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Are Tax Penalties Effective Enough in Combating Tax Evasion?

Olawale, Matthew Kunle[1], Adejuwon, Joshua Adewale[2]

[1]Department of Emerging Tax Audit, Federal Inland Revenue Service, Lagos, Nigeria

[2]Department of Management and Accounting, Lead City University, Ibadan, Nigeria

ABSTRACT: This paper examined whether Tax Penalties is Effective in Combating Tax Evasion in Nigeria. The study adopted descriptive research design and data were obtained using structured questionnaire. The Ordinary Least Square Regression (OLS) and Pearson Correlation model were used to test the hypothesis. The study is hinged on two (2) theories which include deterrence theory and ability to pay theory. To accomplish the objectives of the study, a total of 52 questionnaire were administered to the selected tax officers (20) and taxpayers (32). Five-point Likert scale questionnaire and simple random techniques were used to select respondents for the study. Collected data were analyzed using descriptive and inferential statistics such as frequency and percentage. Findings show that the four-hypothesis tested were significant, Tax knowledge and Awareness effect on Tax Evasion ($p = 0.0095 < 0.05$); Tax Administration effect on Tax Evasion ($p = 0.007 < 0.05$); Auditing Capacity influence on Tax Evasion ($p = 0.001 < 0.05$); and Corruption of Tax Offices on Tax Evasion ($r = .003$, $p < 0.05$). These indicate that Tax knowledge and Awareness, Tax Administration, Auditing Capacity, and Corruption of Tax Offices are capable of influencing the level of tax evasion. It was revealed that tax knowledge and awareness, tax administration, and auditing capacity have significant effect in reducing tax evasion level but limited by high level of corruption in public offices. The study thus recommends among others that tax laws should be further codified, harmonized and enforcement machinery should be strengthened. The level of punishment should also be stricter and legal provisions for doing this should be clearly stated.

KEYWORDS: Non-compliance, Revenue, Tax Avoidance, Tax Evasion, Tax Compliance

INTRODUCTION

The importance of taxes and the tax system in the development of a country cannot be overstated.

They are essential for the development of state capacity for real economic development. Any revenue authority's primary purpose is to collect taxes and duties due in accordance with the law. The system of the government levying a compulsory levy on all income, commodities, services, and properties of people, partnerships, trustees, executorships, and corporations is known as taxation (Umenweke, 2024). It is worth noting that no tax is better than its administration, so tax administration is very important, and one essential goal of tax administration is to ensure that taxpayers of all types comply with their taxation obligations to the greatest extent possible. Unfortunately, in many countries, particularly in Africa and particularly in Nigeria, tax administration is typically weak and characterized by widespread evasion, corruption, and coercion (Husin, Hamid, & Bulan, 2021).

Taxpayers are not always willing and ready to comply with the obligations imposed by the law for a variety of reasons. The intention of taxpayers to pay less taxes than required by law is referred to as tax evasion. It is essentially a criminal offense because it is accomplished primarily through false declarations, such as under reporting income or over reporting relief and allowances. Most Nigerians regard tax evasion as a minor offense, creating an environment in which taxpayers may not be afraid of evading taxes. The situation is exacerbated by the fact that not only the government has made an effort to quantify the reasons that taxpayers give. At the same time, the scope of the problem is examined in terms of its impact on revenue generation. As a result, when necessary, revenue for smooth operation cannot be raised, the state resorts to raising tax rates or borrowings, which may crowd out the private sector while also leading to debt traps.

Furthermore, tax evasion significantly reduces the amount of state budgets all over the world every year and denies every government tax revenue due to the system, resulting in a gap between potential and actual tax collection (Surbakti, Erwin, & Sadalia, 2024)). Tax evasion is a global phenomenon that occurs in both developed and developing countries. It is critical to combat tax evasion in order to stop illegal financial cash flows and close channels of corruption and wrongdoing.

Are Tax Penalties Effective Enough in Combating Tax Evasion?

In Nigeria, tax revenue contribution is discouraging because the government relies heavily on crude oil revenue, which, combined with high levels of corruption, has resulted in the abandonment of other sources of government revenue, which taxpayers use as a yardstick for tax evasion. In 2013, the Nigerian government accounted for approximately N90 billion in lost revenue, equivalent to $550 million USD, due to tax evasion in the automobile industry alone. It was also reported that the Federal Inland Revenue Service sued a client for evading five years of taxes totaling N4.86 billion naira and for falsifying tax clearance documents against his company. However, (Paul, 2021) assert that a recent report by the Nigerian Economic and Financial Crime Commission shows that an estimated $129 billion dollars (N21 trillion Naira) was dishonestly taken out of the country between 2003 and 2013. Tax evasion is one of the causes of the fund's dishonest relocation. As a result, tax penalties are introduced to discourage tax evasion. Tax penalties are regulations in taxation that are imposed in order to create tax compliance (Oladipupo & Obazee, 2016).

Tax penalties are one of the most effective tools for reducing tax evasion in most countries, but their effectiveness is heavily dependent on both the lead and the led's level of corruption and patriotism. If the penalties are more severe, taxpayers are more likely to comply with taxes. Tax penalties act as a watchdog and a strategy to improve the image of a country's tax system, particularly when there is a lack of trust between the lead and the led.

A tax penalty is a punitive measure imposed by the tax law for performing an illegal act or failing to perform a required act, such as failing to file a return on time or filing incorrect or undervalued returns. Tax penalties are imposed to create compliant taxpayers, and noncompliant taxpayers are subject to the applicable sanctions. A late filing penalty may be imposed if a taxpayer is required to file an income or excise tax return and fails to do so on time. The penalty is 5% of the unpaid tax for each month (or partial month) the return is late, up to a maximum of 25% (Legal Dictionary) (Oladipupo & Obazee, 2016). Tax penalties in the form of fines have an impact on taxpayer compliance because taxpayers are aware that taxes are one of the primary sources of state revenue in financing state needs up to public facilities and infrastructure. Tax penalties have the potential to increase corporate taxpayer compliance if imposed on a regular and orderly basis (Oladipo, Nwanji, Eluyela, Godo, & Adegboyegun, 2022). Furthermore, the more tax arrears remain payable by the taxpayers, the more it is harder to pay off the obligations. As a result, it is critical to investigate tax penalties (fines) in tax laws in order to assist the government in raising public awareness about taxpayer compliance. Tax audits are a tax penalty strategy that is thought to make taxpayers fearful of violating taxation rules (Oladipupo & Obazee, 2016). Tax audits for the purpose of examining tax compliance must be implemented. To provide legal clarity, the type of examination, duration of the examination, and other examination procedures are carried out in accordance with applicable laws. Aside from the existence of financial penalties and tax audits from outside sources, awareness from within the taxpayer himself, as well as government transparency and accountability, is required in order for the tax generated to perform its developmental functions in the state. However, hope has been lost in the tax function in most African countries, particularly Nigeria, where taxpayers are unable to identify the social and economic benefits of the tax.

Statement of the Problem

Tax penalties are one of the most effective tools for reducing tax evasion in most countries, but their effectiveness is heavily dependent on both the lead and the led's level of corruption and patriotism. If the penalties are more severe, taxpayers are more likely to comply with taxes. Tax penalties act as a watchdog and a strategy to improve the image of a country's tax system, particularly when there is a lack of trust between the lead and the led. Several studies, however, have identified reasons why taxpayers engage in tax evasion (Umanhonlen, 2022.; Akadakpo, & Ogbeide, 2024). These factors are summarized as deficiencies in tax administration as well as a lack of capacity in auditing and monitoring tax payments, limiting the possibility of detecting and prosecuting violators. Furthermore, the level of corruption in public office, insufficient tax education and awareness, misappropriation of collected taxes, ignorance of the tax authority, lack of adequate enforcement for default, proliferation of taxes, loopholes in tax laws, inequitable distribution of income, absence of 'Quid Pro Quo,' i.e. something of value given in return (by the government) for taxes paid, high level of illiteracy, and high tax rates. As a result, it is critical to investigate tax penalties (fines) in tax laws in order to assist the government in raising public awareness about taxpayer compliance.

Objectives of the Study

The main objective of the study is to examine if tax penalties is effective enough in combating tax evasion, a study of Lagos State Internal Revenue Service and selected taxpayers in Lagos State, Nigeria, while the specific objectives of the study are to:

i. examine the effect of tax knowledge and Awareness on Tax Evasion in Lagos State, Nigeria
ii. determine the effect of Tax Administration on Tax Evasion in Lagos State, Nigeria
iii. evaluate the influence of Auditing Capacity on Tax Evasion in Lagos State, Nigeria
iv. assess the relationship between corruption in Tax Office and Tax Evasion in Lagos State, Nigeria?

Are Tax Penalties Effective Enough in Combating Tax Evasion?

Hypotheses

$H0_1$: Tax knowledge and Awareness has no significant effect on Tax Evasion in Lagos State, Nigeria

$H0_2$: Tax Administration has no significant effect on Tax Evasion in Lagos State, Nigeria

$H0_3$: Auditing Capacity has no significant influence on Tax Evasion in Lagos State, Nigeria

$H0_4$: There is no significant relationship between corruption in Tax Office and Tax Evasion in Lagos State, Nigeria

Scope and Limitation of the Study

The scope of the study is aimed to examine if tax penalties are effective enough in combating tax evasion, using Lagos State Internal Revenue Service and selected taxpayers in Lagos State, as case study. For the purpose of detailed analysis, the study structured-up a self-administered survey to capture information on Tax Education and Awareness; Tax Administration; Auditing Capacity; and Corruption in Public Office. Tax Evasion is dependent variable. The study employed Taro Yamane 1967 formula for sample size determination on a basis of simple random.

REVIEW OF RELEVANT LITERATURE

Conceptual Review

Tax penalties are imposed on taxpayers to encourage them to pay their taxes, thus directly increasing government revenue. The essence of tax law is to force tax defaulters to comply with government rules and regulations; and therefore, generate revenue that can be used to improve the welfare of citizens and economic growth through the provision of amenities to members of the public. Revenue is primarily derived from measures implemented by the government to discourage tax evasion in the country. Tax penalties in the form of fines have an impact on taxpayer compliance. As a result, if tax penalties are imposed on a regular and orderly basis, they will increase corporate taxpayer compliance. Tax penalties in the form of fines play an important role in teaching those who violate taxation rules a lesson, and taxpayers will comply with taxes if the sanction is more severe in terms of financial loss.

Furthermore, the deterrence factors such as probability of being audited and being detected by tax authorities are found to reduce noncompliance among taxpayers (Obodoechi, & Mbobo, 2024). For example, the Nigeria Personal Income Tax Act (PITA 2011 as amended) strengthens issues such as record keeping and self–assessment, and imposes penalties of =N=50,000 and =N=500,000, respectively, for violating the Act's provisions. In Nigeria, under self-assessment, for companies' failure to file returns is liable to =N=50,000 for the first month of default and =N=5,000 for each subsequent month the failure continues.

Tax Evasion

Tax evasion is a term used to describe the dishonest reduction of tax liabilities by individuals and corporate entities. Tax evasion is the deliberate and conscious practice of failing to disclose all taxable income. It is a violation of tax laws if a taxable person fails to pay the tax due after the minimum required period. Tax evasion is evident when taxpayers reduce, make, or proclaim false statements about their revenue tax liabilities (Muhammad, Hassan, & Ayuba, 2023). Tax evasion also involves taxpayers purposefully misrepresenting and concealing their actual earnings position in order to reduce tax payments to the tax authorities. The act of evasion entails dishonest and unfair tax reporting by not declaring income, profits, and gains that were actually earned, or exaggerating deductions.

Tax evasion is one of the major social issues impeding revenue generation in developing countries and undermining existing welfare. This has sparked increased interest among policymakers and academics. However, the issue of tax evasion in Nigeria has received little attention. As a result, an enviable society can only be seen when internally generated revenue is used to meet the citizens' social obligations. Tax evasion is widespread in most developing countries, and the situation is exacerbated by the fact that not only the government has made an effort to quantify the reasons given by taxpayers. At the same time, the scope of the problem is examined in terms of its impact on revenue generation.

Tax Knowledge and Awareness

Tax knowledge refers to a taxpayer's level of awareness or sensitivity to tax legislation. It refers to the processes that taxpayers go through in order to become aware of tax legislation and other tax-related information. Taxpayers' level of formal general education is an important factor that contributes to their understanding of tax requirements, particularly those pertaining to registration and filling requirements. Citizens generally have little knowledge of the government's true expenditures and the cost of public services provided by the government. As a result, taxpayers who lack tax knowledge must seek the assistance of tax professionals. A high level of societal awareness would encourage people to fulfill their obligations to register as taxpayer reporting and timely payment of taxes are forms of national and civic responsibility. Most citizens have little understanding of what tax laws mean or why the tax system is structured and administered in the way that it is (Inegbedion & Okoye-Uzu, 2024).

Tax Administration

Tax administration is the foundation of the Nigerian tax system. It addresses the powers and duties of relevant tax authorities as outlined in tax legislation. Tax administration refers to the procedures, principles, and strategies used by any government to achieve effective tax planning, mandatory tax levying, easy collection, proper accounting, and revenue utilization (Efeeloo, 2023; Alao, Adegbie &Tomomewo, 2023). The manner in which a tax system is administered is a critical component.

No tax is better than its administration, so tax administration matters a lot. One of the most important goals of tax administration is to ensure that all taxpayers comply with their tax obligations to the greatest extent possible. Unfortunately, in many developing countries, tax administration is typically weak, with widespread evasion, corruption, and coercion. In many cases, overall tax compliance is low, and a large proportion of the economy's informal sector escapes the tax net entirely (Onigbinde, & Oyedokun, 2023)

Theoretical Framework

Deterrence Theory

This study is anchored on economic based theory which was postulated by the works of Becker (1968) and has evolved over a period of years with different researchers looking at different variables and challenging the findings made by the predecessor. According to the Becker he viewed economic theory in terms of economic theory in relation to crime. This stipulates that individuals are driven by purely self-interest. Economic or deterrence theory means that there are factors that prevent individuals from achieving full compliance levels due to some harbouring factors such as the cost benefit effect of the same. The economic based theory also known as deterrence theory place emphasis on rewards and incentives obtained from the process. Economic based theory basically places emphasis on economic factors such as costs incurred, the probability of detection and punishment that an individual may get due to failure to comply with some regulations. Core objective of most businessmen is to incur less cost and in cases where they are detected and fines, they can pay when penalty is less, they tend to overlook the compliance aspect. Furthermore, the best way to prevent deterrence is by increasing fines and penalties once a taxpayer has been identified for the acts of omission and or commission.

The Ability to Pay Theory

The ‘ability to pay’ theory, as outlined by economists like Slade Kendrick, Stuart Mill, and Harry Gunnison Brown, centres on the idea that taxation should be proportionate to an individual's financial capability. Harry Gunnison Brown, recognizes that individuals with higher incomes possess a greater ability to contribute to public finances without experiencing significant hardship compared to those with lower incomes. Therefore, under the ability-to-pay principle, tax burdens should be proportionate to one's income or wealth, with those who are more financially capable bearing a larger share of the tax burden. This approach is rooted in the belief that taxation should be equitable, ensuring that those who benefit more from society's resources contribute proportionally more to its upkeep and functioning. Brown advocates for taxes to align with one's income or wealth to prevent undue financial strain.

Empirical Review

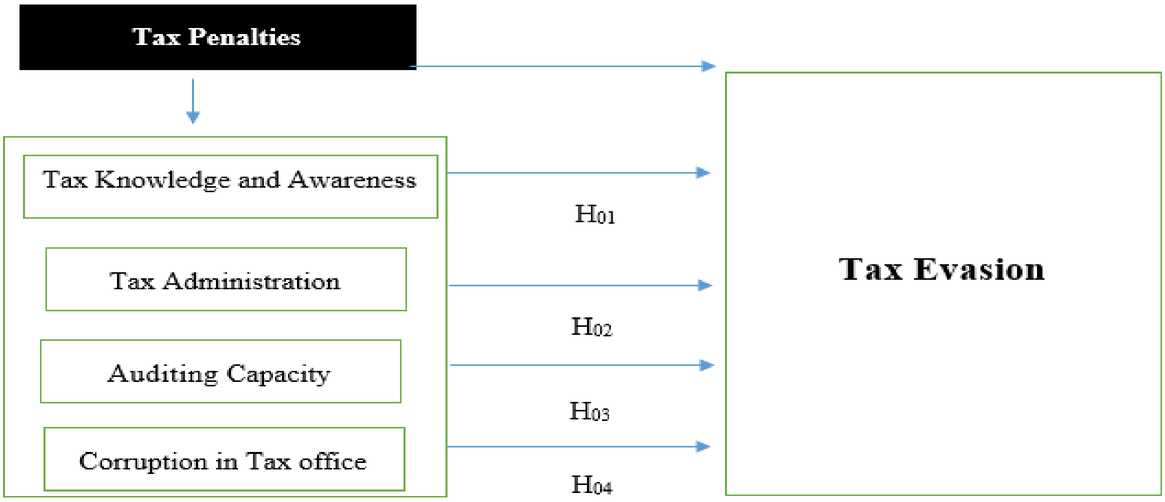
Solanke, Olaleye, Efuntade, and Williams, (2021) investigated the impact of the tax penalty on government revenue in Nigeria. The study filled the gap by identifying how tax penalties could increase government revenue in the country as a result of inability of other authors to examine the effects of tax penalty on government revenue. The study used multiple-regression model and revealed that there was a positive relationship between tax penalty and government revenue in Nigeria. The variables were integrated and found that the tax penalty had a significant contribution to the government revenue at a 1% level of significance. The study concluded that new economic policy should be formulated, tax should be paid through e-payment and proper accountability should be done by the government agency in Nigeria.

Onigbinde and Oyedokun (2023) investigated the impact of tax evasion and avoidance on Oyo State's internally generated revenue. According to the literature, tax avoidance and evasion are among the most confusing issues confronting Nigeria's economy. The study used a quantitative research design with a standardized questionnaire as its major research instrument. The study population consists of Oyo State Internal Revenue Service employees. The results showed a substantial positive association between tax evasion and IGR, implying that tax evasion had a detrimental influence on revenue creation. Similarly, tax avoidance is found to have a substantial negative association with IGR, implying a negative impact on revenue. The study indicated that resistance to tax requirements leads to the disruption of the government's key services, such as health care and education, Sanitation, transit, and infrastructure. The report advised that public officials take immediate action to meet expectations in terms of openness, accountability, and anti-corruption efforts.

Idris (2022) empirically assessed the influence of taxpayers’ awareness and tax penalties on tax administration in Nigeria. Cross-sectional survey design was used for the study. The population for the study comprised all registered corporate taxpayers in the six geopolitical zones of Nigeria. A total of one hundred and fifty (150) corporate taxpayers whose tax files are domiciled in North-Central and South-West FIRS zonal offices were selected as sample for this study. The selection of the sample size was based on stratified random sampling method; copies of questionnaire were therefore distributed to the selected respondents. Quantitative data obtained were analysed using partial least square – structural equation modelling (PLSSEM). Findings revealed that there was positive and significant relationship between taxpayers' awareness and tax administration in Nigeria ($\beta = 0.050$, $t=1.532$, $p < 0.05$) and positive influence of tax penalties on tax administration in Nigeria ($\beta = 0.075$, $t = 1.984$, $p < 0.05$). The study therefore concluded that taxpayers' awareness and tax penalties are good predictors of tax administration in Nigeria. The study recommended that FIRS should further embark on strong campaign on the need for corporate taxpayers to fulfill their tax obligations to enable government to finance public expenditures. Tax penalties should also be strengthened to serve as deterrent mechanism against noncompliance by embarking on regular tax audit to minimize tax defaults.

Conceptual Model

Independent Variable (X) **Dependent Variable (Y)**



$H_{04} = G_4 =$ Gap 4

Methodology

This study uses a descriptive research design. A research design is a broad plan that strategizes the means employed in data collecting and analysis, and it must be in line with the study's objectives. It is a method of organizing educational data and viewing a subject as a whole.

The population for this study consists of the Tax Officials in Lagos State Internal Revenue Service and Taxpayers residing in Lagos during the time of this study. The total number of the Tax Official and the Taxpayers are (N) were twenty-five ($N_1 = 25$) and forty-five ($N_2 = 45$) respectively. ($N = 60$).

The sample size was determined through the use of popular technique Taro Yamane (1967) formular given as;

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

$$n = \frac{60}{1 + 60(0.05)^2}$$

$$n = \frac{60}{1 + 60(0.0025)}$$

$$n = \frac{60}{1 + 0.15}$$

$$n = \frac{60}{1.15}$$

$$n = 52.1739$$

$$n \approx 52$$

Are Tax Penalties Effective Enough in Combating Tax Evasion?

The sample size is approximately 52 (20 Tax Officials and 32 Taxpayers randomly selected)
Where;
N = Target population
n = sample size
e = sampling error

Source of Data Collection

The data for this study was collected using a structured close ended pre-coded questionnaire. The questionnaire was structured in a 5-point Likert Scale format which allowed for the use of closed questions that require the respondent to choose from a predetermined set of responses or scale points.

The study was scrutinized by taxation experts as well as the researcher's supervisor, who examined the instrument's content. Their suggestions and constructive criticism were extremely beneficial in the creation of the final draft of the instrument.

The reliability of the instrument was determined by the use of Cronbach Alpha test statistics to verify how authentic and reliable the questions tested are. The reliability test read 0.866>0.70 which indicates that the questions are reliable.

Reliability Statistics

	Cronbach's Alpha	N of Items
Tax Knowledge and Awareness	.973	5
Tax Administration	.908	8
Tax Audit Capacity	.734	10
Corruption in Tax Offices	.815	6
Tax Evasion	.730	7
	0.866	36

The table above shows that the variables measured are all reliable. This is on the basis that all the scores acquired exceeded the minimum alpha value of 0.7.

The established hypotheses were analyzed using Chi-square and Correlation analysis with the aids of Statistical Package for Social Sciences (SPSS).

Data Presentation and Analysis

This aspect focuses on data presentation, analysis and interpretation with reference to the stated research objectives and hypotheses. It embodies analysis of responses from two different group (Tax Officials and Taxpayers). 20 questionnaires administered to the Tax Officials were fully retrieved while 32 questionnaires administered to the Taxpayers through Goggle form, only 2 were not fully retrieved. However, the first part of data analysis was descriptive statistics which involved analysis and presentation of Tax Officials` and Taxpayers' bio data and the research questions using frequency and percentage (%) count while the second part of data analysis was inferential statistics which involved test of hypotheses using Chi Square and Correlation analysis with the aid of SPSS software IBM 20.0 version.

Table 1: Analysis of Questionnaire Distributed

				Percentage
Number of Respondent (Tax Officials)	32			
Number of questionnaire distributed to the Tax Officials		32		
Number retrieved (Tax Officials)			30	
Number of Respondent (Taxpayers)	20			
Number of questionnaire distributed to the Taxpayers		20		60.0%
Number retrieved (Taxpayers)			20	40.0%
Total		**52**	**50**	**100.00%**

Source: Field Survey Report, 2022

Are Tax Penalties Effective Enough in Combating Tax Evasion?

Table 2: Demographic Information

S/N	Items	Variables		
1	**Gender**		**Frequency**	**Percentage**
		Male	17	34.0%
		Female	33	66.0%
	Total		**50**	**100.0%**
2	**Age group**		**Frequency**	**Percentage**
		20 – 30 years	4	8.0%
		31 – 40 years	8	16.0%
		41– 50 years	28	56.0%
		51 – 60 years	7	14.0%
		61 years and above	3	6.0%
	Total		**50**	**100.0%**
3	**Marital Status**		**Frequency**	**Percentage**
		Single	18	36.0%
		Married	27	54.0%
		Divorced	3	6.0%
		Widowed	2	4.0%
	Total		**50**	**100.0%**
4	**Education Qualification**		**Frequency**	**Percentage**
		SSCE/GCE	4	8.0%
		NCE/OND	16	32.0%
		HND/BSC	28	56.0%
		Master	2	4.0%
		Others	-	-
	Total		**50**	**100.0%**
5	**Work Experience**		**Frequency**	**Percentage**
		1 – 10 years	28	56.0%
		11 – 20 years	16	32.0%
		21 – 30	6	12.0%
		31 years and above	-	-
	Total		**50**	**100.0%**
6	**Employment Status**	Civil Servant	20	40.0%
		Business Managers	13	26.0%
		Employees	17	34.0%
	Total		**50**	**100.0%**
7	**Management Level**	Top Management	2	4.0%
		Middle Management	10	20.0%
		Low Management	38	76.0%
	Total		**50**	**100.0%**

Source: Field Survey Report, 2025

Gender of the Respondents

A deliberate effort was made to distribute the questionnaires among Tax Officials and Taxpayers in Lagos State, Nigeria. As it can be observed form figure above, 33 female respondents participated in the study, implying 66.0% of the total distribution. While 17 male respondents representing 34.0 % also participated. This implies that there are more female respondents than male who participated in the study.

Ages of the Respondents

Are Tax Penalties Effective Enough in Combating Tax Evasion?

The results indicates that 28 (56.0%) of the total number of respondents being the majority were between the 41 – 50 years. The next in terms of percentage is the age group 31 – 40 years which had a total of 8 respondents (16.0%). The age group 51 - 60 years recorded 7 respondents (14.0%) and 4 of the respondents are between the age group of 20 – 30 years covering 8.0% while only 3 respondents (6.0%) are between the age group of 61 years and above. Thus, it is evident that majority of respondents constituted the matured and highly productive men and women who have been in the business for a while.

Marital Status of the Respondents

The table above indicates that the majority of the respondents covering 27(54.0%) are married, followed by those who are single representing 18 (36.0%). 3 of the respondents covering 6.0 % are divorced and 2 of the respondents covering 4.0 are widow. Thus, it is evident that majority of respondents are married and responsible men and women whom their responses could be relied upon.

Educational Qualification of the Respondents

The table above depicts that the majority of the respondents were HND/BSc holders covering the percentage of 28(56.0%) of the total distribution, 16(32.0%) of the respondents held NCE/OND. 4 (8.0%) of the respondents have SSCE/GCE While only 2 of the respondents covering (4.0%) have Master. This indicates that the majority of the respondents were educated and vibrant in their area of specialty.

Work Experience of the Respondents

It could be read from the table, that the majority of the respondents were 28(56.0%) have work experience for between 1 – 10 years, followed by those who have been working for between 11 - 20years representing 16(32.0%). 6 of the respondents covering (12.0%) have 21 – 30years respectively. This shows that most of the respondents have been in the businesses for a while.

Employment Status of the Respondents

The table above indicates that the majority of the respondents covering 20(40.0%) are Civil Servants, followed by those who are Business Managers representing 13 (26.0%). While 17 of the respondents covering 34.0 % are Employees. Thus, it is evident that majority of respondents are Civil Servants and responsible men and women understand the essence of tax in an economy.

Management Level of the Respondents

The table above indicates that the majority of the respondents covering 38(76.0%) who participated are Low level Managers, followed by those who are Middle level Managers representing 10 (20.0%). While only 4 of the respondents covering 4.0 % are Top level Managers. Thus, it is evident that majority of respondents are Low level Managers.

Descriptive Statistics

This research work analyses the data gathered by examining each of the independent variable component with the dependents variable as stated in the research objectives, research questions and research hypotheses.

Table 3: Descriptive Analysis of Tax Knowledge And Awareness

This aspect shows the responses gathered from **30** taxpayers in Lagos State, Nigeria

Item	Tax Knowledge And Awareness	SA	A	U	D	SD	TOTAL %
8.	I know the amount of tax to pay	20 (66.67%)	8 (26.67%)	1 (3.33%)	1 (3.33%)	0 (0.0%)	**100**
9.	I am aware that tax payment is my civic duty	25 (83.33%)	4 (13.33%)	0 (0.0%)	1 (3.33%)	0 (0.0%)	**100**
10.	I am aware of the approved channel for tax collection in the state	23 (76.67%)	3 (10.0%)	2 (6.67%)	2 (6.67%)	0 (0.0%)	**100**
11.	I have been approached by tax officials to pay Tax	14 (46.67%)	11 (36.67%)	2 (6.67%)	1 (3.33%)	2 (6.67%)	**100**
12.	I am aware of tax evasion punishment is severe.	10 (33.33%)	6 (20.0%)	1 (3.33%)	3 (10.0%)	10 (33.33%)	**100**

Source: Field Survey, 2025

Are Tax Penalties Effective Enough in Combating Tax Evasion?

Item 8 of Table 3 shows that 20(66.67%) Taxpayers strongly agreed with the statement, "I know the amount of tax to pay". 8(26.67%), 1(3.33%) picked undecided and the same responses for "disagree and strongly disagree" This implies that the Taxpayers know the amount of tax to pay. Item 9 show that 25(83.33%) Taxpayers strongly agreed; 4(13.33%) agreed; 1 of the respondents covering 3.33% disagreed. Thus, it can be validated from their opinion that most Taxpayers are aware that tax payment is their civic duties. Item 10 shows that 23(76.67%) taxpayers strongly agreed; 3 taxpayers agreed representing 10.0%. 2(6.67%) picked undecided; 2(6.67%) strongly disagreed and 2 covering 6.67% disagreed. Thus; this implies that the taxpayers are aware of the approved channel for tax collection in the state.

In item 11, 14 taxpayers agreed representing 46.67%; 11 representing 36.67% strongly agreed; 2 of the taxpayers covering 6.67% were undecided and 2 representing 6.67% were strongly disagreed while only 1 taxpayer covering 3.33% disagreed. This shows that the taxpayers have been approached by tax officials to pay Tax. Item 12 of the table shows that 10 taxpayers strongly agreed representing 33.33% with the statement, "I am aware that tax evasion punishment is severe" 10 taxpayers strongly disagreed representing 33.3%, 6 taxpayers representing 20.0% agreed; 2 representing 6.67% disagreed while only 1 taxpayer representing 3.33% was undecided. This shows that the taxpayers were averagely aware that tax evasion punishment is severe.

Table 4: Descriptive Analysis of Tax Administration

This aspect shows the responses gathered from **20 Tax Officials** in Lagos State, Nigeria

Item	Tax Administration	SA	A	U	D	SD	TOTAL %
13.	The tax admin System in Lagos state is efficient and effective	15 (75.0%)	3 (15.0%)	1 (5.0%)	1 (5.0%)	0 (0.0%)	**100**
14.	Tax administrative system in filing tax returns is complex	1 (5.0%)	2 (10.0%)	2 (10.0%)	5 (25.0%)	10 (50.0%)	**100**
15.	The administration of tax system in Lagos has adversely affected the revenue generation	0 (0.0%)	1 (5.0%)	1 (5.0%)	6 (30.0%)	12 (60.0%)	**100**
16.	The relevant tax authority in the state has not shown proper conducts in the assessment of tax	1 (5.0%)	0 (0.0%)	1 (5.0%)	7 (35.0%)	11 (55.0%)	**100**
17.	The procedure of tax assessment, collection and remittance is a whole lot of paper work	3 (15.0%)	2 (10.0%)	2 (10.0%)	5 (25.0%)	8 (40.0%)	**100**
18.	There is a better future for tax administration system in Lagos	11 (55.0%)	5 (25.0%)	2 (10.0%)	1 (5.0%)	1 (5.0%)	**100**
19.	LIRS is very effective in the suppression of tax criminality.	15 (75.6%)	2 (10.0%)	0 (0.0%)	1 (5.0%)	1 (5.0%)	**100**
20.	Lack of tax force/penalties/ punishment is the reason for non-tax compliance	3 (15.0%)	2 (10.0%)	2 (10.0%)	5 (25.0%)	8 (40.0%)	**100**

Source: Field Survey, 2025.

Item 13 of Table 4 shows that 15 (75.0%) tax officials strongly agreed with the statement, "The tax admin System in Lagos state is efficient and effective". 3(15.0%) tax officials agreed.1(5.0%) picked undecided; and the same number picked disagree. This implies that the tax administrative System in Lagos state is efficient and effective. Item 14 in the table shows that 10(50.0%) tax officials strongly disagreed; 5(25.0%) picked disagree with the statement, "Tax administrative system in filing tax returns is complex". 2 of them covering 10.0% agreed, the same number picked undecided while only 1 (5.0%) strongly agreed. Thus, it can be validated from their opinion that the tax officials that Tax administrative system in wiling tax returns is not complex. Item 15 on the table shows that 12(60.0%) tax officials strongly disagreed; 6(30.0%) picked disagree with the statement, "The administration of tax system in Lagos has adversely affected the revenue generation". 1 of them covering 5.0% agreed, the same number picked undecided while none strongly agreed. Thus, it can be validated from their opinion that the administration of tax system in Lagos has not adversely affected the revenue generation

Item 16 on the table shows that 11(55.0%) tax officials strongly disagreed; 7(35.0%) disagreed with the statement, "The relevant tax authority in the state has not shown proper conducts in the assessment of tax". 1 of them covering 5.0% strongly agreed, the same number picked undecided while none agreed. Thus, it can be validated from their opinion that the relevant tax authority in the state has shown proper conducts in the assessment of tax. Item 17 on the table shows that 8(40.0%) tax officials strongly disagreed; 5(35.0%) disagreed with the statement, "The procedure of tax assessment, collection and remittance is a whole lot of paper work". 3 of them covering 15.0% strongly agreed, 2 tax officials agreed and the same number picked undecided. Thus, it can be validated from their opinion that the procedure of tax assessment, collection and remittance has been digitalized. Item 18 shows that 11(55.0%) tax officials strongly agreed; 5 of them agreed representing 25.0% with the statement, "There is a better future for tax administration system in Lagos". 2(10.0%) picked undecided; 1(5.0%) strongly disagreed and the same number disagreed with the statement. This shows that most tax officials believed in a better future tax administration system in Lagos.

In item 19 of the table, 15 tax officials strongly agreed representing 75.0%; 2 of them representing 10.0% agreed with the statement, "LIRS is very effective in the suppression of tax criminality". 1 tax official covering 5.0 disagreed and the same number strongly disagreed with the statement. This shows that, LIRS is very effective in the suppression of tax criminality. Item 20 on the table shows that 8(40.0%) tax officials strongly disagreed; 5(35.0%) disagreed with the statement, "Lack of tax force/penalties/ punishment is the reason for non-tax compliance". 3 of them covering 15.0% strongly agreed, 2 tax officials agreed and the same number picked undecided. Thus, it can be validated from their opinion that Lack of tax force/penalties/ punishment is not the reason for non-tax compliance.

Table 5: Descriptive Analysis of Auditing Capacity

This aspect shows the responses gathered from **20 Tax Officials** in Lagos State, Nigeria

Item	Auditing Capacity	SA	A	U	D	SD	TOTAL %
21	Tax audit is employed by Relevant Tax Authority (RTA) to achieved Target Revenue.	15 (75.0%)	3 (15.0%)	1 (5.0%)	1 (5.0%)	0 (0.0%)	**100**
22.	Tax audit solves the problems of tax evasion, avoidance and other irregularities.	11 (55.0%)	5 (25.0%)	2 (10.0%)	1 (5.0%)	1 (5.0%)	**100**
23.	Tax audit ensures the submission of accurate and current returns	15 (75.0%)	2 (10.0%)	1 (5.0%)	1 (5.0%)	1 (5.0%)	**100**
24.	The awareness of tax audit makes the tax payers to render a satisfactory returns	12 (60.0%)	5 (25.0%)	1 (5.0%)	1 (5.0%)	1 (5.0%)	**100**
25.	Suspicious about returns is what brings about tax audit	17 (85.0%)	3 (15.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	**100**
26.	Tax payers co-operate during the audit exercise	11 (55.0%)	5 (25.0%)	2 (10.0%)	1 (5.0%)	1 (5.0%)	**100**
27.	Tax audit improves the level of compliance	15 (75.0%)	3 (10.0%)	0 (0.0%)	1 (5.0%)	1 (5.0%)	**100**
28.	Effective sanction on tax evasion with the tax rules and regulation	11 (55.0%)	5 (25.0%)	2 (10.0%)	1 (5.0%)	1 (5.0%)	**100**
29.	Skills of personnel conducting the tax audit are effective	10 (50.0%)	5 (25.0%)	2 (10.0%)	1 (5.0%)	1 (5.0%)	**100**
30.	Equipment for the tax audit is effective	15 (75.0%)	2 (10.0%)	0 (0.0%)	1 (5.0%)	1 (5.0%)	**100**

Source: Field Survey, 2025

Are Tax Penalties Effective Enough in Combating Tax Evasion?

In item 21, 15 tax officials strongly agreed representing 75.0%; 3 of them representing 15.0% agreed with the statement, "Tax audit is employed by Relevant Tax Authority (RTA) to achieve Target Revenue" 1tax official covering 5.0% was undecided and the same number disagreed. This shows that the Tax audit is employed by Relevant Tax Authority (RTA) to achieved Target Revenue. Item 22 of the table shows that 11 tax officials strongly agreed representing 55.0%; 5 of them agreed representing 25.0% with the statement, "Tax audit solves the problems of tax evasion, avoidance and other irregularities" 2 tax officials representing 10.0% were undecided; while 1(5.0%) disagreed and the same strongly disagreed with the statement. This shows that the Tax audit solves the problems of tax evasion, avoidance and other irregularities. In item 23, 15 tax officials strongly agreed representing 75.0%; 2 of them representing 10.0% agreed with the statement, "Tax audit ensures the submission of accurate and current returns" 1 tax official covering 50.0% was undecided and the same number disagreed. This shows that the Tax audit ensures the submission of accurate and current returns.

Item 24 of the table shows that 12 tax officials strongly agreed representing 60.0%; 5 of them agreed representing 25.0% with the statement, "The awareness of tax audit makes the tax payers render a satisfactory returns" 1 tax officials representing 5.0% was undecided; the same strongly disagreed and disagreed with the statement. This shows that the awareness of tax audit makes the tax payers to render a satisfactory return. Item 25 shows that 17(85.0%) tax officials strongly agreed; and 3 of them agreed representing 15.2% with the statement, "Suspicious about returns is what brings about tax audit" Thus; this implies that suspicion about returns is what brings about tax audit. Item 26 of shows that 11 tax officials strongly agreed representing 55.0%; 5 of them agreed representing 25.0% with the statement, "Tax payers co-operate during the audit exercise" 2 tax officials representing 10.0% were undecided; while 1(5.0%) disagreed and the same strongly disagreed with the statement. This shows that the Tax payers co-operate during the audit exercise

In item 27, 15 tax officials strongly agreed representing 75.0%; 3 of them representing 15.0% agreed with the statement, "Tax audit improves the level of compliance" 1tax official covering 50.0% was undecided and the same number disagreed. This shows that the Tax audit improves the level of compliance. Item 28 of shows that 11 tax officials strongly agreed representing 55.0%; 5 of them agreed representing 25.0% with the statement, "Effective sanction on tax evasion with the tax rules and regulation" 2 tax officials representing 10.0% were undecided; while 1(5.0%) disagreed and the same strongly disagreed with the statement. This shows that there is Effective sanction on tax evasion with the tax rules and regulation. Item 29 of shows that 10 tax officials strongly agreed, representing 50.0%; 5 of them agreed representing 25.0% with the statement, "Skills of personnel conducting the tax audit are effective" 2 tax officials representing 10.0% were undecided; while 1(5.0%) disagreed and the same strongly disagreed with the statement. This shows that the skills of personnel conducting the tax audit are effective. In item 30, 15 tax officials strongly agreed, representing 75.0%; 2 of them representing 10.0% agreed with the statement, "Equipment for the tax audit is effective" 1 tax official covering 5.0% strongly disagreed and the same number disagreed. This shows that the equipment for the tax audit is effective

Table 6: Descriptive Analysis of Corruption in Tax Officials

This aspect shows the responses gathered from **20 Tax Officials** in Lagos State, Nigeria

Item	Corruption in Tax Offices	SA	A	U	D	SD	TOTAL %
31	Bribery is normal in Nigeria	15 (75.0%)	3 (15.0%)	1 (5.0%)	1 (5.0%)	0 (0.0%)	**100**
32.	I notice bribery is a common practice in our office and I decided to join	8 (40.0%)	2 (10.0%)	2 (10.0%)	5 (25.0%)	3 (15.0%)	**100**
33.	I prefer to tax bribe than to demand for full tax payment from taxpayers	10 (50.0%)	1 (5.0%)	1 (5.0%)	6 (30.0%)	2 (10.0%)	**100**
34.	Salary scale remains unchanged for your and general price is ever increasing, so I take bribe to balance my economic life	1 (5.0%)	0 (0.0%)	1 (5.0%)	7 (35.0%)	11 (55.0%)	**100**
35.	If I ignore, our top officials would take, so I decide to take bribe	3 (15.0%)	2 (10.0%)	2 (10.0%)	5 (25.0%)	8 (40.0%)	**100**

Are Tax Penalties Effective Enough in Combating Tax Evasion?

36	The tax revenue received has no benefit to the masses, but embezzled by the Government, so I decided to cut my own share	11 (55.0%)	5 (25.0%)	2 (10.0%)	2 (10.0%)	2 (10.0%)	**100**

Source: Field Survey, 2025.

In item 31, 15 tax officials strongly agreed, representing 75.0%; 3 of them representing 15.0% agreed with the statement, "Bribery is normal in Nigeria" 1tax official covering 50.0% was undecided and the same number disagreed. This shows that Bribery is normal in Nigeria. In item 32, 8 tax officials strongly agreed representing 40.0%; 5 of them representing 25.0% disagreed with the statement, "I notice bribery is a common practice in our office and I decided to join"3 tax officials covering 15.0% disagreed while 2(10.0%) undecided and the same number agreed with the statement. This shows that bribery is a common practice in tax offices. In item 33, 10 tax officials strongly agreed representing 50.0%; 6 of them representing 30.0% disagreed with the statement, "I prefer to tax bribe than to demand for full tax payment from taxpayers" 2 tax officials covering 10.0% strongly disagreed while 1(5.0%) undecided and the same number agreed with the statement. This shows that tax officials prefer to tax bribe than to demand for full tax payment from taxpayers. Item 34 table shows that 11(55.0%) tax officials strongly disagreed; 7(35.0%) disagreed with the statement, "Salary scale remains unchanged for years and general price is ever increasing, so I take bribe to balance my economic life". 1 of them covering 5.0% strongly agreed, and the same number picked undecided. Thus, it can be validated from their opinion that the salary scale remains unchanged for years and general price is ever increasing, so the tax official take bribe to balance their economic life.

In item 35, 8 tax officials strongly agreed representing 40.0%; 5 of them representing 25.0% disagreed with the statement, "If I ignore, our top officials would take, so I decide to take bribe"3 tax officials covering 15.0% disagreed while 2(10.0%) undecided and the same number agreed with the statement. This shows that if the officials ignore the bribe, the top officials would take. Item 36 of shows that 11 tax officials strongly agreed representing 55.0%; 5 of them agreed representing 25.0% with the statement, "The tax revenue received has no benefit to the masses, but embezzled by the Government, so I decided to cut my own share" 2 tax officials representing 10.0% were undecided; 2 disagreed and the same strongly disagreed with the statement. This shows that the tax officials believed that revenue received has no or little benefit to the masses, but is embezzled by the Government in Nigeria.

Table 7: Descriptive Analysis of Tax Evasion

This aspect shows the responses gathered from **30** taxpayers in Lagos State, Nigeria

Item	Tax Evasion	SA	A	U	D	SD	TOTAL %
37.	As a taxpayer, I prefer to bribe tax officials than to pay the full amount of tax that I am asked to pay based on my assessment	20 (66.67%)	8 (26.67%)	1 (3.33%)	1 (3.33%)	0 (0.0%)	**100**
38.	As a taxpayer, I am not always willing to pay tax because it is not useful	25 (83.33%)	4 (13.33%)	0 (0.0%)	1 (3.33%)	0 (0.0%)	**100**
39.	I do falsify records to avoid paying the required tax amount	23 (76.67%)	3 (10.0%)	2 (6.67%)	2 (6.67%)	0 (0.0%)	**100**
40.	As a taxpayer, I desperately seek loopholes in tax administration to avoid paying Tax	14 (46.67%)	11 (36.67%)	2 (6.67%)	1 (3.33%)	2 (6.67%)	**100**
41.	I do not usually pay tax whenever there is an avenue to do so	10 (33.33%)	6 (20.0%)	1 (3.33%)	3 (10.0%)	10 (33.33%)	**100**
42.	I consider tax amount to be too high; hence, I try to dodge the payment	23 (76.67%)	3 (10.0%)	2 (6.67%)	2 (6.67%)	0 (0.0%)	**100**
43.	I believe the tax is an additional cost to the business; hence I try to eliminate it	25 (83.33%)	4 (13.33%)	0 (0.0%)	1 (3.33%)	0 (0.0%)	**100**

Source: Field Survey, 2025

Item 37 of Table 7 shows that 20(66.67%) Taxpayers strongly agreed with the statement, "As a taxpayer, I prefer to bribe tax officials than to pay the full amount of tax that I am asked to pay based on my assessment". 8(26.67%) Taxpayers agreed. 1(3.33%) picked undecided and the same responses for "disagree and Strongly disagree" This implies that the Taxpayers prefer to bribe tax officials than to pay the full amount of tax that he was asked to pay based on his assessment. Item 38 show that 25(83.33%) Taxpayers strongly agreed; 4(13.33%) agreed; 1 of the respondents covering 3.33% disagreed. Thus, it can be validated from their opinion that most Taxpayers are not always willing to pay tax because it is not useful.

In Item 39 shows that 23(76.67%) taxpayers strongly agreed; 3 taxpayers agreed representing 10.0%. 2(6.67%) picked undecided; 2(6.67%) strongly disagreed and 2 covering 6.67% disagreed. Thus; this implies that the taxpayers do falsify records to avoid paying the required tax amount. In item 40, 14 taxpayers agreed representing 46.67%; 11 representing 36.67% strongly agreed; 2 of the taxpayers covering 6.67% were undecided and 2 representing 6.67% were strongly disagreed while only 1 taxpayer covering 3.33% disagreed. This shows that the taxpayers desperately seek loopholes in tax administration to avoid paying Tax

Item 41 on the table shows that 10 taxpayers strongly agreed representing 33.33% with the statement, "I do not usually pay tax whenever there is an avenue to do so" 10 taxpayers strongly disagreed representing 33.3%, 6 taxpayers representing 20.0% agreed; 2 representing 6.67% disagreed while only 1 taxpayer representing 3.33% undecided. This shows that the taxpayers averagely agreed that they do not usually pay tax whenever there is an avenue to do so

Item 42 shows that 23(76.67%) taxpayers strongly agreed with the statement, "I consider tax amount to be too high; hence, I try to dodge the payment" 3 taxpayers agreed representing 10.0% 2(6.67%) picked undecided; 2(6.67%) strongly disagreed and 2 covering 6.67% disagreed. Thus; this implies that the taxpayers consider tax amount to be too high; hence, they try to dodge the payment. Item 43 show that 25(83.33%) Taxpayers strongly agreed with the statement, "I believe the tax is an additional cost to the business; hence I try to eliminate it" 4(13.33%) agreed; 1 of the respondents covering 3.33% disagreed. Thus, it can be validated from their opinion that most Taxpayers believe the tax is an additional cost to their business hence they try to eliminate it.

Test of Hypotheses

Re-statement of Hypothesis One:

$H0_1$: Tax knowledge and Awareness has no significant effect on Tax Evasion in Lagos State, Nigeria

Table 8: Tax knowledge and Awareness on Tax Evasion

	Tax knowledge and Awareness has no significant effect on Tax Evasion
Chi-Square	8.729[a]
Df	4
Asymp. Sig.	0.0095

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 6.0.

Form the table above, the chi-square figure of 8. 729[a] and the p-value significantly lesser than the table value of 0.05. (i.e, 0.05 > 0.0095). This confirms that Tax knowledge and Awareness has significant effect on Tax Evasion in Lagos State, Nigeria

Decision: Since the p-value with which the study is to accept or reject the H_1 that states "Tax knowledge and Awareness has no significant effect on Tax Evasion in Lagos State, Nigeria is < 0.05, the H_1 is accepted therefore and the null hypothesis is rejected.

Are Tax Penalties Effective Enough in Combating Tax Evasion?

Re-statement of Hypothesis Two:

$H0_2$: Tax Administration has no significant effect on Tax Evasion in Lagos State, Nigeria

Table 9: Tax Administration on Tax Evasion

	Tax Administration has no significant effect on Tax Evasion in Lagos State, Nigeria
Chi-Square	9.758[a]
Df	4
Asymp. Sig.	0.007

Source: Author's computation, 2025 (SPSS-20.0)

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 6.0.

The Table above shows that the chi-square figure of 9. 758[a] and the p-value read below the table value of 0.05. (i.e, 0.05 > 0.007). This confirms that Tax Administration has significant effect on Tax Evasion in Lagos State, Nigeria.

Decision: Since the p-value with which the researcher is to accept or reject the H_1 that states Tax Administration has no significant effect on Tax Evasion in Lagos State, Nigeria is < 0.05, the H_1 is accepted therefore and the null hypothesis is rejected

Re-statement of Hypothesis Three:

$H0_3$: Auditing Capacity has no significant influence on Tax Evasion in Lagos State, Nigeria

Table 10: Auditing Capacity on Tax Evasion

	Auditing Capacity has no significant influence on Tax Evasion in Lagos State, Nigeria
Chi-Square	9.519[a]
Df	4
Asymp. Sig.	0.001

Source: Author's computation, 2025 (SPSS-20.0)

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 6.0.

Form table above, the chi-square figure of 9.519[a] and the p-value reads below the table value of 0.05. (i.e, 0.05 > 0.001). This confirms that Auditing Capacity has significant influence on Tax Evasion in Lagos State, Nigeria

Decision: Since the p-value with which the study is to accept or reject the H_1 which state that Auditing Capacity has no significant influence on Tax Evasion in Lagos State, Nigeria is < 0.05, the H_1 is accepted therefore and the null hypothesis is rejected.

Re-statement of Hypothesis Four:

$H0_4$: There is no significant relationship between corruption in Tax offices and Tax Evasion in Lagos State, Nigeria

Table 11: Corruption of Tax Offices and Tax Evasion

		Corruption of Tax Offices	**Tax Evasion**
Corruption of Tax Offices	Pearson Correlation	1	.003**
	Sig. (2-tailed)		.005
	N	20	20
Tax Evasion	Pearson Correlation	. 003**	1
	Sig. (2-tailed)	.005	
	N	20	20

Source: Author's computation, 2025 (SPSS-20.0)

b. Correlation is significant at the 0.05 level (2-tailed).

Decision Rule: If p-value is lesser than 5% (0.05) significance level, the alternative hypothesis is accepted and reject null hypothesis while if the p-value is greater than the significance level the null hypothesis is accepted and reject alternative hypothesis. The table above shows that a coefficient of ($r = .003$, $p < 0.05$) is greater than the significant level of 0.05, thus the alternative hypothesis is accepted and null hypothesis is rejected. This shows that there is significant relationship between Corruption in Tax Offices and Tax Evasion in Lagos State, Nigeria.

SUMMARY OF FINDINGS

In the study, the four hypotheses tested were significant, Tax knowledge and Awareness effect on Tax Evasion ($p = 0.0095 < 0.05$); Tax Administration effect Tax Evasion ($p = 0.007 < 0.05$); Auditing Capacity influence on Tax Evasion ($p = 0.001 < 0.05$); and Corruption of Tax Offices and Tax Evasion ($r = .003$, $p < 0.05$). These indicate Tax knowledge and Awareness, Tax Administration, Auditing Capacity, and Corruption of Tax Offices are capable of influencing the level of tax evasion in Lagos State. This is correlated with two established schools of thought or approaches why people do, or do not, pay their taxes. Also known as "good citizen" approach or "accommodative" approach. It is argued and agreed theoretically that ethics is one`s belief that moral obligations demand honesty in one's tax dealings, but the taxpayers strongly capitalized on the benefit or the usefulness of tax as the main reason for evasion.

CONCLUSION AND RECOMMENDATIONS

Based on the findings, the study views tax knowledge and awareness, tax administration, and auditing capacity to have significant effect in reducing tax evasion level in Lagos State but this is limited by high level of corruption in Public offices (governments). The corruption level has impeded the effort of Tax penalties in Nigeria as most public officers seen it as normal practice. Most taxpayers now prefer to bribe the tax officers to avoid sanctions as they also perceived bribery as normal. Further, the taxpayers due to no or little effect of tax in the state, believe to evade than to pay the required amount as stipulated by laws. They argued that making money in this tight and collapsed economy is tough and such hard-earned money cannot be traded for embezzlement. Normally, tax penalties should be capable of reducing tax evasion but Nigerian case is exceptional despite the level of improvement in the Nigerian Tax system in terms of tax digitalization, public knowledge and awareness, and effective tax administration, as well as sound tax auditing capacity.

Based on the above conclusions, the following recommendations are hereby made:

1. The tax laws should be further codified and harmonized and the enforcement machinery should be more strengthened
2. The level of punishment should also be stricter and the legal provisions for doing this should be clearly stated
3. Revenue authorities (LIRS) should pay salaries and remuneration that will be enough to prevent revenue officers from colluding with tax payers to evade tax
4. Control measure should be put in place by the government to check possible frauds and embezzlement.
5. Use of tax consultants in Lagos State yielded positive result but their activities should be closely monitored to avoid abuse, Commissions on collections should be paid promptly as well
6. There should be continuous tax education right from early education as well as in religious gatherings in Lagos State
7. There should be intensified effort to reduce the effects of false financial reporting on revenue generation of Lagos State
8. Training and re-training programmes for the revenue officials should be organized to enable them meets the challenge of the new millennium.
9. Competent hands should be employed in the revenue section.
10. Enlightenment campaigns on the revenue to be paid by individual should be carried out.

SUGGESTION FOR FURTHER STUDIES

The study focused on if tax penalties are effective enough in combating tax evasion, using Lagos State Internal Revenue Service, and selected taxpayers in Lagos State, Nigeria. Based on the finding, Tax penalties are effective enough but impeded by the level of corruption in the state. It is strongly suggested that future study should pay attention on strategy to prevent corruption in Tax office: a way towards achieving tax compliance and sound tax system in Nigeria

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