

Tax Enforcement and Tax Compliance in Southwestern Nigeria

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Abstract: This study assessed the influence of tax enforcement on tax compliance in Southwestern Nigeria. A descriptive survey design was adopted. The study population comprised 1,146 NRS staff members, including tax controllers, heads of divisions, tax auditors, audit officers, and tax collector officers, all of whom play a direct role in tax auditing, enforcement, and taxpayer engagement. A purposive sample of 364 staff members was drawn from this population in Southwestern Nigeria, focusing on individuals whose roles provided them with direct insights into tax audit processes. The study focused on 360 staff members of the Nigeria Revenue Service (NRS) in Southwestern Nigeria. Data for the analysis were obtained through a structured questionnaire administered to the NRS staff. Analysis was conducted using Feasible Generalized Least Squares (FGLS). The results showed that Public Awareness and Education campaigns and Tax Rate Reduction policies, as enforcement-related strategies, had a significant positive effect on tax compliance. Legal actions, whistleblower program and tax-amnesty instruments fail to reach significance, indicating weak or heterogeneous behavioral responses. The study concludes that enforcement strategies encompassing both persuasive/educational elements and incentive-based measures are significant drivers of improved tax compliance in the southwestern Nigerian context.

Keywords: *Tax enforcement, tax compliance, Southwestern Nigeria, Revenue Service.*

1. Introduction

Governments in every nation need to mobilize enormous financial resources to operate effectively and to provide public goods and services that enhance sustainable development. Taxation over the years has proven to be one of the cheapest and most reliable sources of revenue generation. However, the extent to which the government can mobilize funds through taxes is highly dependent on the level of taxpayers' compliance in terms of reporting income correctly, tax filing, and remitting adequate taxes. Tax compliance is therefore pivotal to the fiscal sustainability of every economy (Alm, 2019). Low tax compliance levels are still a major threat to revenue mobilization and growth of many developing nations, including Nigeria.

Despite several reforms over the years, Nigeria's tax system has been marked by a high level of inefficiency, with a Tax-to-GDP ratio hovering below 10 per cent. This is an abysmal performance when compared to the African average of about 16 percent and many OECD countries' ratings above 30 percent (OECD, 2022). One of the challenges facing the achievement of sustainable tax compliance is taxpayers' inability to comply with tax compliance, which extends beyond the audit process. Factors such as tax enforcement, sanctions, encompassing penalties, and prosecution serve as a broader arsenal used to improve the level of tax compliance in bringing other taxpayers into the tax net. According to Slemrod (2019), the ratio of Nigeria's tax-to-GDP ratio rose, which has enhanced this entire enforcement framework, which was in line with deterrence theory, which concludes that compliance increases with the perceived certainty of penalty and punishment to offenders.

Therefore, drawing on deterrence theory, each enforcement mechanism tax penalty and fines legal actions, whistleblower programs, and detection speed operates through distinct perceptual pathways, where heightened audit likelihood elevates perceived detection risk through whistleblower programs, stiffer penalties amplify the cost-benefit differential of noncompliance, and swift detection reinforces the certainty of sanction, collectively shaping taxpayers' subjective expected utility calculations that drive voluntary versus enforced compliance from public awareness and education. Conversely, beyond pure deterrence, procedural fairness and trust-based mechanisms moderate these effects, such that transparent enforcement procedures enhance perceived legitimacy and internalized tax morale, while coercive, arbitrary enforcement undermines trust, triggering strategic noncompliance that offsets the deterrent gains from formal penalties thus yielding a dual-process framework where enforcement influences compliance both rationally through expected costs and

relationally through normative commitment, with the relative weight of each pathway depending on taxpayers' prior experiences and institutional credibility as well as tax amnesty program.

Based on Lederman's (2019) position, which says there should be a possibility that a significant counter-argument exists whenever heavy-handed enforcement can "crowd out" taxpayers' intrinsic motivation to comply. This assumption highlights the central issue: "There is no consensus on the net effect of tax enforcement in Nigeria, and a comprehensive, national-level evaluation is lacking". While enforcement is a critical component of the compliance strategy, existing research has been fragmented, often focusing on narrow aspects or conducted at the state level. This leaves policymakers without clear empirical guidance on how the spectrum of enforcement activities affects national compliance and whether the current balance between coercion and cooperation is effective. Therefore, this study seeks to evaluate whether tax enforcement affects tax compliance in Nigeria.

2. Literature Review

Several authors have studied the influence of tax enforcement on tax compliance using different sectors, especially in developed countries. Murphy (2008) investigated the effect of both the deterrent-based enforcement and the gentleman approach (which is persuasion and cooperation) on tax compliance. They emphasized determining the best approach to dealing with tax offenders in such a way as to increase support for the law and consequently reduce the rate of subsequent non-compliance. The study found that the deterrence-based enforcement strategies serve to stigmatize offenders, as a result, leaving them with a feeling of resentment both towards the authority enforcing the rules and towards subsequent voluntary compliance. The study suggested that while enforcement is necessary in driving immediate tax compliance, it must be done in a way that the punishment for offending will not lead to further reoffending. It must be done in a way to secure the taxpayers' long-term voluntary compliance.

Filippin et al. (2013) investigated the relationship between enforcement and morale of taxpayers, which are part of the perceived factors affecting compliance. The study utilized the sample data representing a combination of household and tax administration in Italy. It found that the relationship between tax morale and tax enforcement is positive. Tax enforcement was also observed to affect tax compliance positively. Pomeranz (2015) analyzed data from 40,000 firms in Chile to find out how information from third parties affects VAT enforcement. The study concluded that the announcement of a new audit does not have much impact on transactions already undergoing paper trials. This indicated that Paper Trials, which is a form of tax audit, has a deterrent effect, thereby increasing tax compliance.

Similarly, Mutarindwa and Rutikanga (2014) explored the audit of taxpayers' accounts and tax enforcement on the tax growth of Rwanda. Questionnaires were administered to 100 audit staff of the revenue Authority in Rwanda for the purpose of gathering primary data, while the databases of both the Large Tax Offices (LTOs) and Small and Medium Tax Offices (MSTOs) were explored for secondary data. The analysis revealed that tax audit enforcement increases compliance rate and discourages tax evasion, and hence positively impacts tax collection in Rwanda. It was revealed that taxpayers' attitude to tax audit enforcement hurts revenue generation. In Malaysia, Mohdali et al. (2014) investigated the effect of punishment threat on tax compliance behavior. It was revealed from the mixed-mode survey that the threat of punishment has no impact on taxpayers' compliance decisions. It shows that taxpayers avoid taxes more when they are threatened with tax audits as well as penalties, thus triggering their intentions to be less compliant.

Nurkhin et al. (2018) examined the effect of tax awareness, tax understanding, and tax amnesty awareness on taxpayers' compliance in Indonesia. According to the results, tax understanding, taxpayers' awareness, and amnesty perception are major determinants of taxpayers' compliance because the relationship was significant. It was also found that gender influenced taxpayers' compliance, as females were found to be more tax compliant than men. This study looked in the direction of positivity.

Lederman (2019) analyzed existing empirical studies to identify evidence that tax enforcement may backfire and decrease taxpayers' motivation to comply, resulting in them reducing their tax payment. It found that enforcement generally increases tax compliance in the United States. It further revealed that when there is no

or low tax enforcement, in some ways, it signals to taxpayers that non-compliance is socially acceptable. Sigle et al. (2018) built a model termed the Slippery Slope Framework (SSF) to examine how Trust and power enhance the compliance of corporations in the Netherlands using the data of 271 organizations. It was found that power has a negative relationship with Voluntary compliance and no relationship with enforced compliance. There was, however, an indication that a high-Power level of the tax authority undermines the positive effect of trust on voluntary compliance. The research recommended a trust-based tax regulatory activity for worldwide adoption. However, a different result could be obtained if a similar study is conducted in Nigeria.

Slemrod (2019) tried to review the empirical studies on tax enforcement and compliance by outlining the normal framework that allows an assessment of which enforcement intervention is worth doing. It was concluded that a high probability of being caught reduces compliance in the United States. Along the same line, Widuri et al. (2019) studied the effect of penalties, trust in the tax authority, and tax audit on compliance. The sample of 153 respondents analyzed revealed that tax Audit, tax penalties, and Trust significantly affect taxpayers' compliance both partially and simultaneously. Olaniyi and Ilesanmi (2019) weighed the effect of tax audit on tax compliance using government spending and penalties as proxies. Data from 229 companies were extracted for analysis from the tax audit department of the Kwara State Internal Revenue Service (KSIRS). It showed that tax audit and penalty have a positive and significant impact on tax compliance in KSIRS. This study is, however, limited in scope as it focused on tax compliance at a state level, which cannot be generalized to cover the nation as a whole.

Ayoade (2020) observed that using deterrence enforcement strategies or persuasive methods depends on the number of taxpayers the regulators are responsible for managing. It was found that the regulators responsible for smaller numbers of taxpayers tend to explore the persuasive and reward approach to drive compliance. This is because it was easier to establish more cooperative and collaborative relationships with a small number of taxpayers than with relatively large numbers. Although the study was carried out in Nigeria and the study was conducted six years ago, this current study serves as current in making decisions by tax authorities.

In Indonesia, Rosid & Romadhaniah (2023) assessed the influence of law enforcement on the level of tax compliance using survey data gathered across 352 tax offices in the country. Tax law enforcement was observed to have a positive and significant influence on tax compliance. The result further showed that the audit coverage ratio influences tax compliance. Similarly, criminal investigation appeared to be a major influencing factor in influencing the efficiency of tax enforcement. Awotomilusi (2022) assessed the influence of penalties on tax yield in Southwestern Nigeria in his own study. Data were obtained from 302 respondents through structured questionnaires who are staff of the FIRS covering four states. As a result of the study, tax enforcement and tax penalties have a positive and significant corrective effect on tax yield in Southwest Nigeria and should always be applied to boost tax compliance. Tax amnesty, which is the other side of the coin in relation to tax penalty, was excluded from the study, leading to a one-sided conclusion. More so, this study focused on tax yield and administered the structured questionnaires to only taxpayers and managers of businesses but failed to accommodate NRS staff who are responsible for tax payment.

Maccarthy et al. (2023) obtained data from 277 staff of the Federal Inland Revenue Service in South- South states in Nigeria to investigate the relationship between tax enforcement measures and revenue generation in Nigeria. They revealed that Tax Penalties have a significant relationship with Value-Added Tax generation. It was concluded that Tax Enforcement measures have a positive relationship with VAT compliance, resulting in increased revenue in Nigeria. This result was limited to the effect of Tax Penalties on VAT compliance, hence limiting other Tax Enforcement measures. Similarly, Loyland et al. (2024) attempted to evaluate the effect of expanding tax enforcement on tax compliance. Mechanical audit correction effect and behavioral effect were used as proxies for compliance gains. With the use of regression discontinuity analysis, it was found that at a certain threshold, taxpayers had a significant reduction in their self-reported deductions in the subsequent years' filing after an initial tax audit. It was also found that the behavioral effect over three years after the audit response significantly responded to the adjustment in the audit.

Sarfo and Agoba's (2026) conclusion on determinants of voluntary tax compliance in Africa's informal sector was that there is no single approach to improving tax compliance. The use of deterrence through tax audits and

finances would help improve tax compliance, while others hold a contrasting view on the use of a motivational or rewarding approach. Similarly, Abdulrazaq and Babatunde (2024) assessed the extent to which tax enforcement strategies mitigate tax non-compliance in Northwest Nigeria. With a sample of 345 SMEs, data were analyzed through descriptive and inferential statistics. It was revealed that tax enforcement strategies, proxied by the issuance of tax clearance certificates, the granting of tax amnesty, and the imposition of tax penalties, influence the compliance of SMEs in Northwest Nigeria significantly. The study suggested the use of punitive tax measures in terms of penalty and sanctions, coupled with the persuasive (Issue of tax clearance certificate and grant of tax amnesty), to promote and enhance tax compliance. There are, however, many other vital strategies employed in practice for tax enforcement by the tax authorities that have not been captured in this study. Although the study is domiciled in Nigeria, it only considered 345 SMEs, which limits the application of the results to tax authorities for tax policy.

Turyana and Supriatiningsih (2025) did an empirical examination of service quality and tax sanctions implementation on taxpayers' compliance in Indonesia. Ninety-six taxpayers responded to the questionnaire deployed, and the data gathered were analyzed with the use of multiple regression techniques. The results showed that service quality and sanction enforcement significantly affect the compliance of taxpayers in Indonesia. The study highlights the importance of quality human resources and innovative service facilities, which are positive enforcement on one side, and sanctions, which represent negative enforcement on the other side, as a balanced approach to advance tax compliance behavior. Overall, studies in the literature pointed out that tax enforcement could either result in negative or positive encouragement, each of which has different ways of affecting tax compliance. The few studies relating to tax compliance in southwest Nigeria focus more on the negative enforcement, such as tax penalties.

Furthermore, despite growing evidence linking tax enforcement with tax compliance from international and local arenas, these existing findings remain inconclusive regarding the nature of the relationship. Furthermore, empirical evidence from southwestern Nigeria remains limited. Addressing this gap, the present study formulated the following hypotheses:

- H01:** Tax penalty and fines has insignificant association with tax compliance in southwest Nigeria.
- H02:** Tax rate reduction has insignificant associated with tax compliance in southwest Nigeria.
- H03:** Legal actions have an insignificant association with tax compliance in southwest Nigeria.
- H04:** Technology and data analytics have an insignificant impact on tax compliance in southwest Nigeria.
- H05:** Public awareness and education have an insignificant impact on tax compliance in southwest Nigeria.
- H06:** Tax amnesty programs have an insignificant impact on tax compliance in southwest Nigeria.
- H07:** Whistleblower programs have an insignificant impact on tax compliance in southwest Nigeria.
- H08:** Taxpayers' trust has an insignificant impact on tax compliance in southwest Nigeria.

3. Methodology

To achieve the purpose of this study, a survey method research design was employed. The research was conducted across twenty-one (21) Nigeria Revenue Service (NRS) offices in the Southwestern region of Nigeria, spanning Lagos, Ogun, Ondo, Osun, Ekiti, and Oyo States. These offices, which include Large, Medium, and Small Tax Offices, were selected for their strategic location in key economic centers, extensive operational coverage, and standardized procedures, making them suitable for collecting representative data.

The population comprised 1,146 NRS staff members such as tax auditors in the region, audit officers, tax controllers, heads of divisions, and tax collector officers. This category of staff plays a significant role in tax auditing, enforcement, and taxpayer engagement for the purpose of tax compliance behaviors. For the study, the sample size of 364 staff members were determined using Yamane's formula at a 95% confidence level and 5% margin of error from this population, which is statistically sufficient to represent the population of 1,146 staff members, while purposive sampling was intentionally employed to target only those officers directly involved in field enforcement, audit, and taxpayer education roles, as their specialized functions provide the most relevant and informed perspectives on the enforcement-compliance nexus.

Furthermore, 364 staff members constituted individuals who were involved and provided direct insights into tax audit processes to verify the level of taxpayers' compliance. More so, since the study examines the impact

of tax enforcement on tax compliance in Nigeria, data were collected only from the Nigeria Revenue Service (NRS) staff rather than actual taxpayers. This is a deliberate sampling choice justifying that NRS staff possess unique, system-level insights into filing patterns, enforcement challenges, and fraud indicators that taxpayers themselves may underreport or misrepresent due to social desirability bias.

Data were collected through a structured, closed-ended questionnaire. The data collected through a structured questionnaire were analyzed using regression analysis based on OLS and FGLS to assess the influence of tax enforcement on tax compliance in Nigeria. The model was adapted from Ojonta (2011), Olaoye and Ekundayo (2019), Oladele et al. (2021), Olatunbosun (2022), and Sarfo and Agoba (2026), as stated below, were employed for this study:

$$TCOM_i = \beta_0 + \beta_1 TPN_i + \beta_2 TRR_i + \beta_3 LEG_i + \beta_4 TED_i + \beta_5 PAE_i + \beta_6 TAP_i + \beta_7 WBP_i + \beta_8 TPT_i + \varepsilon_i$$

Where

$TCOM_i$ represents Tax Compliance

TPN_i represents Tax Penalty and Fines.

TRR_i is the Tax Rate Reduction

LEG_i is Legal Actions

TED_i is Technology and Data Analytics

PAE_i is Public Awareness and Education

TAP_i is the Tax Amnesty Program

WBP_i is Whistleblower Programs

TPT_i is the Taxpayers' Trust

A priori expectation: $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8 > 0$

Measurement of Variables

Tax Compliance

This was measured by analyzing the responses on taxpayers' filing and reporting, attitudes towards taxation, perceived enforcement, willingness to comply, voluntary disclosure, personal and business tax compliance, used as a proxy for voluntary compliance (Nui, 2012). Furthermore, while actual compliance records were inaccessible due to confidentiality restrictions imposed by the Nigeria Revenue Service (NRS) in 2025, perceptual measures of awareness, filing behavior and attitudes were deliberately adopted as theoretically grounded proxies that reliably capture taxpayers' compliance intentions from the tax authorities and dispositional orientations, which extensive prior research has established as strong predictors of actual compliance behavior (Nkundabanyanga et al. (2017).

Tax Enforcement

Tax enforcement was measured using the following proxies: penalties and fines, tax rate reduction, legal actions, technology and data analytics, tax amnesty, whistleblower programs, and taxpayers' trust. Taxpayers' trust captures taxpayers' perceptions, which can be visualized by tax authorities as procedural fairness and institutional legitimacy that shape how effectively deterrence-based enforcement instruments, such as audits and penalties, translate into actual compliance behavior.

Data Processing for Regression Analysis

The responses to the items under a specific variable were averaged to create a single score that represented that construct, which was applied uniformly across all variables, to produce the composite values (from the primary data drawn from a structured questionnaire designed with multiple items under each construct) appropriate for regression analysis. This helps researchers to ensure that these variables are signified by a single continuous score, capturing the overall tendency of responses while minimizing measurement error through the averaging method. According to Hair et al. (2022), standard practices in quantitative research are required where multi-item scales are aggregated into a composite index for proper analysis. Hence, the composite scores computed for the variables were used as the independent and dependent variables in the regression analysis for the study.

4. Results and Discussion

Based on the respondents from NRS staff from the southwest who participated in the study, the effect of tax enforcement on tax compliance-related questions is briefly presented in the tables.

Demographic Characteristics Analysis

Table 1 presents 364 responses using frequency and percentage of those who participated in the current study. Table 1 shows that males constituted 204 respondents (56.04%) of the total respondents, and 160 (43.96%) were female counterparts, indicating that there is slightly higher representation of female respondents in the study, although gender distribution was balanced. Similarly, respondents were categorized into five age groups; 38 respondents (10.44% were between 20 and 29 years, and 94 respondents (25.83% were between 26 and 40 years. More so, 132 respondents' represents 36.26% were between 40 and 49 years, representing the largest age group. In the same vein, 83 respondents (22.8% were within 50 and 59 years. Lastly, 17 respondents (4.67%) were 60 years and above. This implies that the majority of respondents in the NRS office are still active and within the working age range of 40 to 49 years.

Educationally, Table 1 shows the result of the educational qualifications of the respondents, which indicates that 2 respondents, representing 0.55%, had a diploma certificate. 240 respondents, representing 65.93%, held a B.Sc. degree from universities within and outside Nigeria. 108 respondents (29.67% possessed an M.Sc. or MBA, while 14 respondents' represents 3.85% held a PhD degree. In summary, over 95% were graduates with B.Sc., M.Sc. and PhD qualifications. This is an indication that 95% of the respondents had the logical and technical ability to supply trustworthy information on tax audit and compliance issues.

In terms of organizational hierarchy, 91 respondents (25% were officers, 66 respondents (18.13% were supervisors), 32 respondents (8.79% were managers in NRS staff, 160 respondents (43.96% were senior staff), and 15 respondents (4.12% were directors in NRS staff. In summary, senior staff formed the largest category, while directors were the least represented. Based on the years of engagement, the respondents' years of engagement varied as follows: 72 respondents, representing 19.78%, had less than five years of engagement; 127 respondents, representing 34.89%, had 6-10 years in terms of engagement, while 165 respondents, representing 45.33%, had 11 years and above, which is the largest group among the respondents. This suggests that the study was knowledgeable of practitioners with long-term experience in tax supervision and enforcement processes.

Again, the majority of the respondents were members of ICAN and CITN, with 116 (31.87%) and 119 (32.69%) respectively, which is 235 respondents represent (64.56%), while others were members of ANAN, ACCA, CFE and CFA as shown in Table 1. This implies that the respondents have technical knowledge and their responses are credible. Furthermore, 209 respondent represents 57.42% were from Lagos, 52 respondent represents 14.29% from Ogun state, 31 respondent represents 8.52% were from Oyo state, followed by 27 respondent represents 7.42% from Ondo state, 23 respondent represents 6.32% were from Ekiti state, and 23 respondent represents 6.04% were from Osun state. In summary, Lagos state accounted for over half of the respondents, indicating its position as Nigeria's major commercial and tax administration hub.

Table 1: Demographic Profile of Respondents

Variables	Category Description	Frequency	Percentage (%)	Mean	Std. Dev.
Gender	Male	204	56.04	0.56	0.5
	Female	160	43.96		
Age	20-29 yrs	38	10.44	2.85	1.04
	30-39 yrs	94	25.82		
	40-49 yrs	132	36.26		
	50-59 yrs	83	22.8		
	60+ yrs	17	4.67		
	Diploma	2	0.55		
	B.Sc.	240	65.93	3.37	0.57

Highest Educational Qualification	M.Sc.	108	29.67		
	PhD	14	3.85		
Position in Organization	Officer	91	25		
	Supervisor	66	18.13		
	Manager	32	8.79	2.84	1.33
	Senior Staff	160	43.96		
	Director	15	4.12		
Years of Engagement	1-5 yrs	72	19.78		
	6-10 yrs	127	34.89	2.26	0.77
	11+ yrs	165	45.33		
Professional Qualification	ICAN	116	31.87		
	ANAN	74	20.33		
	CITN	119	32.69		
	ACCA	5	1.37	2.64	1.44
	CFE	26	7.14		
	CPA	20	5.49		
	Ekiti	23	6.32		
State Location	Ondo	27	7.42		
	Osun	22	6.04	4.35	1.31
	Ogun	52	14.29		
	Lagos	209	57.42		
	Oyo	31	8.52		

Source: Author's Computation, 2026

Reliability and Validity of the Measurement Instrument

In this section, the results of the reliability and validity of the construct measures were evaluated after checking and screening of the data. The reliability and validity of the measurement instrument were assessed following the guidelines of Hair et al. (2022). Internal consistency reliability was evaluated using Cronbach's alpha and composite reliability, with all constructs exceeding the recommended threshold of 0.70, while lead to the conclusion that it satisfies the reliability threshold. Content validity was established by adapting measurement items from previously validated scales and subjecting the questionnaire to expert review by academics and practitioners in the tax audit department to ensure the relevance, clarity, and adequacy of the items. Construct validity was assessed through convergent validity using the average variance extracted (AVE), with all constructs recording AVE values above the recommended threshold of 0.50, thereby demonstrating adequate convergent validity (Hair et al., 2022).

Tax Enforcement

The individual construct of tax enforcement was shown in Table 2. The responses include: no extent, very low extent, an extent, high extent, very high extent, mean, and standard deviation. The result based on respondents indicates that the penalty for late filing appeared to be the highest perceived tax enforcement mechanism, with a mean score of 3.52, while the minimum was the underreporting fine, with a mean value of 2.89. The majority agreed that tax enforcement is one of the keys to bringing more taxpayers into the tax net in Nigeria. Table 2 shows that the mean scores of the items range from 2.89 to 3.52. Negotiation in disputes is possible has the highest mean score (3.32), while investigation leads to additional assessment has the lowest mean score (2.76). In summary, the findings reveal that retaliatory enforcement strategies like penalties, legal actions, and technology are important and very crucial for tax compliance. In short, taxpayer activities materialize to respond more satisfactorily to timely communication, equitable treatment, transparency, trust, among others in the tax system. For this reason, the government should balance tax enforcement with relevant taxpayers' education, meaningful engagement, and organisational reform regularly, and this will enhance tax compliance behaviours.

Table 2: Responses on Tax Enforcement

Item	No Extent	Very Low Extent	An Extent	High Extent	Very High Extent	Mean	Std Dev
Late Filing Penalty Effective	2.47	11.54	32.42	39.01	14.56	3.52	0.96
Underreporting Fine Effective	10.44	23.08	40.11	19.78	6.59	2.89	1.05
Interest on Unpaid Tax Effective	7.69	21.43	31.59	28.57	10.71	3.13	1.11
Tax Rates Promote Compliance	6.04	22.25	32.97	29.95	8.79	3.13	1.05
Reduced Rates Promote Compliance	7.69	25	34.07	27.2	6.04	2.99	1.04
Legal Action is Timely	8.79	22.53	34.34	25.27	9.07	3.03	1.09
Legal Threat Promotes Compliance	8.79	23.63	33.52	23.9	10.16	3.03	1.11
Technology Detects Fraud	10.99	21.15	29.95	27.2	10.71	3.05	1.16
Analytics Identify High-Risk Cases	6.87	21.98	36.54	24.73	9.89	3.09	1.06
Education Improves Understanding	10.99	24.45	34.07	22.8	7.69	2.92	1.1
Awareness Discourages Evasion	10.71	21.43	31.32	27.75	8.79	3.02	1.13
Education Materials Helpful	7.42	28.02	31.59	27.75	5.22	2.95	1.03
Tax Amnesty Promotes Compliance	7.42	21.98	33.52	27.75	9.34	3.1	1.08
Tax Incentives Encourage Compliance	7.97	22.8	39.01	21.98	8.24	3	1.05
Whistleblower Program Effective	9.89	21.43	34.34	25.82	8.52	3.02	1.1
Whistleblower Reward Motivating	9.62	25.27	31.59	25.55	7.97	2.97	1.1
Handling Complaints Improves Compliance	6.32	19.51	34.89	29.67	9.62	3.17	1.05
Trust Promotes Voluntary Compliance	5.49	14.84	36.81	31.87	10.99	3.28	1.03

Source: Authors' Computation, 2026

Tax Compliance

In this section, the focus was on the evaluation of compliance behaviour among taxpayers in south-west Nigeria based on the survey responses. Table 3 showed that the highest mean score was 3.47, which is for returns filing on time, which means it is very significant, implying that faithfulness to filing deadlines is well recognized. In short, the mean scores of the items range from 2.79 to 3.47; returns filed on time have the highest (3.47), while income fully reported has the lowest mean score. Furthermore, the overall results suggest that the tax compliance behaviour of taxpayers with voluntary timely filing behaviour is the one that improved tax compliance. Meanwhile, taxpayers' trust, understanding of tax laws, tax transparency, and confidence are concerns that have questioned the level of tax compliance improvement.

Table 3: Responses to Tax Compliance

Variables	No Extent	Very Low Extent	An Extent	High Extent	Very High Extent	Mean	Std. Dev.
Returns filed on time	1.37	13.19	35.71	36.81	12.91	3.47	0.93
Income fully reported	8.24	31.87	38.19	16.48	5.22	2.79	0.99
Deductions are accurate	9.07	19.78	35.16	26.65	9.34	3.07	1.09
Tax laws understood	9.07	24.45	34.62	24.45	7.42	2.97	1.07
Tax as a civic duty	9.89	22.8	32.97	23.63	10.71	3.02	1.14
The tax system is fair	9.62	26.65	34.62	20.05	9.07	2.92	1.1
Trust in tax revenue use	10.16	17.58	39.56	22.8	9.89	3.05	1.1
Aware of the tax audit role	8.79	26.1	32.97	24.18	7.97	2.96	1.08

Audit risk perceived as low	9.07	22.25	35.44	25	8.24	3.01	1.08
Audit is effective at detection	6.32	20.05	37.64	24.45	11.54	3.15	1.07
Penalty concern for noncompliance	7.42	20.05	34.07	28.85	9.62	3.13	1.08
Compliance for society	6.32	21.43	39.01	23.08	10.16	3.09	1.05
Would pay even if others evade	10.16	17.31	33.79	26.65	12.09	3.13	1.15
Tax system is complex	6.32	20.33	41.76	22.8	8.79	3.07	1.02
General tax compliance is high	7.42	29.95	35.16	18.96	8.52	2.91	1.06
Evasion is common in the community	10.16	24.45	32.69	22.8	9.89	2.98	1.13
Audit needed for compliance	6.04	20.88	33.79	28.85	10.44	3.17	1.06
Would use the disclosure program	8.24	23.9	32.97	24.18	10.71	3.05	1.11
Aware of the disclosure program	9.62	22.8	35.16	21.98	10.44	3.01	1.12
Need more disclosure incentives	6.04	17.58	41.76	25.27	9.34	3.14	1.01
Business pays tax on time	11.26	27.75	28.3	23.63	9.07	2.91	1.15
Business tax burden is reasonable	7.69	20.88	37.36	25	9.07	3.07	1.06
Business ensures compliance	3.57	15.11	32.69	32.69	15.93	3.42	1.04

Source: Authors' Computation, 2026

Tax Enforcement and Tax Compliance in Nigeria

The study used OLS and FGLS models to assess the effect of tax enforcement and tax compliance in Nigeria. However, the p-value from post estimation test revealed a significant p-value of 0.0000, which implies that there is an issue of Heteroskedasticity in the OLS model. Therefore, the error was corrected through Feasible GLS, which serves as a remedy for the problem. This brings non-constant variance into consideration, hence resulting in more reliable estimates. More so, the p-value indicates the fitness and reliability of the model to show a statistically significant relationship between explanatory and dependent variables. Hence, the p-values of (0.0000) and (0.0001) provide evidence that the model was fit. The cumulative R^2 are 12% (0.1214) and 11% (0.1147), which gives the cumulative effect of explanatory variables jointly on the dependent variable. This means that 12% and 11% of the total variation in tax compliance in Nigeria is caused by tax enforcement, while the remaining 88% and 89% of the total variation in tax compliance in Nigeria is caused by other variables not included in the model. The 11% R-square value is consistent with reputable tax compliance literature, where compliance behavior is intrinsically multifaceted and multidetermined, with studies in developing economies (Nigeria) typically documenting explanatory power in this range due to the presence of unmeasured contextual, psychological, and cultural factors beyond formal enforcement mechanisms that were used in the study.

Table 4 revealed that tax penalties and fines, tax rate reduction, public awareness and education, and technology and data analytics have positive and significant effects on tax compliance at the 5% level. This is consistent with the results of Olatunbosun (2022), McCarthy et al. (2023), Loyland et al. (2024), Abdulrazaq and Babatunde (2024), Turyana and Supriatiningsih (2025), and Sarfo and Agoba (2026). On the other hand, legal actions, whistleblower program, tax amnesty program, and taxpayer trust have positive and insignificant effects on tax compliance at the 5% level. In conclusion, the results show that tax enforcement (tax penalties & fines, tax rate reduction, public awareness and education, and technology and data analytics) leads to more tax compliance behavior in Nigeria. Is an indication that when the government focuses on those key tax enforcement measures in conjunction with more robust and taxpayer-friendly tax policies may lead to better voluntary tax compliance in Nigeria.

Table 4: Estimates of the Effect of Tax Enforcement on Tax Compliance

Variables	OLS Estimate	Feasible GLS (WLS) Estimate
TPF (Tax Penalties & Fines)	0.0504* -0.0262 [1.92]	0.0465** -0.0257 [1.81]
TRR (Tax Rate Reduction)	0.0616*** -0.0226 [2.73]	0.0562** -0.0227 [2.48]
LEG (Legal Actions)	0.0263 -0.0209 [1.26]	0.026 -0.0207 [1.26]
TED (Tech & Data Analytics)	0.0407* -0.0218 [1.87]	0.0392** -0.0215 [1.82]
PAE (Public Awareness and Education)	0.0701*** -0.0258 [2.72]	0.0797*** -0.0253 [3.15]
TAP (Tax Amnesty Program)	0.0363 -0.0227 [1.60]	0.025 -0.022 [1.13]
WBP (Whistleblower Prog.)	0.0178 -0.0199 [0.89]	0.0138 -0.0201 [0.69]
TPT (Taxpayer Trust)	-0.0263 -0.0225 [-1.17]	-0.0244 -0.0221 [-1.11]
_cons	2.2267*** -0.1391 [16.01]	2.2736*** -0.136 [16.72]
Observations	364	364
R-squared	0.1214	0.1147
Adj R-squared	0.1016	0.0948
Root MSE	0.3019	0.2965
F-statistic	6.13	5.75
Prob > F	0.0000	0.0000
Breusch-Pagan Test	p = 0.0000	Corrected
RESET (Omitted Var.)	p = 0.0001	—
Multicollinearity	Mean VIF = 1.10	Mean VIF = 1.10

***p < 0.01, **p < 0.05, *p < 0.10

Source: Author's computation, 2026

Discussion of Findings

The result from assessing the effect of tax enforcement mechanisms on tax compliance in southwestern Nigeria showed that the enforcement apparatus, which includes penalties for late filing, rate reductions, technology and data analytics, and public awareness and education, has a significant influence on compliance activities. Compliance activities such as accurate deductions and civic-mindedness have an insignificant influence on tax compliance in southwestern Nigeria. More so, the result shows that robust tax compliance outcomes can be hindered by structural challenges, which include limited understanding of tax laws, distrust in public revenue use as well as perceived unfairness. The results in this study indicate that factors that play statistically significant drivers of compliance include tax penalties and fines, tax rate reduction, technology and data analytics, and public awareness campaigns in southwestern Nigeria, while other factors that are punitive-only approaches include legal threats and reliance on whistleblower programs, implying less influence on tax compliance in Nigeria. This supports the studies of Maccarthy et al. (2023), Loyland et al. (2024), Abdulrazaq

and Babatunde (2024), and Turyana and Supriatiningsih (2025), who documented a significant relationship between tax enforcement mechanisms and tax compliance.

Test of Hypotheses

Results in Table 4 show all the variables of the study with the directional values of their coefficients (positive or negative), the p-value, as well as their effect on the dependent variable at their independent level of significance. From the results, the formulated hypotheses of the study can now either be rejected or fail to be rejected. Table 5 provides a summary of the test of the hypotheses.

Table 5: Summary of the Tested Hypotheses

Hypotheses		Decision
>TCOM	1	Rejected
TRR →>TCOM	2	Rejected
LEG →>TCOM	3	Fail to Reject
TED →>TCOM	4	Rejected
PAE>TCOM	5	Rejected
TAP →>TCOM	6	Fail to Reject
WEP>TCOM	7	Fail to Reject
TPF →>TCOM	8	Fail to Reject

Source: Generated by Researchers Based on Table 4.

Based on the hypotheses stated earlier in this study, the results suggested that four out of eight null hypotheses formulated were rejected while four were not rejected as shown in Tables 4 and 5. The research was conducted across twenty-one (21) Nigeria Revenue Service (NRS) offices in the Southwestern region of Nigeria, spanning Lagos, Ogun, Ondo, Osun, Ekiti, and Oyo States. These offices, which include Large, Medium, and Small Tax Offices, were selected for their strategic location in key economic centers, extensive operational coverage, and standardized procedures, making them suitable for collecting representative data.

5. Conclusion and Recommendations

This study assessed the influence of tax enforcement on tax compliance in Nigeria. The population comprised 1,146 NRS staff members such as tax auditors in the region, audit officers, tax controllers, heads of divisions, and tax collector officers. To achieve the objective of the study, the survey research design was adopted using a self-structured questionnaire to obtain data from the NRS staff. The results from the 364 respondents showed that tax enforcement strategies such as public awareness and education campaigns and tax rate reductions influence compliance in Nigeria. This means that tax enforcement approaches combining persuasive, educational, and incentive-based measures are more effective than merely coercive strategies. More so, tax penalties and fines influence tax compliance significantly. Therefore, the study recommend the NRS and other relevant tax authorities should improve level taxpayer education programs that can serve as awareness to tax obligations and consequences of non-compliance, implement moderately fair tax rates to reduce the perceived tax burden, and strengthen technological and data analytics systems to support compliance monitoring, as these integrated measures can sustainably improve voluntary compliance, promote trust in the tax system, and increase government revenue for national development.

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