compliance in Nigeria. The findings are summarized below:

There is a moderate relationship between tax audit detection rate and e - filling adoption on the test of $H0_1$ as shown in table 4.16 with the correlation coefficient value of r = 0.567** significant at pv = 0.00 < 0.05. Also table 4.27 showed that tax audit detection rate statistically affect e - filling adoption. Tax audit detection rate had a calculated t-value of |2.054| >t-tab $_{(0.05,\ 229)}$ = 1.28 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance.
There is a strong positive relationship between tax audit detection and voluntary compliance rate on the test of $H0_2$ as shown in table 4.20 with the correlation coefficient value of r = 0.680** significant at pv = 0.00< 0.05. Also table 4.31 showed that tax audit detection rate statistically affects voluntary compliance rate. Tax audit detection had a calculated t-value of |7.924| >t-tab $_{(0.05,\ 229)}$ = 1.28 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance.
There is a strong positive relationship between tax audit effectiveness and e - filling adoption on the test of $H0_3$ as shown in table 4.21 with the correlation coefficient value of r = 0.633** significant at pv = 0.00 < 0.05. Also table 4.32 showed that effectiveness statistically affects e - filling adoption. Tax audit effectiveness had a calculated t-value of |4.199| >t-tab $_{(0.05,\ 229)}$ = 1.31 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance.
There is a strong positive relationship between tax audit effectiveness and voluntary compliance rate on the test of $H0_4$ as shown in table 4.22 with the correlation coefficient value of r = 0.660** significant at pv = 0.00 < 0.05. Also table 4.33 showed that tax audit effectiveness statistically affect voluntary compliance rate. Tax audit effectiveness had a calculated t-value of |7.401| >t-tab $_{(0.05,\ 229)}$ = 1.28 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance

Discussion of Findings
Tax Audit Detection Rate and E – Filling Adoption
The test of hypotheses three ($H0_1$) found that there is a moderate relationship between tax audit and e - filling adoption on the test of $H0_3$ as shown in table 4.16 with the correlation coefficient value of r = 0.567** significant at pv = 0.00 < 0.05. Also table 4.27 showed that tax audit detection rate statistically affect e - filling adoption. Tax audit detection rate had a calculated t-value of |2.054| >t-tab $_{(0.05,\ 229)}$ = 1.28 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance. Hence the conclusion that there is a significant effect between tax audit detection rate

and e - filling adoption and also that tax audit detection rate statistically affects e - filling adoption. This is in line with the study of Das-Gupta *et al.,* (2016) who investigated measuring tax administration effectiveness and its impact on tax revenue mobilization.

Tax Audit Detection Rate and Voluntary Compliance Rate

The test of hypotheses seven ($H0_2$), found that there is a strong positive relationship between tax audit detection rate and voluntary compliance rate as shown in table 4.20 with the correlation coefficient value of r = 0.680** significant at pv = 0.00< 0.05. Also table 4.31 showed that tax audit detection rate statistically affects voluntary compliance rate. Tax audit detection rate had a calculated t-value of |7.924| >t-tab $_{(0.05, 229)}$ = 1.28 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance. Hence the conclusion that there is a significant relationship between tax audit rate and voluntary compliance rate and also that tax audit rate statistically affects voluntary compliance rate. This is in line with the study of Samuel and Tyokoso (2019) who examined taxation and Revenue Generation: An empirical investigation of selected states in Nigeria.

Tax Audit Effectiveness and E – Filling Adoption

The test of hypotheses nine ($H0_3$), found that there is a strong positive relationship between tax audit effectiveness and e - filling adoption as shown in table 4.22 with the correlation coefficient value of r = 0.660** significant at pv = 0.00 < 0.05. Also table 4.33 showed that tax audit effectiveness statistically affects e - filling adoption. Tax audit effectiveness had a calculated t-value of |7.401| >t-tab $_{(0.05, 229)}$ = 1.28 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance. Therefore, the conclusion that there is a significant effect between tax audit effectiveness and e - filling adoption and also that tax audit effectiveness statistically affects e - filling adoption. This study supports the study of Shagari (2020) who examined the determinants of tax administration efficiency in Nigeria due to high loss of revenue in the recent times, the study data was collected through mixed research design of survey and interview

Tax Audit Effectiveness and Voluntary Compliance Rate

The test of hypotheses eight ($H0_8$), found that there is a strong positive relationship between tax audit effectiveness and voluntary compliance rate as shown in table 4.21 with the correlation coefficient value of r = 0.633** significant at pv = 0.00 < 0.05. Also table 4.32 showed that tax audit effectiveness statistically affects voluntary compliance rate. Tax audit effectiveness had a calculated t-value of |4.199| >t-tab $_{(0.05, 229)}$ = 1.31 and a corresponding significant probability value (PV) of 0.00 < 0.05 level of significance. Hence the conclusion that there is a significant relationship between tax audit effectiveness and voluntary compliance rate and also that tax audit effectiveness statistically affects voluntary compliance rate. This finding agrees with the study of Gurama and Manor (2019) examined tax administration problems and prospect in Gombe State, Nigeria.

SUMMARY, CONCLUSION, RECOMMENDATIONS AND CONTRIBUTION TO SCHOLARSHIP

Summary

The study examined the effect of tax audit practices on tax compliance in Nigeria, motivated by persistent weaknesses in tax administration, revenue leakages, tax evasion and inadequate voluntary compliance. Specifically, it investigated the effects of tax audit detection rate and tax audit effectiveness on e-filing adoption and voluntary compliance rate. A cross-sectional survey research design was adopted. The population consisted of 900 personnel of the Nigeria Revenue Service across 26 tax offices in the six South-South states of Nigeria. Using Taro Yamane's formula, 277 respondents were selected. Of the 277 questionnaires administered, 230 were correctly completed and retrieved, representing an 83.03% response rate. Data were collected using a structured five-point Likert-scale questionnaire and analyzed using Pearson correlation and linear regression.
The findings established that:

1. Tax audit detection rate has a significant positive effect on e-filing adoption, with a correlation coefficient of $r = 0.567$, $p < 0.05$.
2. Tax audit detection rate has a significant positive effect on voluntary compliance rate, with $r = 0.680$, $p < 0.05$.
3. Tax audit effectiveness has a significant positive effect on e-filing adoption, with $r = 0.633$, $p < 0.05$.
4. Tax audit effectiveness has a significant positive effect on voluntary compliance rate, with $r = 0.660$, $p < 0.05$.

The results indicate that improvements in the ability of tax authorities to detect non-compliance and conduct effective tax audits are associated with higher levels of taxpayer compliance and greater adoption of electronic filing systems.

Conclusion

The study concludes that **tax audit practices are significant determinants of tax compliance in Nigeria**. In particular, tax audit detection rate and tax audit effectiveness demonstrated significant positive effects on both e-filing adoption and voluntary compliance rate. The findings suggest that taxpayers are more likely to comply with tax obligations when tax authorities possess the capacity to identify irregularities, verify taxpayers' declarations and effectively administer the tax audit process. The positive relationship between audit detection rate and voluntary compliance further supports the deterrence perspective of the classical theory of tax compliance. When taxpayers perceive a greater likelihood that non-compliance will be detected, the incentive to evade taxes is reduced. Similarly, effective tax audits can promote confidence in the tax system and encourage taxpayers to use formal compliance mechanisms such as electronic filing.

Recommendations

In view of the findings and conclusion of this study, the following recommendations were made:

1. Tax audit capacity should be strengthened. Tax authorities should adopt risk-based and technology-driven audit procedures to identify taxpayers and transactions with a high probability of non-compliance.
2. Taxpayer records should be regularly examined. Tax authorities should periodically examine relevant financial records and tax returns to ensure that reported taxable income and tax liabilities are accurate and consistent with applicable tax laws.
3. Tax enforcement should be fair and transparent. The administration of tax audits, penalties, and interest should be guided by clear procedures and applied consistently to avoid arbitrary treatment of taxpayers.
4. Penalties and interest should be applied consistently. Tax authorities should enforce legally prescribed sanctions against non-compliant taxpayers while ensuring that compliant taxpayers are not subjected to unnecessary harassment.

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