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Effect of Tax Audit on Voluntary Compliance and the Revenue of Lagos State

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Abstract

Tax has become the major source of revenue to Lagos State most especially after the dwindling federal allocation due to a significant decline in oil revenue. The introduction of the self-assessment scheme in the State has the primary responsibility of fostering voluntary compliance among tax payers, reducing tax administration cost and increasing the tax revenue of the State. This study therefore set out to consider the effect of tax audit on voluntary compliance as it affects the level of revenue of the State. Two research objectives and hypotheses were formulated. The Ex-Post Facto Research design was adopted for the study and the data gathered from secondary sources were used. Data on Tax Audit, IGR, GDP and the Total Revenue of Lagos State spanning the periods 1999 -2018 was used for the study. Using the paired sampled T-Test of significance, the test of research Hypothesis One shows that the Tax Audit driven IGR significantly improve the Total Revenue of the State with a P-Value of 0.0000. The result of Hypothesis Two with a P-Value of 0.000 shows that Lagos State tax revenue is not significant when compared with the State GDP. The study however, recommended that more experienced tax consultants be engaged in the revenue generation processes and informal sector assessment programmes be strengthened.

Keywords

Tax Audit, Voluntary Compliance, Internally Generated Revenue, Lagos State Inland Revenue

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1. Introduction

Government is about the provision of basic social amenities and infrastructure to the teaming population. Citizens are now more aware of the power in their vote and the ability to oust out a non performing government. Therefore, most successive governments are now interested in making positive impacts on the lives of the citizenry in order to gain public acceptance and popularity. Lagos State being the Centre Economic Hub and the highest revenue earner among the 36 states of Nigeria has an average budget of N583.03 billion for the last decade in the bid to render essential services to the citizenry (Taxaide, 2019). A look at this average budget and the approved 2019 budget of N852.31 billion shows over 46% increase. The source of financing this budget is from both internal and external sources. Though, the Internally Generated Revenue (IGR) of Lagos State is more than the combined Internally Generated Revenue (IGR) of over 30 states between 2015 and 2018 (Taxaide, 2019). The big question is: can the government sustain this increase IGR considering the present economic realities such as fall in the international crude oil price per barrel, threats in businesses going concerns and other problems facing the country?

In order to improve tax administration in the country, the constitution of the Federal Republic of Nigeria introduced the self-assessment scheme in 1991 to the nation's tax law with the aim of encouraging voluntary compliance and reducing the cost of administering the relevant tax laws. The scheme was operational in 1992 and gained its effective implementation in 2011 under a project-based system (Vanguard, 2012). The process requires the tax payer correctly calculating his tax liability; making necessary payment at designated banks to access e-ticket and file a self-assessment form; tax authority acceptance of return after a quick scrutiny. The tax authority puts in place certain measures to ensure that the tax returns had been correctly filled through a post-filing control such as risk-based audits, collection enforcement measures and so on. Part of the incentives to encourage voluntary compliance on the part of the tax payer includes: non-payment of provisional tax, instalment payment of tax due in not more than six instalments, 1% tax bonus and filing of returns within 8 months of the company's year-end (Appah & Ogbonna, 2014).

Despite these efforts, Nigeria and other parts of the world have been battling with issues of tax evasion and avoidance which are very pervasive, then Tax Audit comes in handy as a way of ensuring maximum compliance to the extant tax laws. This explains why Kircher (2008) in Harelimana (2018) demystify Tax Audit as the examination of an individual or organization's tax report by relevant tax authority to the extent of compliance with applicable tax laws. The essence of the audit is to verify the information contained in the filed returns as to its correctness and accuracy. Effective tax audit is expected to uncover tax evasion where practiced and promote the compliance level of the tax payers to a very extent. Therefore, it can be argued that an efficient tax audit should improve the contribution of tax to the overall GDP of the state. The Tax-to-GDP ratio measures the relationship between a countries' Tax Revenue relative to its Gross Domestic Product. By implication, countries with high GDP collect more from tax imposition.

1.1. Statement of the research problem

The introduction of the Self-Assessment Scheme in the Nigerian tax law has as part of its main objective the possibility of reducing the cost of assessment and improving the revenue generated by the government. The Lagos State Internal Revenue Service (LIRS) which is the tax authority of the state is not alien to the scheme. A more aggressive tax regime started in Nigeria sometimes around 2004 when series of tax reforms were implemented by the then Finance Minister Mallam Adamu Ciroma. An astronomical increase was recorded in the revenue generated by the FIRS in that 2004. In fact, the year 2004 marked the first time the federally generated tax revenue hit N1.19 trillion compared to the N703 billion recorded in 2003. Despite this growth in tax revenue and other tax reforms, the country's still recorded low Tax-To-GDP Ratio of about 6.1% in 2012 compared to an average of 20.4% recorded by other Sub-Sahara Africa countries in that same year.

Lagos state was not left out of the tax reform exercise. The state reforms started as far back as 1999 after returning to the fourth republic. This has seen the internally generated revenue of the state rise from an average monthly figure of N600 million in 1999 to an approximate figure of N32 billion in 2019. Unarguably, the tax efforts of the LIRS team has really contributed immensely to this achievement. Is this however a justification to assume that the state is performing well in the area of tax administration? Is the Tax-to-GDP ratio of the state comparable to those of other metropolitan cities or other Sub-Sahara Africa countries considering the fact that the GDP of Lagos state was more than the GDP of some of these countries in 2016? For instance, the GDP of Lagos State was estimated at $145.141billion by the Lagos Bureau of Statistics as against Ghana, Cameroun, Mali, Liberia, Senegal with $55.01billion, $32.62billion, $14.01billion, $3.278billion and $19.03billion respectively in 2016 (World bank Data, 2016). These are some posers demanding a critical thinking. It is often argued that Lagos state can comfortably stand as a country on its own due to the volume of economic activities. However, in terms of tax generation, can the state rank on the same pedestal with countries like South Africa, Ghana, Egypt and Kenya with Tax-to-GDP ratio of 29%, 18%, 15% and 18% respectively (OECD, 2016).

The use of Tax Audit has been suggested as a panacea to the bane of tax evasion and non-compliance in Nigeria (Onoja & Iwarere, 2015). Many studies have been conducted home and broad (Harelimana, 2018; Syafi & Iqbal, 2014; Suhirman, 2015; Agumas, 2016) and locally (Olaoye & Ogundipe, 2018; Eluro, 2018; Olaoye & Ekundayo, 2018; Olowookere & Fasina, 2013; Appah *et al*., 2014) on the subject matter of the self-assessment scheme and the revenue generating capability of the government. Most of these previous studies in Nigeria are primary data based (Olaoye & Ogundipe, 2018; Eluro, 2018; Olaoye & Ekundayo, 2018) thereby not matching the level of compliance with the actual revenue generated. Also, not so much emphasis has been laid on the contribution of tax to the total revenue of the state. Therefore, this research effort will beam its light in addressing these identified gaps.

1.2. Objectives of the study

The primary objective of this research is an evaluation of the impact of tax audit on voluntary compliance as a way of improving the internally generated revenue in Lagos State. Specifically, the following objectives were considered:

i. To determine the effect of Tax Audit on the Total Generated Revenue in Lagos State.

ii. To compare the Tax-to-GDP ratio of Lagos State to the average Tax-to-GDP ratio of other Sub-Sahara countries in Africa.

1.3. Research questions

In respect of the above stated objectives, the following research questions emerged:

i. To what extent does Tax Audit improve the Total Revenue generated in Lagos State?

ii. Is there a significant different between the Tax-to-GDP ratio of Lagos State and other Sub-Sahara Africa countries?

1.4. Research hypotheses

In order to authenticate the veracity or otherwise of these stated research questions, the following research hypotheses were tested:

i. H_{01}: Tax Audit does not significantly improve the Total Revenue Generated in Lagos State.

ii. H_{02}: there is no significant difference between the Tax-to-GDP Ratio of Lagos State and other Sub-Sahara Africa countries.

2. Literature review

2.1. Tax Audit

Onuoha & Dada (2016) consider Tax Audit as an independent examination of book of accounts, tax returns, tax payments and other records of a taxpayer to confirm compliance with statutory tax requirement, rules and regulations and accuracy and correctness of tax paid and adhering to the relevant generally accepted accounting principles and standards. Onoja & Iware (2015) sees Tax Audit and investigation deals with the inspection and treatment carried out by tax agencies authorized by law on the level of compliance of tax payers to the law through the review of its financial records has helped the government in the generation of revenue.

Harelimana (2018) identified the significance of tax audit to include: generation of revenue by the government for budget finance, maintenance and sustenance of financial stability, ensure maximum collection of tax revenue from tax payers, regulation of the extent of tax evasion and avoidance, foster optimum compliance with relevant tax laws, increase the level of voluntary tax compliance and ensures maximum remittances of tax collected. Therefore, tax revenue at any particular point in time should be positively related to tax audit. The effectiveness of the tax audit exercise should instill some level of commitment on the tax payers thereby increasing the level of voluntary compliance and reduction in the incidences of tax sharp practices like tax evasion.

2.2. Tax Audit and Rate of Voluntary Tax Compliance

An independent examination by the tax authority is expected to improve the rate of voluntary tax compliance by the tax payers. Under the self-assessment, the tax payer personally determines his/ her tax liability and there is the tendency of understating the tax obligations as most individuals and firms does not consider tax payment has social responsibility. Most times, they see it has any other expenses that has to be reduced by hook or crook. Despite the penalty being attached to false income declaration, tax payers still feel comfortable indulging in such anti-social tax practices (Otusanya, 2011). Therefore, the tax authority weapons of combating such atrocity include the tax audit. Alm & McKee (2006) posited that when a tax payer is aware of the possibility of being audited by the tax man that will automatically improve the level of tax complaints.

2.3. Tax Audit and Government Revenue

Government revenue represent the sum total of all the revenues accruing to the government either through internal or external sources. Taxes constitute a major source of revenue to the government. Taxes at the disposal of the Lagos State government include personal income tax (self-assessment), withholding tax (individual only), pool betting, stamp duties, lotteries gaming and casino taxes, road taxes, business premises registration fee, development levy and so on. In fact, the International Monetary Fund recommends a Tax-to-GDP Ratio of 15% for a satisfactory tax performance among developing countries of the world (Okonjo-Iweala, 2014). The Nigeria's Tax-to-GDP ratio of 5.7% in 2017 was less than the average of other sampled 26 African countries with 17.2% (OECD, 2019). This is an indication that the country still has a lot to do in the area of Tax Administration efficiency. Lagos state government in realization of the meagre tax revenue engaged not less 1,200 Tax Audit Monitoring Agents (TAMA) with the responsibility of collecting necessary information during tax audit exercises, collate, prepare and furnished tax audit report. Between 2016 and 2018, a total of N680.1bn, N341.0bn, and N302.4bn were generated as IGR for 2018, 2017 and 2016 respectively. A comparative figure for 2015, 2014, 2013 shows an IGR of N276.6bn, N277.12bn and N219.2bn. It can be averred that the engagement of the tax auditors has improved the IGR of the state significantly.

2.4. Theoretical framework

This section of the work outlines the relevant theories underpinning the concept of tax compliance and revenue generation. The work is anchored on the theoretical framework of Ladi and Henry (2015) as contained in Onuoha and Dada (2016). These include: economic theories, psychological theories and sociological theories.

2.4.1. Economic theories

Human beings are assumed rational; therefore, every individual tends to consider the cost-benefit analysis of their actions (Ladi & Henry, 2015). This theory explains the belief of most tax payers that once we pay tax, we must get a commensurate return from the government. By extension, the rate of voluntary tax compliant is likely going to be high where the citizen enjoys the fruits of good governance. The reverse will be the case where the government is deemed anti-masses.

2.4.2. Psychological theories

Ladi & Henry (2015) believe human behavior sometimes goes beyond theoretical explanation and expositions. That is, it might be difficult explaining the reasons for tax compliance and non-compliance at every point in time since our psychology determine our reasoning.

2.4.3. Sociological theories

The sociological theories see the environment as a major determinant of our world view of issues around us. This implies that the rate of tax compliance might be low where people believe in outsmarting the government and the relevant tax authorities. This situation underscores the justification for some anti-tax evasion measures instituted by the tax authorities. It was argued that this theory rationalizes the justification of tax audit.

2.5. Empirical framework

This section deals with previous works on the subject matter of tax compliance and revenue generation by the government.

Harelimana (2018) considered the effect of tax audit on revenue collection in Rwanda using correlation and regression analysis. The results provide evidence that tax audit significantly determine the amount of revenue generated. Olaoye & Ogundipe (2018) examines the application of tax audit and investigation on tax evasion control in Nigeria and found that tax audit is very instrumental in reducing the menace of tax evasion while tax investigation does not really stop tax fraud.

Olaoye & Ekundayo (2018) in their work on effects of tax audit on tax compliance in Ekiti State, posited that tax law has no appreciable impact on the level of tax compliance in Ekiti State. Onuoha & Dada (2016) researched on tax audit and investigation as imperatives for efficient tax administration in Nigeria using content analysis of existing literatures. The result shows that tax audit and investigation are necessary to improving the revenue generating capability of the Nigerian government. The paper established mind blogging incidences of non-compliance on the part of the tax payers in the country. Agumas (2016) empirical findings on impact of tax audit on improving tax payers' compliance: evidence from Ethiopian revenue authority clearly show that tax audit improves the level of tax compliance in the country.

Also, Drogalas *et al.* (2015) studied tax audit effectiveness in Greek firms: tax auditors' perception using multiple regression and factors analysis, the findings appreciate the need for tax auditors to deploy information system tools in order to address the problems tax infringements which will bring about improved tax effectiveness. Dyganto (2018) probe the factors influencing taxpayers' voluntary compliance attitude with tax system: evidence from Gedeo Zone of Southern Ethiopia and submitted that Gender, age, illiteracy of tax knowledge, simplicity nature of the tax system, penalty awareness, possibility of being audited and perception on the applicable tax rate were the major determinants of tax payer's compliance attitude.

3. Methodology of research

In this study, the ex-post facto research design was adopted to establish the nature of the relationship between the variables of study. This is because the data available for use are already existing in one form or the other. The data was sourced from secondary source, majorly the Lagos fact book published in 2018. The data relate to government fiscal activities revolving around government revenue, tax and other matters and this span the period 1999 to 2018. The justification for this period is based on the fact that 1999 represent the period Lagos State can be said to have adopted a more pragmatic approach in tax revenue, growing the IGR through Tax Audit from a monthly figure of N600 million in 1999 to N32 billion in 2019. Data was presented using graphs and descriptive statistics while the paired sample T-Statistics was used in the analysis of the two stated hypotheses.

3.1. Data analysis and interpretation

This section deals with the description of the data, test of hypotheses and the interpretations.

3.2. Descriptive statistics

Table 1 provides the descriptive statistics of the data. From the table, the mean GDP, IGR, Other Revenue and Total Revenue are N13,331.2445 billion, N164.61 billion, N82.34 billion, N247.11 billion respectively. A look at the skewness of the data shows that all data were positively skewed. Only Lagos GDP is approximately symmetric because the value is less than 0.5. IGR, Other revenue, Total revenue are highly positively skewed due to values more than +1. From the perspective of kurtosis which is a measure of peakness or factors affecting the mean of the distribution, it will be observed that Lagos IGR had more than the standard normal distribution curve which has a value of 3. The implication of this is that few variables are accountable for the major disparity in the distribution. GDP, Other revenues and Total revenue on the other hand are less than the standard of 3 for a normal distribution curve. This implies that more variables contribute to the disparities.

Table 1. Descriptive statistics of data

Descriptive Statistics									
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
LAGOS GDP	20	1379.33	29920.00	13331.2445	10025.55502	.416	.512	-1.301	.992
LAGOS IGR	20	11.60	680.10	164.6100	163.00446	1.711	.512	4.161	.992
LAGOS other revenue	20	7.60	301.00	82.5000	82.34330	1.569	.512	1.731	.992
TOTAL Revenue	20	22.20	897.00	247.1100	235.13515	1.373	.512	1.759	.992
Tax-to-GDP Ratio	20	.65	2.35	1.0750	.37769	2.098	.512	6.363	.992
Valid N (listwise)	20								

Source: Authors Computation Aided by SPSS Version 21 (2020)

Figure 1 represents the graphical representation of the amount of tax generated from the self-assessment scheme and Tax audit induced assessment. It will be observed that between 2006 and 2009, tax audit induced tax revenue was on the increase but recorded a sharp decline from 2010 onwards. The explanation of this is that voluntary compliance on the part of the tax payers was very poor during these periods. However, the direct assessment has recorded a consistent pattern of increase over the years. It got to a point around 2017 when direct assessment and tax audit assessment were almost the same figure due to the level of voluntary compliance on the part of the tax payers. Figure 2 below shows the relationship between the internally generated revenue of Lagos state against revenue from other sources. The graph shows that between 1999 and 2005, the contribution from tax and other related income (ie IGR) is almost the same with revenue from other sources. The engagement of the Tax Audit Monitoring Agents (TAMA) team in 2016 can be a more reasonable explanation for the dramatic improvement in the IGR with effect from 2016. Figure 3 present the graph of the computed Tax-to-GDP ratio in Lagos State in comparison with the average of other Sub-Sahara African countries. This ratio basically presents the proportion of tax to the entire GDP generated in the state. From the graph, it can be seen that the tax proportion to the GDP of the state is very low compared to other Sub-Sahara Africa countries. This implies that more still need to be done in order to fully annex the tax potentials of the state.

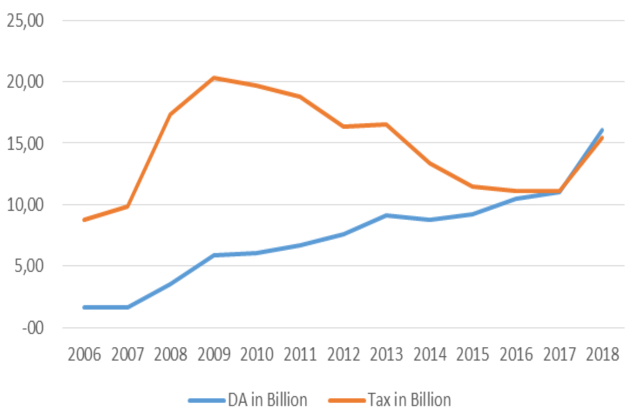

Figure 1. Chart showing the relationship between Direct Assessment (DA) and Tax Audit Assessment (TAA)

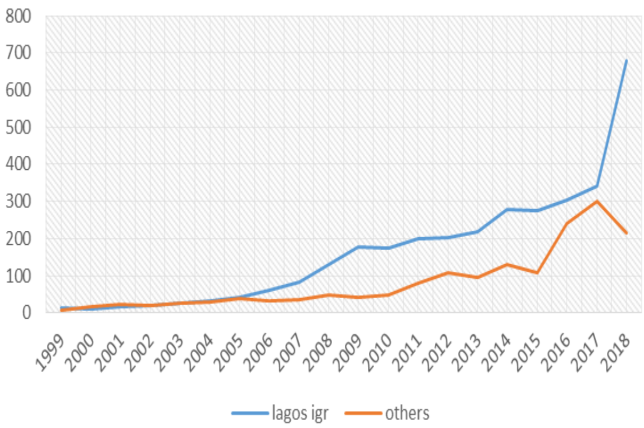

Figure 2. Chart showing the relationship between IGR and Other Revenues in Lagos

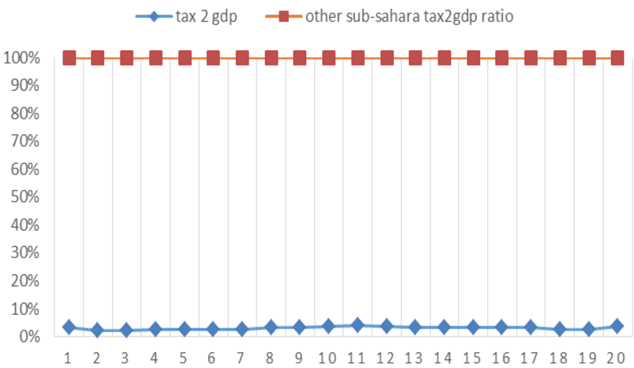

Figure 3. Chart showing the relationship between Lagos Tax-to-GDP ratio and Sub-Sahara Africa countries average

Source: Authors Computation Aided by SPSS Version 21 (2020)

3.3. Test of Hypotheses

The correctness or otherwise of the earlier stated hypotheses is confirmed in the following section.

Hypothesis One

H_{01}: Tax Audit does not significantly improve the Total Revenue Generated in Lagos State.

This hypothesis was tested by considering the contribution of the Tax Audit Generated Internal Revenue of the state (Lagos) to the Total Revenue of the state. A paired samples T-Statistics was conducted to see if the Tax Audit Revenue is significant on the Total Revenue of the state using quarterly data from 2006 to 2018. The result of the test is provided below:

Table 2. Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Tax Audit Revenue	5.5315	52	1.39856	.19395
	Total Revenue of Lagos	88.7788	52	54.89604	7.61271

Source: Authors Computation Aided by SPSS Version 21 (2020)

Table 2 above represent the mean of the total Tax Audit revenue and Total Revenue of the state between 2006 and 2018. The average of the Tax Audit generated revenue was put at N5.5315 billion while the Total Revenue for the same period was N88.7788 billion. Therefore, the Tax Audit Revenue constitute 6.23% of the Total Revenue Generated during the period. Table 3 shows the Paired Samples Correlations between Lagos state IGR (Tax Audit) and the Total Revenue Generated in the state. This is to establish the degree of relationship between the two variable. For the table, a correlation coefficient value of 0.590 shows a fairly positive relationship between the Tax Audit induced IGR and the Total Revenue of the state. Also, the significant value of 0.000 also confirm the acceptance of the alternative hypothesis that Tax Audit IGR significantly predict the Total Revenue of the state.

Table 3. Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	Tax Audit Revenue & Total Revenue of Lagos	52	.590	.000

Source: Authors Computation Aided by SPSS Version 21 (2020)

Finally, Table 4 present the paired sampled test of the result. At 5% level of significant, the T-value is -11.100 and Asymptotic Significant value of 0.000 show that the Tax Audit induced Internally Generated Revenue in Lagos is statistically significant to determine the Total revenue of the state. Therefore, the alternative hypothesis that IGR significantly improve the total revenue of the state will be accepted.

Table 4. Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Tax Audit Revenue - Total Revenue of Lagos	-83.24731	54.08274	7.49993	-98.30404	-68.19058	-11.100	51	.000

Source: Authors Computation Aided by SPSS Version 21 (2020)

Hypothesis Two

H_{02}: there is no significant difference between the Tax-to-GDP Ratio of Lagos State and other Sub-Sahara Africa countries.

This hypothesis seeks to test if the IGR tax induce revenue ratio to the GDP of the state is significant compared to that of the other Sub-Sahara Africa countries considering the fact that the economy of Lagos state is bigger than some of these other countries. A simple one-sample statistical test of difference was conducted using the average of these Sub-Sahara countries that 20.4%. The results are presented in table 5 and 6 below. Table 5 represent the sampled mean of the Lagos State Tax-to-GDP ratio between 1999 and 2018. The result shows an average of 1.075 Tax – to – GDP ratio for the State. From table 6 above, the t-value of -228.825 and asymptotic significance value 0.000 are sufficient evidence not to accept the null hypothesis but the alternative hypothesis. Therefore, it can be concluded that there is a significant difference between the Tax-to-GDP ratio of Lagos state and that other Sub-Sahara Africa countries.

Table 5. One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Tax-to-GDP Ratio	20	1.0750	.37769	.08445

Source: Authors Computation Aided by SPSS Version 21 (2020)

Table 6. One-Sample Test

	Test Value = 20.4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Tax-to-GDP Ratio	-228.825	19	.000	-19.32500	-19.5018	-19.1482

Source: Authors Computation Aided by SPSS Version 21 (2020)

4. Discussion of findings

Based on the formulated hypotheses and the subsequent analyses, the study discovered that tax audit has significantly improved the IGR of Lagos State. The findings are in line with some of the previous studies. For instance, the finding of Harelimana (2018) where a significant relationship was established between tax audit and revenue generation in Rwanda. Similarly, the study by Modugu & Anyaduba (2014) where their findings show a positive relationship between tax audit and tax compliance which will eventually improve the revenue of the country. Contrary to this finding is the work of Olaoye & Ekundayo (2018) where they averred that tax audit has not really made any significant impact on voluntary compliance in Ekiti state to warrant any noticeable improvement in the state revenue. The result of hypothesis two shows a very poor performance of the state government over the years in respect of tax generation. Though so much has been made in numerical figure, but in relative to the volume of activities, the reverse is the case. If Lagos really wants to establish itself as a megacity to be reckoned with, there is need to do more in the area of tax administration and revenue generation. If Ghana can have a tax-to-GDP rate of 18% in 2016, then Lagos State whose GDP 60% more than of Ghana deserved more.

5. Conclusions

From the above findings, it can be concluded that Lagos state has not been generating enough tax revenue necessary to meet the capital requirement of a mega city. Although, the contribution of Tax Audit generated revenue to the IGR of the state is fairly significant, on the scale of economy activities taking place in the state, the performance is poor. The state has the potential to get more tax revenue. At an estimated population of over 24 million and just 4.5 million or 18.75 % are registered tax payers according to Lagos Inland Revenue Service (LIRS), then there is need to ask questions on what happen to the remaining percentage (81.25%) of the population. The issue of informal sector assessment needed to be addressed urgently and a more pragmatic approach of revenue generation should be adopted by the government.

6. Recommendations

In the light of the above raised concerns, the following recommendations are made:

i. More professional Tax Auditors should be engaged to cover every nooks and crannies of the state.

ii. Informal sector assessment should be prioritized in order to increase the tax base of the government.

iii. Tax education and awareness on voluntary compliance to be improved.

iv. Enforcement of relevant tax provisions especially those bothering on penalty for tax offenders.

v. Revenue officials should be discipline and shun every act of corruption that might reduce the tax revenue of the government.

vi. There is need to have an accurate database of citizens.

vii. The government should be more responsible and accountable to the citizens by providing and maintaining needed infrastructures.

Policy Implication

The findings from this study has serious implication on tax administration in the state. The LIRS has a big role to play in this regard. They need to look inward for better strategies of tax collection in the state. Preferably, indirect form of assessment will be a better approach since tax payers do not have to feel the impact directly.

Also, the State Government need to start thinking globally because the economy of Lagos state is bigger than some of these African countries yet they generate more from tax. A careful study of these economies can be made in order to learn some of the best tax practices around the world.

Contribution to Knowledge

Based on all the literatures reviewed, this study represents the first attempt to evaluate the tax revenue generation performance of the Lagos State Government using the Tax-to-GDP index. Prior to this study, Tax-to-GDP index is popularly being used to determine the performance of a nation in terms of its tax contribution to the gross domestic product of such country. Also, the study deviates from most of the previous studies by using a secondary data approach compared to primary data analysis adopted by these other studies. Data on the actual Tax Audit Revenue was used in conducting the analysis.

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