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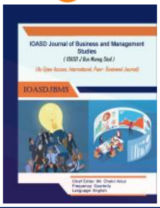

Tax Audits and Tax Revenue in Nigeria

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ABSTRACT

Low tax compliance and high level of tax evasion in Nigeria have caused more harm to revenue generation in the country. This has limited the capacity of government to raise revenue for developmental purposes. This has raised the curiosity of researcher to examine many tax enforcement strategies as they relate to revenue generation in Nigeria. Therefore, this study investigated the relationship between tax audits and tax revenue in Nigeria with emphasis on the value added tax. The study used the survey and ex post facto research designs to source primary and secondary data from the Federal Inland Revenue Service for analysis. The Pearson's Product Moment Coefficient of Correlation and Multiple Linear Regression Techniques were employed for analysis. The study showed that tax audits have significant relationship with value added tax. Based on the findings, it was concluded that, tax audit has a significant relationship with tax revenue in Nigeria, and it was recommended that the Federal Government through the relevant tax authorities make policies to strengthen the administration of value added tax. The Federal Inland Revenue Service (FIRS) should go full stretch in the auditing of taxpayers as there should be no sacred cows in tax administration and laws of the Federal Republic of Nigeria as it relates to taxation among others.

Keywords: Tax Audit, Tax Revenue. Value Added Tax.

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INTRODUCTION

The Nigeria tax system irrespective of the brilliant laws still has flaws and failure in the area of administration. As a result of these imminent inadequacies in tax administration, lots of those who are supposed to pay tax evade doing so. The benefit of tax audit is to create genuine revenue for the federal, state and local governments through different tax bases which are Companies Income Tax, Personal Income Tax for the resident of Abuja, Nigerian Diplomatic Officials and members of the Armed Forces, Petroleum Profits Tax, Education Tax, Withholding Tax, Value Added Tax and Pay As You Earn (Olisola, 1998). It is expedient to point out that if control is not in place over the taxpayer the government will not actualize it aims and objective in generating tax revenue.

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 expression of opinions regarding the fairness, consistency and conformity with accepted accounting principle or 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 engenders voluntary compliance by detecting and bringing to book those who do not pay the correct amount of tax.

A tax audit is an examination of an organization or individual's tax return to verify that financial information is being reported correctly (Bitrus, 2018; Okonkwo, 2014; Oyedokun, 2014). Appah (2019) stated that tax audit is the examination of an individual or organization tax report by the relevant tax authorities in order to ascertain compliance with applicable tax laws and regulations of state. The author further noted that tax audit is a process where the Internal Revenue Service attempts to confirm the numbers that you have put on your tax returns.

Badara (2012) argued that the goals of tax audit include to create a workable and active tax administration to deal with frequently changing economy,to put plans in place in order to settle tax disputes between tax authority and tax payers, to preserve a strong machinery to deal with tax avoidance practices which are available to numerous firms but are vulnerable to tax abuse and to prove the completeness, accuracy and timely filing of tax returns submitted by the tax payers (Appah & Eze, 2013). Oyedokun (2015) maintained that tax audit turns out to be useful going by the growing level of non-compliance to the payment of taxes in developing nations of the world. Oladele *et al,* (2019) opined that tax audit is required to compel defaulting taxpayers to observe tax compliance.

Tax is a compulsory levy imposed on individuals and companies by government which serves as source of income to the government to perform various legitimate functions of the state (Olaoye *et al,* 2009). The deployment of efficient tax collection mechanism is expected to achieve set goals for the society. Revenue generation is the central source of survival and challenge for all economy of the world including the developed and developing economies.

Government around the world need tax revenue to assist them in fulfilling their societal obligation (Fagbene *et al,* 2010 & Kiabel, 2009). However, this great opportunity of revenue generation has not been exploited to the maximum by government around the world (Akintoye and Dada, 2013) especially the developing nations in the Sub-Sahara Africa, like Nigeria. This might possibly be as a result of the taxation system, tax laws, tax administration and policy challenges, over dependence on other sources of revenue such as grants and aids from the foreign nations, systemic corruption as it relates to the collection system, behaviour of citizens towards payments of tax and the complexities in tax payment procedure (Oluyombo, Olaymka 2019). Despite the benefits of tax revenue to a country's economy, some citizens consider tax as undesirable levy imposed on them by government and accuse the government of not utilizing it to achieve efficiency, economy and effectiveness of spending (Ekoja & Saratu, 2014). The extent to which tax audit has been able to curb the incidence of tax evasion vis-a-vis to ensure compliance and raise government revenue has been subject of various empirical findings, notable among others are (Oladele *et al,* 2021; Dada & Tawo, 2020; Oladele *et al,* 2019; Olaoye & Ekundayo 2019; Wahyo 2017; Aguma, 2016; Onoga & Iwarere, 2015; Adediran *et al,* 2013; Badara, 2012; Omesi & Appah, 2022)). Arising from the foregoing, this study examined the relationship between tax audits and tax revenue in Nigeria with emphasis on the Value Added Tax, a tax that is imposed at each stage of production and distribution chains which is eventually borne by the final consumer.

LITERATURE REVIEW

Theoretical Foundation

Deterrence Theory of Compliance

This study is anchored on deterrence theory of compliance developed by Cesare Beccaria and Jeremy Benthamin in the eighteenth century. This theory was advanced by Becker (1968) in their study of crime and punishment. The deterrence theory is based on addressing the issues of tax compliance in an attempt to find an enforcement mechanism that can supplement or replace the citizen's tax morality (Ortega & Sanguinetti, 2013). Alm (2013), suggested that tax evasion, or what is known as illegal or intentional conduct intended at decreasing the responsibility to pay proper taxes, is pervasive in almost all countries. It is based on weighing the benefits that could be gained in the event of successful evasion against the risk of being caught, as well as the punishment that could be imposed in the event of being detected (Feld, Schmidt & Shnieder, 2013).

The economic deterrence theory according to McKerchar (2002) is based on the theory that behaviour is responsive to punishment or sanctions. He further opined that the deterrence theory was presumed on the ground that all taxpayers would respond in an almost identical and predictable fashion whenever there is an opportunity to maximize the utility such opportunity presents. The economic deterrence theory incorporates six economic variables which are predominant in the literature. These variables are penalties, tax rate, income level of the taxpayer, complexity of the tax system, tax audit, that is, the probability of detection and sentencing (Mckerchar, 2002).

Tax audit and penalty among other variables form the cardinal stands of the economic deterrence theory. However, it is worth noting that these compliance tools, although popular, are criticized on the grounds of high cost of implementation and weak enforcement mechanism in the tax system in Nigeria which had been argued to have reduced their potency (Usman & Anao, 2015). Many researchers believed that attention should be shifted to attitudinal tools influencing compliance rather than deterrence apparatus. However, in spite of the weaknesses, the theoretical principles of economic deterrence model have been widely adopted by tax administrations in many countries, Nigeria inclusive. This is evidenced by the wide use of enforcement strategies that relied principally on penalties and tax audit. It is on this note that this study is anchored on the economic deterrence theory.

CONCEPTUAL REVIEW

Tax Audit

Available literature affirmed that tax audit is always triggered by suspicion of fraud, evasion and related offences. Adams (2001), viewed tax audit as a level of enquiry aimed at determining what level of fraud or willful default or neglect a taxpayer perpetrates and to obtain evidence for possible prosecution of the culprit. This implies that tax audit centers on determining some unrevealed sources of revenue, pointing to gross non-compliance, or it may be about proof of underpayment and fraud. Supporting this view, Ojo (2016) defined tax audit and investigation as an inspection of taxpayer's business records so as to ensure that laws and regulations were maintained in the amount to tax as reported. This reflects that the sole aim of tax audit is to ensure that laws and regulations regarding tax revenue are maintained by taxpayer with the aim of increasing the revenue pool of the government.

Bassey (2013) observed that tax audit is an essential compliance tool in most tax jurisdiction all over the word as it maximizes the expected tax revenue to the government both in developed and in developing countries. Tax audit is necessary because it help the government to collect taxes paramount in financing budget and maintaining economic and financial order and stability. Tax audit is a means of collecting information in order to discover the level of obedience with appropriate laws (Adediran *e al.,* 2013). Tax audits are carried out by tax officials of a relevant tax authority, as opposed to statutory audits performed by licensed audit firm. Examples of tax audit are desk audit which is executed within the office of the tax officials, field audit which takes place at the premises of the taxpayer, or a back duty audit, which is also carried out where there is suspicion that the taxpayer has engaged in tax evasion (Oyedokun, 2016).

Kabajwara, (2018) posits that tax audit do take place in the premises of the tax official, an example is issue audits that is many times performed as desk audits and involve minimal or no field work. Desk audits are limited to an item(s) of potential non-compliance that may be evident from inspection of a taxpayer's return. He added that these audits that takes place within the tax official premises always take less time to perform because of their limited scope and also used to review huge numbers of taxpayers with similar cases of non-compliance and are also less costly.

In field audit, the tax auditors take the exercise to the taxpayer's premises. The researchers actually point out that the field audit makes use of the limitations of desk audit which means that desk audit often leads to field audit when additional documents are needed from the taxpayers. In line with the above, the presence of the auditors at the taxpayer's premises improve the level of compliance and reduce tax evasion (Ladi & Henry, 2015). It is clear that field audit needs the taxpayers to be well-informed before the beginning of the audit. This type of audit allows physical verification of tax payers' claims so as to authenticate the truth and figure of the returns. Available literature declares that field audit would better the level of compliance by the tax payer hence controlling tax evasion (Olaoye *et al.,* 2019).

Tax Revenue

Ojo (2016) described tax revenue as a levy imposed by the government on the income and profit of individuals and companies respectively. According to Fave and Dabari cited in Agumas (2016), they opined that taxation is the most important source of revenue for modern governments, typically accounting for ninety percent or more of their income. This reflects that tax revenue is a compulsory levy imposed by the government through its agencies on the income, consumption and capital of its subjects. These levies are made on personal income, such as salaries, business profits, interest, dividends, discounts and royalties. It also levies against Company's profits, Petroleum profits, Capital gains and capital transfer, Ojo, 2016. In general terms, tax is a compulsory levy imposed on a subject or upon his property by the government to provide security.

Value Added Tax

A lot has been written on Value Added Tax since its inception in tax administration globally. Tait, Robert and Tuan (2015) defined Value Added Tax as a broad based business tax imposed at each stage of production and distribution process, typically designed to tax final consumption. In same light, Okoye and Gbegi (2013) opined that Value Added Tax is a consumption tax on economic operations including imports except those exempted as per the provision of the law. Value Added according to him is calculated by deducting from the value of production or services that were used in the process of production or in the delivery of services. It is on this basis that Anyanwu (1993) stated that Value Added Tax is not a tax on the total value of goods and services being sold but only on the value added (the difference between the value of factors, services and materials that the firm purchases as input and the value that the firm adds to the last payer) that a firm adds to it by last seller. Barthia (2009) as quoted by Chigbu (2014) defined Value Added Tax as a tax not on total value of goods and services being sold but only on the value added on it by the last seller; therefore, the last seller is liable to pay a tax not on its gross value but net value; this is the gross value minus the value of the inputs. The International Monetary Fund (IMF) (2001) in Chigbu 2014 gave an all-embracing definition of Value Added Tax as follows:

The typical Value Added Tax is an indirect tax imposed on each sale beginning at the start of production and distribution cycle and culminating in the sale to the customer. Each seller in the chain collects the Value Added Tax from the purchaser at the time of the sale (the Value Added Tax is added to the sales price but must be separately stated except on the final sale to the consumer, deducts from this amount any Value Added Tax he himself has paid on his purchases and remits the balance to the government). The net effect of offsetting purchases and sales is to improve tax at each stage of production on the sum of wages, interests, rents and profits and other factors of production not furnished by suppliers subject to the tax at the previous stage of production. Hence it is a tax on "value added". The seller sustains no economic burden on his purchase since he receives a credit from government for any Value Added Tax paid to his suppliers. In effect, the Value Added Tax is pushed forward through the production and distribution chain to the consumer. The consumer absorbs Value Added Tax as part of the sales price but receives no credit. Thus, the Value Added Tax is essentially a consumption tax which is levied throughout the production chain.

The definitions of IMF is in agreement with the definition given by economic watch (2010) which states that Value Added Tax is an indirect tax imposed on goods and services at each stage of production, starting from raw materials to final product. Value Added Tax is levied on value additions at different stages of production and distribution. Bird (2005) referred to Value Added Tax as a multi-stage tax imposed on the value added to goods and services as they proceed through various stages of production and distribution and services as they are rendered which is eventually borne by the final consumer but collected at each stage of production and distribution chain. Jones (2013) opined that Value Added Tax is a tax levied at each stage when supplies exchange hands. He went further to state that in the case of manufactured items, this could be at the primary producer or manufacturers, wholesaler and retailer stages and it is ultimately borne by the consumer who being registered for Value Added Tax purpose is unable to reclaim it.

Value Added Tax as a Source of Revenue in Nigeria

Ajakaiye stated that Value Added Tax has become an important contributor to total government tax revenue.Keen and Lockword (2006) in their studies of Organization of European Countries Development (OECD) in Basila (2010) described Value Added Tax as money machine. Money machine suggests that Value Added Tax effectively generates revenue. There is sufficient evidence to suggest that Value Added Tax is already a significant source of revenue in Nigeria. For example, actual Value Added Tax revenue for 1994 was ₦8.194 billion which was 36.5% higher than the projected N6m for the year. In 1995, the government raked from Value Added Tax ₦21 billion compared with the projected N12 billion (Asogwa & Nnolika, 2013).

In Nigeria Value Added Tax revenue is administered by the Federal Inland Revenue Services (FIRS) but shared by the three tiers of government from 1990 to date as follows;

Federal Government	15%
State Government	50%
Local Government	35%

(Olawale and ago, 2013).

In other words, revenue from Value Added Tax is a source of revenue to the three tiers of government making fund available for the three levels of government for their infrastructural provisions and developmental projects.

To ensure Value Added Tax's effectiveness, certain amendments were made to the existing tax structures. According to Olusola (2006), these include:

- Reduction of the personal income tax burden through increased tax allowance and reduced tax rate.
- Monetization and taxation of fringe benefits.
- Deduction of research and development (R&D) expenditure from the gross earnings of companies.
- Extension of tax-free status of companies in rural areas and granting incentive based on the infrastructure available in the areas.
- Reduction of company tax rate from 40% to 35% and subsequently to 30% and payment of petroleum profit tax in dollar.

Empirical Evidences

Multiple researches have been carried out on tax audit and investigation on tax evasion in relation to revenue generation and tax compliance. Ngugen (2022) examines non-economic factors affecting the voluntary tax compliance behavior of small and medium enterprises (SMEs) in Vietnam. The data used in the study were collected from the survey results of 339 tax accountants and managers at SMEs in some provinces and cities in Vietnam. The study data were processed with the statistical software -SPSS 20 to test for Cronbach's alpha, exploratory factor analysis, and linear regression analysis. The research results show that the possibility of tax inspection and audit, social norms, tax knowledge, personal norms, perception of the tax system's fairness, and tax service quality has a significant influence on the voluntary tax compliance behavior of SMEs in Vietnam; of which, the possibility of tax inspection and audit has the strongest impact, and tax services quality has the weakest effect on the voluntary tax compliance behavior of these enterprises.

Dada and Taiwo (2020) examined the impact of tax audit on revenue generation in Ekiti State. The data used for this study was gathered using structured questionnaire administered on 312 staff of the Ekiti State Internal Revenue Service. A regression analysis technique was adopted, and the result revealed that certain per cent of the revenue generated in Ekiti State could be explained by the tax audit. It was also discovered that auditing access, auditing officials, an effective tax audit, non-compliance, audit fieldwork, tax audit control, and corruption affect the revenue generation by 1.188, 0.319, 0.596, 0.148, 0.157, 0.125 and 0.002 respectively; the probability value 0.00, 0.01, 0.00, 0.022 and 0.00 < 0.05 showed that auditing access, auditing officials, effective tax audit and incentive were statistically significant at 5 per cent level; the probability of F-statistic value 0.000 < 0.05 revealed that the model was appropriate for determining the impact of tax audit on revenue generation in Ekiti State. Thus, the study concluded that tax audit should be embraced as it maximizes the collection of revenue which enables the government to address developmental projects that will benefit its citizenry and also helps in strengthening the businesses of the taxpayer.

Olaoye and Ekundayo (2019) examined the effects of tax audit on tax compliance and remittance of tax revenue in Ekiti State. It specifically investigated the effect of desk audit, field audit, back duty audit and registration audit on tax compliance and remittance of tax revenue in Ekiti State. A close-ended questionnaire was used to gather the needed data and an analysis was carried out through correlation matrix and multiple regressions. It was discovered that desk audit, field audit, back duty audit and registration audit had a positive significant effect on tax compliance and remittance in Ekiti State with the p-value of 0.001, 0.000, 0.000 and 0.000 respectively. Worthy of note was that field audit was the most significant predictor out of all the predictor variables. It was concluded that tax audit could engender tax compliance and remittance in Ekiti State. It was therefore recommended that Ekiti State government should intensify tax audit through the employment of more competent staffs and intermittent training in order to cause increase in tax compliance level in the State. Also, Audited files that reveal criminal act should not be taken slightly. Tax evaders and avoiders should be seriously dealt with so as to deter others from plodding the same criminal path. Wuyah *et al.,* (2018) conducted a research to determine the impact of desk audit and investigation on Value Added Tax (VAT) generation in Kaduna, Nigeria. Structured questionnaires administered to 90 staff of FIRS using stratified random sampling. Descriptive statistics was adopted and hypothesis tested using PPMC. The outcome shows that tax audit and investigation accelerate VAT rise in Kaduna Nigeria which means VAT evasion is controlled.

Enofe *et al.,* (2019) conducted research to find out the influence of desk audit, field audit and investigation on tax evasion control, using survey research, with responses got from staff of Revenue Authority in Bayelsa State, Nigeria, via structured questionnaire. The hypotheses were tested using ordinary logistic regression, the results showed that tax auditing through its forms has a serious negative influence on tax evasion. However, they discovered that tax investigation has got a significant and negative influence on tax evasion. As a result, the study recommended, among other things, that tax auditing be performed on a regular ground to act as check and control instrument to tax evasion, and that in order to avoid inefficiencies and delay in auditing, the taxpayers be adequately outlined and chosen for audit.

Amah and Nwaiwu (2018) conducted research on desk audit and tax revenue generation in South-South, Nigeria. A sample size of 242 using Yamane sample formula was derived from a population of 613 at Port Harcourt, Rivers State. Data was collected using questionnaires and descriptive statistic for analysis. The secondary data tested using regression statistical techniques. The outcome resulted to rejection of the null hypothesis which means that desk Audit does not have a significant influence on Personal Income Tax and the study recommended that other researchers should look into the impact of other forms on revenue generation.

Ebimobowei and Eze (2013) examined the impact of tax audit on tax compliance in Nigeria. To achieve this objective, data was collected from primary and secondary sources. The secondary sources was from scholarly published and unpublished studies and the primary source from a structured questionnaire of three sections administered to two hundred and four (204) respondents with an average reliability of 0.77 using diagnostic tests, augmented dickey-fuller, ordinary least square and granger causality. The empirical analysis provided a significant relationship between random tax audit, cut-off tax audit and conditional tax audit on tax compliance in Nigeria. On the basis of the empirical result, the study concludes that tax audit is one of the compliance strategies that can be used to achieve tax compliance in Nigeria because the average Nigerian is known for tax evasion and avoidance using all the available means of not paying the relevant tax to the government. Therefore, the study recommends amongst others that government should show some degree of accountability and transparency on the revenue collected to make citizens understand the connection between tax revenue and expenditure; the government should implement the relevant tax laws faithfully, equitably and fairly irrespective of the persons status and organization concerned; the relevant tax authorities at all levels should improve on the standard of tax audit employed for effectiveness and efficiency in tax administration to reduce the high level of tax evasion on those that are self-employed.

Appah and Eze (2013) also conducted a study on the impact of tax audit on tax compliance in Nigeria. The study revealed a significant relationship between random tax audit, cut-off tax audit and conditional tax audit on tax compliance in Nigeria. The study concluded that because the average Nigerian is tax evasive, tax audit is one of the strategies to ensure tax compliance. The study recommends that government should demonstrate accountability and transparency in tax revenue and expenditure; the relevant tax authority should implement the tax laws equitably and without bias among the tax payers and improve on the effectiveness and efficiency of tax administration by raising the standard and frequency of tax audit.

Mu'azu (2012) studied the effect of tax audit on tax compliance in Nigeria a case of Bauchi State Board of Internal Revenue, employed primary source to obtained data from the staff of Bauchi State Board of Internal Revenue and used the simple percentage to analyze the data, and the finding revealed that tax audit reduces tax avoidance and tax evasion, that taxpayers do not usually cooperate with tax audit officers during the exercise.

Arising from the empirical evidence above, we hypothesize thus:
$H_{01:}$ There is no significant relationship between tax audits and value added tax.

METHODOLOGY

This study adopted survey and ex post facto research designs. The population of the study consists of three FIRS regional headquarters namely; Port Harcourt, Kano, Lagos and national headquarters in Abuja. These also constituted the sample size of the study. Primary data was used to carry out this study using questionnaire drawn on five point Likert scale and secondary data from the archival report of Federal Inland Revenue Service, (FIRS), for the period 2013 to 2022. The random sampling technique was used to assess officers in the regional and national headquarters of the FIRS. Hence, five (5) principal officers were drawn from each of the three regional headquarters namely; Port Harcourt, Kano, Lagos and national headquarters in Abuja, as the respondents of the study The data generated were analysed using Pearson's Product Moment Coefficient of Correlation and Multiple Linear Regression techniques.

RESULTS

Tax Audits and Value Added Tax

Table 1: Correlation Result of Tax Audits and Value Added Tax

$H_{01:}$ There is no significant relationship between tax audits and value added tax revenue in Nigeria

		Tax Audits	Value Added Tax
Tax Audits	Pearson Correlation	1	.657*
	Sig. (2-tailed)		.039
	N	19	10
Value Added Tax	Pearson Correlation	.657*	1
	Sig. (2-tailed)	.039	
	N	10	10

Source: SPSS Output, 2023

Table 1 present correlation results determining the relationship between tax audits and value added tax revenue using 19 respondents and ten years' time series data from FIRS, Nigeria. The results signposted a strong relationship between tax audits and value added tax revenue. The correlation statistic ($r = 0.657$, $p < 0.001$) shows that tax audits can explain. 65.7% of variations in value added tax in Nigeria. This is an indication of a positive relationship between the variables. In term of strength of the relationship, the result show that tax audits with ($r = 0.\ 657$) is strongly related to value added tax. Based on the empirical findings, the null hypothesis $\mathbf{H_{01}}$ as stated earlier that, there is no significant relationship between tax audits and value added tax revenue in Nigeria, is hereby rejected and the alternate hypothesis accepted. Thus, there is significant relationship between tax audits and value added tax revenue in Nigeria. Therefore, tax audits is a strong mechanism for value added tax revenue.

Regression Model of Tax Audits and Value Added Tax

Table 2: Result regressing Tax Audits to Value Added Tax

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.410[a]	.168	.064	3841.730	1.898

a. Predictors: (Constant), TA
b. Dependent Variable: VAT

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-1145.798	3773.143		-.304	.769
	TA	6.989	5.502	.410	1.270	.240

a. Dependent Variable: VAT

As shown in Table 2, Durbin Watson value of 1.898 is in the acceptable range of 1.5- 2.5, suggesting that there is no auto-correlation amongst the respondents of this study. Durbin Watson measures residuals auto correlation in regression analysis where if the value falls in the range within 1.5-2.5, it is in the acceptable range. In the same vein, R square value of 168, indicated that

16.8% of the changes in value added tax can be explain by tax audits.

In term of the model coefficients, tax audits have standardized beta coefficient value of 0.410 with a significant value of 0.240 (higher than to 0.05). Based on this result, tax audits do predicts positive variance and significance variance in value added tax.

DISCUSSION OF FINDINGS

Relationship Result of Tax Audits and Valued Added Tax

The findings of the test of hypothesis 1 established that, there is a significant relationship between tax audits and value added tax. The correlation statistic ($r = .657$, $p < 0.001$) shows that tax audits, can explain 65.7% variations in value added tax. This is an indication of a positive relationship between the variables. In term of strength of the relationship, the result show that tax audits, with $r = .657$ isstrongly related to value added tax.

The findings via the use of regression also confirmed that, tax audits has R Square value of 0.168 with Valued Added Tax implying that, tax audits do predicts significant variance in Valued Added Taxhaving a positive variance.

These findings tally with those ofDada and Taiwo (2020) that examined the impact of tax audits on revenue generation. The data used for this study was gathered using structured questionnaire administered on 312 staff of the Ekiti State Internal Revenue Service. A regression analysis technique was adopted, and the result revealed that certain per cent of the revenue generated could be explained by the tax audit. It was also discovered that auditing access, auditing officials, an effective tax audit, non-compliance, audit fieldwork, tax audit control, and corruption affect the revenue generation by 1.188, 0.319, 0.596, 0.148, 0.157, 0.125 and 0.002 respectively; the probability value 0.00, 0.01, 0.00, 0.022 and 0.00 < 0.05 showed that auditing access, auditing officials, effective tax audit and incentive were statistically significant at 5 per cent level; the probability of F-statistic value 0.000 < 0.05 revealed that the model was appropriate for determining the impact of tax audit on revenue generation. Oghuma (2018) examined the influence of tax audit and penalty on tax compliance paradigm of companies' income taxpayers in Nigeria. Discourse on tax in terms of audit, penalty and compliance is germane because governments at all levels depend on revenue generated through taxation to drive their programmes. Findings revealed that tax audit and tax penalty have positive and significant relationships with tax compliance. Similarly, Onuoha and Dada (2016) examined tax audit and investigation as imperatives for the achievement of an efficient tax administration in Nigeria. The study adopted an expository approach using content analysis of existing literature. The doubt and sociological theories were used to firm up the conceptualization of the topic. The study revealed that tax audit and investigation are inevitable to improve on the collection of tax revenues in Nigeria.

Based on this revelation, the null hypothesis was rejected and the alternate hypothesis is stated as follows;

Ho_1: There is significant relationship between tax audits and valued added tax

CONCLUSION

From the findings, it is a fact that Value Added Tax if properly harnessed has the capacity to increase revenue generation and boost the economy of Nigeria. It is also found that because of the activities of tax evaders and the support they enjoy from prominent tax administrators and seasoned tax Consultants the country continues to experience low returns from tax revenue and specifically in Value Added Tax. Again, regular tax audits will contribute to detect false, incorrect and under reporting of taxable income in the country. The study therefore concludes that, tax audits significantly relate with tax revenue in Nigeria.

RECOMMENDATION

1. It is recommended that the Federal government through the relevant tax authorities make polices to strengthen the administration of Value Added Tax in Nigeria.
2. The Federal Inland Revenue Service (FIRS) should go full stretch in their statutory responsibility to conduct regular tax audit on major taxpayers and high net worth individuals in the society that engage in tax evasion.
3. Tax penalty should be firm enough to serve as deterrent to would-be tax defaulter without fear or favour as it is evident in developed economies.
4. The automation of tax administration processes will in no small measures mitigates certain sharp practices, block leakages and engender robust tax returns.

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