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COMPANIES INCOME TAX COMPLIANCE AND ENFORCEMENT BEHAVIOURS IN NIGERIA. AN EMPIRICAL STUDY.

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Abstract
The study empirically examined companies' income tax compliance and enforcement behaviours in Nigeria. Ex- post facto research design was adopted for the study. Data were collected through secondary sources from the archive of Federal Inland Revenue Service (FIRS) and the annual reports of some selected companies in Nigeria. The data analysis was done using Ordinary Least Square (OLS) regression technique with econometric software (E- view 9). The population of study consists of the one hundred and seventy (170) quoted companies operating in different sectors of the economy listed on the Nigerian stock exchange as at July, 2022. Poly-stat statistical tool was used to determine the sample size of forty- one (41) companies from a total of 170 companies. The major findings showed that enforcement methods have significant impact on compliance. It is recommended that government should channel tax revenue into projects like electricity and road network in order to increase ease of doing business in the country as these companies spends millions of naira on monthly basis for power generation.
Key words: *Companies' income tax, Behaviors, Compliance and Enforcement.*

Introduction

Pre- colonial people had a functional tax system in which both farmers and traders pay taxes on their harvest. It was commonly practiced in the northern part of Nigeria where they pay taxes to their traditional rulers who in turn uses same to develop their subjects.
Community tax was first introduced by Lord Luggard in 1904 and it was effective in the North. Nigeria tax then was not in cash but in kind. The first tax ordinance that was applied in the Northern and Southern regions of Nigeria was introduced in 1917 (FIRS, 2012). It was letter in 1929 that a flat tax rate of 2% was imposed on wages and salaries, and on people who engage in trade for profit. This was in existence until 1939, when the company income tax ordinance was enacted (Ordinance No. 14, 1939). Before this legal proclamation, both personal and company income tax were guided by the same law. Income tax ordinance was administered solely by a commissioner appointed by governor- general of Nigeria and the revenue derived from it, were paid directly into the Government treasury through the Governor- General (Ordinance No. 39, 1958). Tax from this source was fixed, collected and spent by the colonial government. Income tax ordinance was short- lived because it was ineffective and no penalties were prescribed for defaulting companies. (Gwangdi & Garba 2015).

In 1961, income tax management Act No 22 was promulgated and it made provision for an Act to establish the Federal Inland Revenue Service (FIRS) charged with the responsibility for assessing, collection and imposing penalties for default in the payment and remittance of company income tax.

Income tax management Act No 22 of 1961 was re- enacted in 1976 as company income tax Act and in 1979 as the company income tax No. 28 with the power being vested in the Federal Inland Revenue Service to assess, collect and account for taxes under this Act, the power to seize and dispose property and the delegation of power to other persons to be performed on their behalf and to sue and be sued in its official name. Companies income tax Act 1979 was also re- enacted as company income tax Act (CITA) chapter 60 of the laws of the Federation of Nigeria (LFN) 1990. Subsequent amendments to this Act were done in 2002, 2004 and 2007 with the inclusion of available enforcement powers and provision. (FGN Official Gazette 1990, 2004 and 2007).

The administration of company income tax was vested on the Federal Inland Revenue Service (FIRS). Corporate bodies are chargeable to tax under company's income tax Act as amended till date on all companies operating in Nigeria and are payable at the rate defined by CITA which is 30% and 20% for big and small companies. (Adegbie & Fakile, 2011).

Companies are charged to tax on their profits or gains of business operation accruing in, derived from, brought into, earned in or received in Nigeria and it is applied on the total profit or chargeable profit of the company. Foreign companies are liable to pay tax only on their business operations carried on in the country and they are classified as non- resident. CITA exempts profits of companies involved in charitable or educational activities from tax since they are not involved in trade or business.

Companies operating in Nigeria are assessed on preceding year basis meaning that tax is charged in the year before the current year of operation. Companies income tax is paid two months from the date annual returns was filed and minimum tax is imposed where a company has no taxable profit or where the tax payable is less than the minimum tax.

Initially, company assessment year runs from 1st April to 31st March every year and the tax revenue generated from it were used to cover administrative cost and defense of the country. Presently, company assessment runs from 1st January to 31st December every year and it is known as Government fiscal year and aside oil, revenue from taxation are the most important source to the government to augment short- fall that may arise from oil revenue.

According to FIRS. (2018); to improve efficiency in assessment and collection of taxes, they have to assess companies on their expected profits to be determined by the value of properties owned by these companies. This is occasioned by determining and enforcing income tax on the assessable profits of companies.

In Feb. 2019, FIRS appointed banks as their tax collecting agents of defaulting companies that maintain account with them and it was based on section 49 of company income tax Act (CITA). With this, the issue of enforcement and tax compliant will be a huge success.

It was legally pronounced that Federal Inland Revenue service (FIRS) lacks the power to impose turn- over assessment on tax payers' properties even when such company fails to file returns except the company is into property business. (Theodak Nig. Ltd Vs FIRS 2018)

Companies are supposed to be paying their taxes to the government through FIRS which is an obligation they owe to the government but majority of the companies are not tax

compliant (Olowookere & Fasina – 2013), and those who comply are not regular in remitting taxes as and when due (Akpu & Ohaka, 2017).
FIRS tends to enforce tax payment on these companies that are not tax compliant using assessment, disdain and prosecution as a means of recovering tax due from these companies. These companies are still defaulting in tax payment probably because the positive effect of the tax revenue is not felt in the economy in terms of the provision of infrastructure. This has resulted in low revenue profile of the government and dearth of infrastructure is noticeable everywhere in the country.

Companies income tax payment compliance and enforcement in Nigeria is bundled with so many problems. These problems work against companies from complying with the laid down tax laws applicable to them. Enforcing these laws also on companies is a serious problem which FIRS is yet to be surmounted. It is in the light of these challenges that some scholars identified other problems confronting companies' income tax compliance and enforcement as:

> high cost of compliance, lack of tax data base and non-automation of tax payment method, differences in assessment leading to tax objection, poor regulations of companies by FIRS and the problem of obtaining accurate tax indicators for companies (Atawodi & Ojeka, 2012; Obara & Nangih, 2017; Gwangdi & Garba, 2015 and Chude & Chude, 2015).

However, some scholars have carried out research in this subject area but to the best of my knowledge studies carried out in Nigeria have not discussed intensively on companies' income tax as regards complying with tax payment as a whole in Nigeria. Available studies focused on were majorly on tax compliance of Small and Medium scale Enterprises (SMEs) and made use of survey method and cross sectional method in their analysis. This study therefore contributes to existing literature by analyzing and investigating Companies income tax compliance and enforcement behaviours in Nigeria using causal- comparative analysis and POLYSTAT statistical package to determine the sample size of each stratum. Penalty and jail terms for non- tax compliant awaits defaulting companies. This is a criminal offence that can be prosecuted in a competent court of jurisdiction. If these companies are audited and found to be non- compliant, they can be jailed, interest and penalty are then charged on the unpaid taxes. Problem of tax audit, tax rate and enforcement compliance relationship necessitated this research work. This study will therefore examine these problems. The persistency in company income tax default necessitated this research work and the issues mentioned above, predicated on these, the researcher examined the following

The specific objectives are to:
1. Ascertain the extent to which tax audit can improve voluntary tax payment in Nigeria.
2. Determine the extent to which enforcement methods impact on tax compliance.
3. Establish whether tax rate determines the level of tax compliance in Nigeria.

Research Hypotheses
Ho_1: Tax audit has no impact on voluntary tax payment in Nigeria.

Ho₂: Enforcement methods have no impact on tax compliance.
Ho₃: Tax rate does not determine the level of tax compliance in Nigeria.

The paper is organised as follows' the next section reviews relevant literature with regards to context justification and provide a theoretical background for the study, respectively. Next describes the sample data and empirical methodology. The last section summaries the main results, offers conclusion and recommendations

Review of related Literature Review

Conceptual Review:

Nature of Taxation

Tax is a compulsory levy by the government of any country, through the relevant tax authority, on all goods, income, profits, properties of individual, partnership, trustee and corporate body to raise revenue for public development and other legitimate functions of government (Ojo & Oladikpo, 2019).

Taxation is a concept and the act of imposing special levy by the government on the citizenry. It is a requirement that must be met by the citizenry of any country. It is a civic responsibility which is expected to yield income to the government for the provision of social amenities (Ojo, 2008).

Concept of Company Income Tax:

A company is defined by Section 93(1) of the company income Tax Act CAP 60 Laws of the Federation (LFN), 1990 as any company formed by or under any law in Nigeria or any other place. A registered company with Corporate Affairs Commission (CAC) is expected to use limited (Ltd) or Public Liability Company (Plc). Companies income tax has a significant effect on the economy of any nation since it serves as an engine of growth in the area of fiscal monetary policies (Naomi & Sule, 2015).

It is a tax imposed or levied on the profits of companies registered in Nigeria, whether resident or non- resident, in as much as they are carrying on business in Nigeria. It is a corporation tax payable by public limited liability companies. Companies income tax does not include taxes from personal income tax on the profits of unregistered business entities, petroleum profits tax on the profits of companies in the petroleum industry and capital gains tax levied on disposed qualifying assets because there are different tax legislation governing them. Under the company income tax, profits or gains are to be taxed while losses are relieved against profits with a four (4) year time limitation. In Agricultural business, there is no time limit for relieving losses. (Gwangdi et al, 2015).

Company income tax is a levy imposed on the net profits of companies and it is computed as excess receipt over allowable costs. This type of tax enables the government of a country to raise revenue on the profits earned within the country by these companies whose shareholders are elsewhere. (Richard Goode 2013).

Company income tax is not only a means of raising revenue for public use but it is an important fiscal instrument for managing the economy. (Madugba, Ekwe & Mgbokwo, 2015).

Companies income tax is a levy made compulsory by the government and it is imposed on the profits of registered companies operating in Nigeria. The incidence and the burden of this type of tax are borne by the companies and it cannot be transferred to the third party. An efficient CIT system will help to move the economy forward by reducing cost of doing business in the country. Companies income tax is used to achieve growth in the economy and it is a fiscal instrument for managing and administering the economy. (Naomi et al, 2015).

According to world bank (1991), income tax is used to redistribute income in the economy but if it is not properly designed, it creates problems of imbalance in the economy, insufficient revenue leading to a reduction in the economic welfare, growth and development.

Conceptual Framework

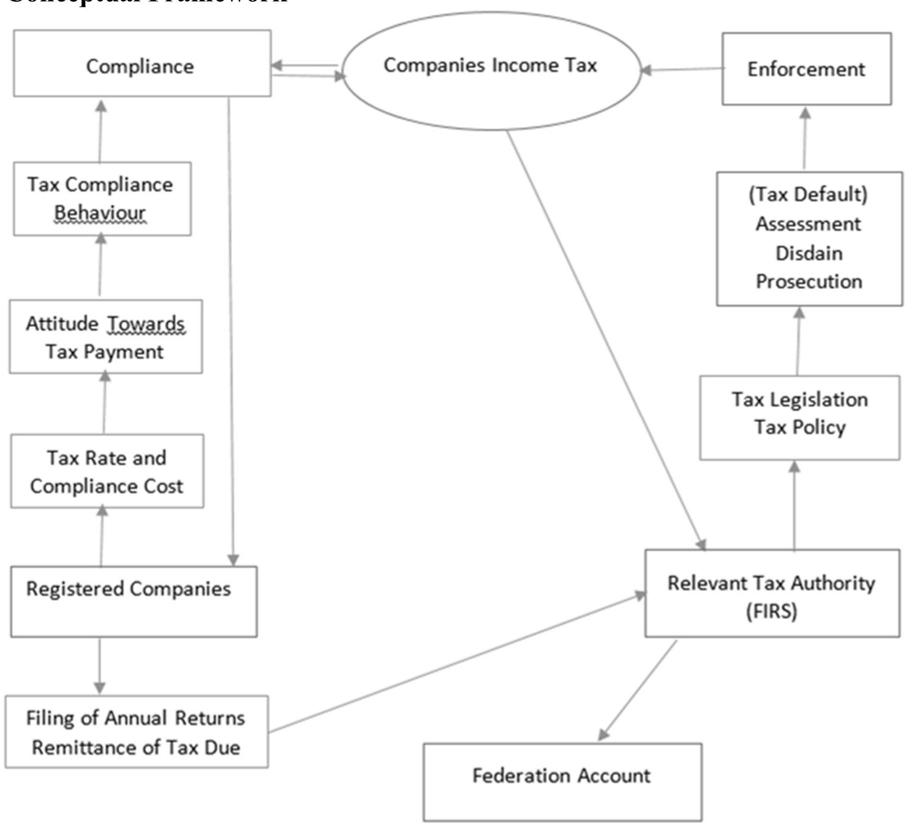


Figure 1: Conceptual framework of company income tax compliance and enforcement behaviour.
(Source: developed from the literature review).

Imposition of Companies Income Tax:

Companies income tax is imposed on the global profits of companies whether it is brought into the country, received in Nigeria or not brought into the country or not received also.

Except it is dividend income which is treated as frank investment income that does not attract tax payment. Profits of non- resident companies where such income is derived from Nigeria. Also dividend, interest or royalties of non- resident companies assessed at 10% on gross amount due where only the net is received by these companies. Companies income tax is charged on (1) The global profit of companies operating in Nigeria whether received or brought in. (2) Profit of non- resident companies derived from Nigeria. (3) Dividend, interest or royalties due to non- resident companies at 10% withholding tax rate (Ariwodola, 2007).

Part 11 section 9 of CITA 2007 states that company income tax is also imposed on the profits of all the companies operating in Nigeria with those specifically exempted under this Act. They are taxed at the rate of 30% or 20% depending on the size of the company. when it accrues to them or it is derived from business operation, or brought into Nigeria or it is received in Nigeria from:

1. Any trade or business it is currently engage in.
2. The profit of Nigerian company
3. Rent or premium granted to companies for using or occupying that property.
4. Dividend, royalties, interest, discount and annuities.
5. Profit of non- resident company operating in Nigeria.
6. Profits or gains of companies not on preceding group or class.
7. Income arising or profits under this Act.
8. Fees, dues and allowances for providing essential services.
9. The acquisition and disposal of any financial instrument such as treasury bills, savings certificate, and
10. Debenture certificates.

Income accruing to companies which are chargeable under company income tax Act (CITA) are taxed on preceding year basis and not on actual year basis except where it is applicable in the commencement or cessation provisions. Companies income tax is payable to the Federal Inland Revenue Service (FIRS) and audited financial statement is required before declaring company income tax. Also external auditors are involved in the preparation and affirmation of accounts. (FIRS, 2019).
The stages for the payment of company income tax are as stated below:

1. As the rate of company income tax graduates (goes up), it is charged on the net profit of company.
2. 10% tax rate is deducted from gross dividend before net is paid to shareholders.

Effective from 1987 year of assessment, dividend will no longer attract tax on foreign currency brought into the country on the ground that the shareholders' equity is not less than 10%. Companies income tax is also known as corporation tax and it is imposed directly on the net profits of companies (Ariwodola, 2007).

Companies income tax Act controls the taxation of companies except those involve in petroleum production and exploration activities. Resident and non- resident companies doing business in Nigeria are liable to pay tax. A resident company pays tax in respect of income derived from business activities, accruing to the company, brought into or received by the companies in Nigeria. On the other hand, non- resident companies pay tax on the income derived from its business activities in Nigeria. Company income tax is charged at 30% of the assessable profit on preceding year basis. A company with turn- over of one million naira (#1,000,000) and below, shall be charged 20% and others with turn- over of above one million naira shall be charged at 30% and are classified as big company. In this case, majority of these companies are yet to be captured in FIRS tax net, meaning that some operate without having Tax Identification Number (TIN). (PwC, 2015).

Nigerian Tax System

As contained on the presidential committee on national tax policy (2008), the main objective of the Nigerian tax system is to contribute to the well- being of all Nigerian through improved tax policy.

The Nigerian tax system has three elements as the tax policy, tax legislation and the tax administration.

Functions of a Tax System

This is the objective of setting up a tax system which forms the basis of taxation and it includes:

1. Revenue generation for the government to augment revenue from the oil sector.
2. To redistribute income concentrated in few hands to areas where they are required for immediate action.
3. It helps in the shaping of the economy.

Problems of Companies Income Tax Administration:

Tax evasion and tax avoidance are the major problems that tax authorities encounter in the process of administering taxes on companies in Nigeria. Also the failure of these authorities to pay tax refund on the excess of taxes paid to these companies, difficulty in understanding tax law and the tax authority that has control over p particular tax as noticed recently between FIRS and post office over jurisdiction on stamp duty.

Relevant Tax Authority: For the purpose of company income tax, it is solely vested on the Federal Inland Revenue Services (FIRS).

Concept of Tax Compliance

Tax compliance involves a process where the taxpayer files tax returns at the expected time, declares accurate tax to be paid and paying same by applying the relevant tax laws and regulations relating to the payment of taxes without being forced to do so- voluntary compliance. Where one is forced to carry out the above, it is termed coerced compliance. (Masud, Aliyu & Gambo, 2014).

The Burden of Compliance

Compliance cost is very high in Nigeria and the burden of compliance are the tax borne and tax compliance cost (pwC, 2015).

Enforcement of Companies Income Tax:

Section 97 part xiii of the company income tax Act 2007 made provision for enforcing tax regulation but according to FIRS, only few companies are tax compliant.

Ways of Enforcing Tax Laws in Nigeria

Companies are required by law to comply with relevant tax laws that has to do with the payment of accurate taxes as and when due. If companies default in the payment of taxes, the only available option is to enforce the payment totally (Mohammed, 2015).

Tax enforcement is an important aspect of tax administration considering the ways most of these companies undermines the revenue that ought to have accrued to the government by not remitting what is due to the government inform of corporate income tax (Gwangdi et al, 2015).

The ways in which payment of taxes can be enforced are as stated below:

Filing of returns: Companies are required to file returns (self- assessment). Initially, it was optional but was made compulsory in 2011. After the submission of tax returns, it is the duty of FIRS to ensure that all the required information is completed in the form. Any company that fails to file returns at the appropriate time, shall be liable to penalties prescribed in the tax laws.

Assessment by the relevant tax authority: Under the company income tax Act, 2007 and section 32(1)(d) FIRS (establishment) Act 2007 states that FIRS is the only tax authority required by law to serve demand notice on persons in whose name it is chargeable under the tax laws or company in the name in which it is chargeable and if payment is not made within one month from the date the demand notice was served, enforcement of tax payment will take effect.

Distrain: Where payment of taxes is not effected within the stipulated time, enforcement of payment on due taxes may be done by distraining the tax payers of their goods, bonds or security, or land.

Prosecution of defaulting companies: Section 87(2) of the company income tax Act, 2007 provides that any company that fails to comply with the relevant tax laws stands the risk of being prosecuted in a competent court that has jurisdiction over the issue.

Theoretical Framework

The theories of taxation, compliance and enforcement were formulated to support the growth of tax practice including its compliance. These theories include tax exhaustion, Arthur Laffer, optimum, economic based, psychological, and sociological theories.

Tax Exhaustion theory: The theory states that if a non- taxable company invest in business and uses its negative taxable income to offset previous positive taxable income, it must wait to claim any deduction with those that results from investment until it has become taxable. InOther words, surplus deductions accommodate taxable income, and this reduces taxes that must be paid on gains from investment and this increases net gains. The one mentioned above, reduces available incentives for investing while the second increases such incentives to invest.

Arthur Laffer theory: This theory relates to tax rate and the revenue from tax. Laffer theory uses the laffer curve to explain the relationship between the applicable tax rate and the anticipated revenue from it. If the tax rate is at 0%, the anticipated revenue would be zero. It also stipulates that as the rate of taxation increases, the expected revenue will also increase. The determination of tax rate is very important to the government as it could affect the revenue positively or negatively.

Optimum theory: When a company fails to declare full profit, this does not make the tax authority to charge interest or impose penalty. The tax payer may decide to declare full income or declare a lesser income. The tax authority will get to know of this when companies file their annual returns and this has to be cross- checked to determine the veracity of their claims.

The theories of tax compliance were formulated to change the opinion of the people on issues that has to do with tax compliance. These theories include economic, psychology theory, new endogenous growth theory and sociological theory.

Economic based theory: This theory is concerned with incentives that motivates companies to pay tax as and when due. Company's main aim is to increase profit and they view the option of paying tax to evading tax. They therefore choose the alternative that increases their expectations after considering the risk involved in evading tax. The theory therefore advocates that there should be increased audit and penalties for non- compliance.

Psychological theory: It is all about the thought that comes from the mind. The theory concentrates more on changing the perception of these companies towards the tax system and these companies may comply with tax payment even when they know that if they default, it will be un- noticed by the tax authority- FIRS.

Sociological theory: This theory relates to the attitude of these companies towards the ways government views enforcement of tax laws, the fairness of the tax system and the tax authorities. Government also made it clear here that punishment is not the only thing that can be used to enforce the payment of tax, it also views rewards for paying taxes as and when due.

Justification of the Theory(s):

The nature of company income tax compliance and enforcement behaviours is better explained by Tax exhaustion theory, Psychological theory of compliance and Sociological theory of compliance. Companies comply with income tax payment by filing annual returns on or before the due date and remit tax due to the relevant tax authority. Non- compliant with the laws by companies, forces FIRS to recover the tax due by enforcing appropriate laws on such company.

Tax exhaustion theory is relevant to this study because it captures taxable and non- taxable companies, stating that when they are over assessed, they should not put up claims for refund because when they declare zero profit, the excess tax paid will accommodate the years that zero profit is declared. This will result in total tax compliance.

Psychological and Sociological theories are also relevant to the topic under investigation because both focused on the behavior, conduct, attitude of these taxpayers (companies). The perceptions of these companies about income tax payment is that majority of these companies are not captured in the tax net, the tax system is not fair to them, tax laws are not being enforced or where they are enforced the penalty for default is not enough deterrent and that revenue from tax has not been properly accounted for by the government. This is all about company income tax compliance and enforcement behaviors.

Principles / Canons of Taxation:

There are so many principles or canons of taxation in existence but out of these, four were suggested by Adams Smith as follows:

Canon of Equity: It states that taxes should be paid based on tax liability. Every individual company is expected to support the government through the payment of taxes in proportionate to their revenue or assessable profit in the case of corporate entity.
Canon of Certainty: The taxpayer (company) should be aware of the expected tax to be paid, the relevant tax authority where the tax will be paid and the due date for the payment of the tax. The procedure for the payment of the tax due should be made clear to them. This helps individual companies to manage their profits and expenditures.
Canon of Convenience: Taxes should be imposed in such way that the taxpayer will find it convenient to pay as and when due. Tax policy must support the manner of payment.
Canon of Economy: The cost incurred in the process of tax collection should not be equal with the amount of tax collected. The cost should be minimal when compared with the administrative expenses.
According to James & Nobes (2016); the other principles of taxation as propounded or suggested are as follows:
Canon of productivity: This canon stipulates that the tax should earn much revenue to the government to enable them provide basic needs to the people and to keep the machinery of government working. The revenue generated from tax should be productive rather than earning poor tax from the taxpayers.
Canon of elasticity: The tax system should be designed in such way that it can quickly respond to changes in the area of revenue generation. It should easily be subjected to amendment when the need arises for that purpose.
Canon of simplicity: It should be simplified and easy to be understood. This will prevent the taxpayer from being exploited by the tax authority and taxes will no longer be evaded.
Canon of diversity: There should be different kinds of taxes so that the taxpayer will not be free from all the available tax. This will help to prevent tax evasion and avoidance, and manipulation.
Canon of Desirability / Expediency: The tax system should be necessary and useful to enable government avoid public criticism. This will in turn encourage taxpayer to comply with tax payment.
Canons of equity, certainty, convenience and simplicity, all advocated the easier way company income tax will be paid without impacting negatively on these companies

Review of Related Empirical Literature
Under this subsection, the researcher examined previous works carried out in this area of study in order to discover and bridge the gap in learning. It is on this note that a number of works were reviewed both local and international.
Chude and Chude (2015) reviewed the impact of company income taxation on the profitability of companies in Nigeria. They used time series econometric technique with error correction model to test the variables and the data gathered was from secondary source. It was concluded that the level of payment of company income tax has important effect on the profitability of company income and that positive relationship between profitability and explanatory variables shows that policy measures with effective tax administration will have positive effect on company profitability growth. Although the researcher adopted the time series but the period covered never reflected in their work. This is important to know actually, if the period covered reflected the realities on ground. Also the research design adopted was not stated.

Bashier et al (2015) in a study of tax law enforcement practice and procedure opined that it is only through tax enforcement that offences like tax evasion, non- compliance and corruption are detected and the defaulters are brought to book.

Kurawa (2018) investigated corporate tax and financial performances of listed Nigerian consumer goods by assessing the effect of company income tax on the financial performance of listed consumer goods companies in Nigeria from 2006 to 2016. Data was collected from the annual reports and accounts of companies using regression analysis as a technique for data analysis. The study concluded that as the tax paid by these companies increase, their performance reduces with significant amount. It was recommended that to improve the financial performance of these listed consumer goods, services of tax experts are needed in legal tax planning in order to reduce net tax paid. The researcher agrees with the findings that high taxes reduces performance and disagree with the recommendation that tax experts are needed in tax planning as a way of improving the financial performance because high tax has little effect on financial performance. Management policies has significant effect on performance.

Adegbie et al (2011) in his study of company income tax and Nigeria economic development explored the relationship between company income tax in Nigeria and economic development of the nation. Data were gathered both from the secondary and primary sources using chi- square and multiple linear regression analysis to analyze the data. His findings revealed that there is a significant relationship between company income tax and the Nigerian economic development and also that non- tax compliant and ineffective administration are the major hindrance to company income tax payment and collection. Tax incentives to these companies are very important element that enhances tax payment which the researcher failed to identify.

Gale and Samwick (2014) explored the effects of income tax change on economic growth by examining how changes to the individual company income tax affect long- term economic growth. They concluded that not all tax changes will have the same impact on growth. The researcher dwelt more on conceptual framework with little emphasis on empirical literature which should have brought an in-depth gap in literature.

Baranova and Janickova (2012) in their study on taxation of corporations and their impact on economic growth analyzed the relationship between corporate taxation and long- term economic growth in some sampled countries. They used secondary and quantitative data based on time series. Data used are mainly from the statistical data- base of Eurostat and Penn world table of time series. Data were analyzed using panel regression methodology and related method of data analysis. The researcher covered the period from 1998 to 2010. They concluded that reduction of tax burden will have greater effect in European union old countries than in the new European union. Reduction of tax burden have the same effect all the world over.

Mohammed (2015) investigated tax law enforcement, practice and procedure in Nigeria. He stated that by enforcing tax laws, tax authority will not only catch tax defaulters but also promotes a wider compliance by giving taxpayers confidence that others are paying their tax promptly. The researcher based his work on theoretical literature rather than on empirical literature that will bring out taxpayers input on tax enforcement conducts in the country.

Adekunle and Disu (2018) undertook a study on contemporary issues in corporate income tax in Nigeria. They concluded that for enforcement and compliance of tax laws to be effective in Nigeria, tax culture must be instituted.

Madugba et al (2015) conducted a study on corporate tax and revenue generation in Nigeria. They used Pearson correlation and simple regression to analyze data collected from Central Bank of Nigeria Statistical bulletin. They concluded that there is a positive significant relationship between company income tax and total consolidated revenue (TCR). They recommended that federal government should reduce tax incentives granted to these companies in order to increase revenue generated through corporate taxes in Nigeria. The researcher disagreed with this assertion because a reduction of tax incentives encourages non- compliance and tax evasion.

Literature Gap

The review of empirical and theoretical literature helped in identifying some research gaps. Some studies on empirical literature review done in Nigeria, showed that there was no detailed study on company income tax especially compliance and enforcement attitude of these companies and Federal Inland Revenue Service (FIRS).

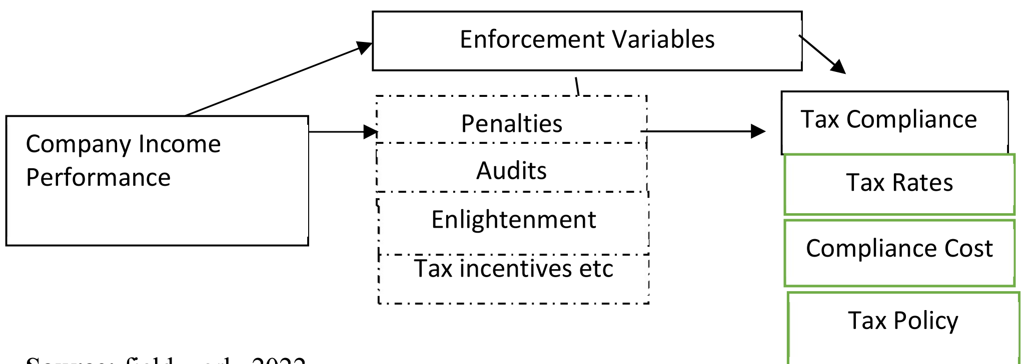
There are so many studies on tax compliance and enforcement in Nigeria, and only few on company income tax in Nigeria. Among the studies that focused on company income tax, compliance and enforcement in Nigeria, Doki and Abubakar (2015) analysis shows that the coefficient of corruption perception index (CPI) of the revenue officers and tax rates have negative relationship in the long run indicating that tax rate must set out levels that encourages compliance and company income tax accruing to the government is paid as and when due, when tax evasion (non- tax compliant) is tackled. Gwangdi et al (2015) revealed that lack of transparency and accountability in the use of revenue from income tax contribute to public distrust both with the tax system, as well as the government contributing more to tax evasion. Atawodi et al (2012) find that high tax rate has a negative effect on compliance and sometimes pushes most of the companies to remain in the informal sector. Shaheen (2014) shows that income tax system in Bangladesh is poorly administered, weakly compliant and corruption prone. Non- implementation of tax regulations negatively affects the revenue growth of Bangladesh. Baranova and Janickova (2012), empirical result indicates that there is negative influence of tax factors on economic growth. Anyaduba (2012) revealed that existing tax deterrent measures in Nigeria are inadequate and has not helped to promote tax compliance in the country. There is also no single appropriate compliance strategy for Nigeria.

In summary, company income tax compliance and enforcement behaviours is determined by a number of factors such as interest rates, transparency in the usage of tax revenue, tax rates and increased tax deterrent measures based on the reviewed literature. However, Non-filing of tax returns covering inactive business periods, not paying tax voluntarily, enforcement methods not having significant impact on compliance, tax amnesty not promoting tax compliance and non- capturing of some companies in the tax net are the major identified problems arising from this study.

Thus, there is still gap in knowledge since majority of the study used survey method to carry out their analysis. This study will fill this gap created by using Econometric View- 9 (E-View) analysis to analyze data to provide a robust analysis on companies' income tax compliance and enforcement in Nigeria. This method is considered useful because it provides informative data and it cannot be manipulated or changed. This research study will therefore analyze empirically the factors that affect the attitude of these companies towards being tax compliant and how Federal Inland Revenue service (FIRS) is enforcing tax laws on these companies in Nigeria especially with a view to enhancing the revenue profile generated from this source in order to fill the existing gap.

Methodology

The research design for this study is Ex-post facto since the data is available on the archive of the Federal Inland Revenue Service (FIRS) and cannot be manipulated or change. The target and the actual tax paid by these companies will be reported over a period of eight years; from 2015 to 2018. The justification for limiting the years covered to eight years from 2015 to 2022 is that records for previous years were unavailable on the statistical bulletin of the Federal Inland Revenue Services (FIRS). The aim is to discover the significance of the relationship between company income tax compliance and its enforcement by the relevant tax authorities. To further elucidate the connections between the variables, a conceptual model was developed.



Source: field work, 2022

Population of the Study and Sample Size

The population of the study includes all 170 companies covered under the Companies Income Tax Act (CITA) Cap C21 of 2004 (as amended) and as listed on the stock exchange as at July, 2022. It covers companies in the following sectors: Agriculture, consumer goods, construction/ real estate, conglomerates, health care, industrial goods, information and communication technology, natural resources, services, financial services and oil and gas in the Nigerian stock exchange as at 31st July, 2022. Emphasis is placed on these sectors because of their contribution to the development of the Nigerian economy. The sub-population is based on the number of companies operating in different sector of the Nigerian economy as listed on the stock exchange.

Sampling Procedure

To determine the sample size, a multi-stage sampling procedure will be adopted. The sub-sample size from the sectors was determined using the POLYSTAT statistical analysis package. The total sum of 41 will serve as the sample size for this study. Secondary source will be used for data collection, from the archives of the Federal Inland Revenue Services (FIRS) covering a period of eight (8) years from 2015 to 2022 will be used extensively. This will be augmented with information from the selected companies' annual reports and sundry records where necessary.

Research Instrument

The major data for this study will be derived from secondary sources; hence, the instruments for the research will include publications of the Federal Inland Revenue Services (FIRS) and annual reports of the sampled quoted companies on the Nigerian stock exchange.

Measurement of Variables

Generally, two major variables will be covered in the study and these are: company Income tax compliance and enforcement behaviours. To achieve a deep understanding of these two variables however, the following sub-variables will be observed:

-Tax Compliance (T_{Ct}): This represents level of compliance at a particular point in time and is captured by company tax remittance over the period under review. This will be generated from the records of the Federal Inland Revenue Services (FIRS); the Apriori expectation here is that where enforcement is effective, company income tax (CIT) remittance will be high, thus representing high compliance. This represents the dependent variable, compliance, while the following three, connected to enforcement behaviour, will be considered as independent variables.

-Tax audits (T_{Aud}) – A means of enforcement of tax compliant is the tax audit which is used to ensure that all taxable items are captured in the tax returns of the respective company. The frequency of tax audits and coverage will be used to measure its effectiveness as an enforcement factor.

-Tax rate (Tr)- A major compliance determinant. The lower the rate, the higher the level of compliance.

- Compliance cost(Tcc)- It is all about the cost incurred in managing tax affairs. They include the time and the monetary resources used in tax compliance.

- Tax enforcement policy (Tep)- The rule may not be understandable without the effort of the tax officers.

To test for the significance of the impact of enforcement methods on compliance, an Ordinary Least Square (OLS) regression analysis will be conducted. Compliance is dependent on enforcement behaviours or methods and this relationship will be represented by the following linear model:

$$T_{Ct} = a_o + a_{aud}\, T_{Aud} + Tr + T_{ep} + \partial$$

Where,

T_{Ct} = dependent variable (Tax Compliance and enforcement)

a_o = Constant

Tc = regression coefficient of T_{Aud}, T_r and T_{ep} respectively

∂ = Stochastic error term

Data Analysis Techniques

Data would be analyzed using, at the first stage, descriptive statistics such as frequency distribution tables, percentages and mode. These will be used to identify the peculiar trend of company income tax compliance in Nigeria and assist in carrying out an explanatory review of enforcement methods and behaviours in relation to annual tax performance over the period under review. To examine the significance of the impact of enforcement procedures on compliance, inferential statistical tools such as correlation analysis and linear regression will be used.

Decision Rule

Apriori expectation is a term used in explaining knowledge gained through deduction and not through empirical evidences. The apriori expectation of this study is that tax compliance is dependent on enforcement behaviours of the tax authorities and government. Tax audit, penalty and motivation i.e. T_{aud}, T_p and T_{mo}, where appropriately implemented and positively utilized will have positive impact on tax compliance, hence, predicted signs of the explanatory variables will be T_{Ct} >0.05***. Where the case is otherwise, the null hypothesis shall be accepted and confirmed.***

Data Presentation And Analysis

Table 4.1 Tax collected from companies by Federal Inland Revenue Service (FIRS). 2015 - 2022

	2015			2016			2017			2018		
Quart er	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%
1st	189.75 00	113.59 70	0.6 0	171.18 65	116.50 74	0.6 8				257.50 00	174.16 39	0.6 8
2nd	189.75 00	154.43 37	0.8 1	201.88 50	289.08 13	1.4 3	241.82 93	400.66 94	1.6 6	241.89 50	556.27 03	2.3 0
3rd	171.18 65	240.17 15	1.4 0	201.88 50	254.44 92	1.2 6	241.82 93	240.77 24	1.0 0	241.89 50	273.12 90	1.1 3
4th	171.18 65	151.39 37	0.8 8	201.88 56	156.48 12	0.7 8	241.82 93	167.81 49	0.6 9	241.89 50	176.84 39	0.7 3
Total	**721.87 30**	**659.59 59**	**0.9 1**	**776.84 21**	**816.51 91**	**1.0 5**	**725.48 79**	**809.25 67**	**1.1 2**	**983.18 50**	**1180.4 07**	**1.2 0**

2019			2020			2021			2022		
Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%
241.89 50	160.922 4	0.6 7	447.852 2	166.017 6	0.3 7	426.084 3	152.4191	0.3 6	417.330 9	203.6832	0.4 9
80.631 7	501.656 1	6.2 2	447.852 2	305.395 5	0.6 8	426.084 3	364.2424	0.8 5	417.330 9	471.5832	1.1 3
117.03 14	65.2876	0.5 6	447.852 2	297.336 9	0.6 6	426.084 3	384.9345	0.9 0	417.330 9	362.6303	0.8 7
351.09 42	265.319 2	0.7 6	447.852 2	164.787 3	0.3 7	426.084 3	313.4608	0.7 4	417.330 9	371.3172	0.8 9
790.65 23	**993.185 3**	**1.2 6**	**1791.40 88**	**933.537 3**	**0.5 2**	**1704.33 72**	**1215.056 8**	**0.7 1**	**1669.32 36**	**1409.213 9**	**0.8 4**

Source: FIRS archive.

Analysis of data using E-view 9

Level of significance = 0.05

Test of hypothesis I

Ho: Tax audit has no impact on voluntary compliance.

H1: Tax audit has impact on voluntary compliance.

Dependent Variable: AT

Method: Least Squares

Date: 11/09/22 Time: 17:01
Sample: 2015 2022
Included observations: 41

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	25.26519	94.84863	0.266374	0.7976
AC	-0.133471	0.195511	-0.682677	0.5168
CIT	0.011720	0.002642	4.435803	0.0030

R-squared	0.932536	Mean dependent var	840.6898
Adjusted R-squared	0.913260	S.D. dependent var	494.4346
S.E. of regression	145.6190	Akaike info criterion	13.04319
Sum squared resid	148434.3	Schwarz criterion	13.13397
Log likelihood	-62.21595	Hannan-Quinn criter.	12.94361
F-statistic	48.37928	Durbin-Watson stat	1.391677
Prob(F-statistic)	0.000080		

Source: E-Views9

From the analysis above, it shows that the probability value (0.00008) is less than the alpha value (0.05) the researcher therefore accept the alternative hypothesis and conclude that tax audit is a significant instrument that propels companies to pay their tax due voluntarily.

Test of hypothesis II
Ho: Enforcement methods has no impact on tax compliance.
H1: Enforcement methods has impact on tax compliance.

Dependent Variable: AT
Method: Least Squares
Date: 11/09/22 Time: 17:02
Sample:2015 2022
Included observations: 41

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-25.16078	178.1911	-0.141201	0.8917
AC	-0.467684	0.685074	-0.682677	0.5168
CIT	0.017160	0.007152	2.399170	0.0475

R-squared	0.858914	Mean dependent var	963.9073
Adjusted R-squared	0.818603	S.D. dependent var	640.0086
S.E. of regression	272.5842	Akaike info criterion	14.29710
Sum squared resid	520115.1	Schwarz criterion	14.38787
Log likelihood	-68.48549	Hannan-Quinn criter.	14.19752

F-statistic	21.30748	Durbin-Watson stat	1.201783
Prob(F-statistic)	0.001055		

Source: E-Views 9

From the analysis above, it shows that the probability value (0.001055) is less than the alpha value (0.05) the researcher therefore accept the alternative hypothesis and conclude that Enforcement methods do have significant impact on tax compliance.

Test of hypothesis III

Ho: Tax rate does not determine the level of tax compliance in Nigeria.

H1: Tax rate determines the level of tax compliance in Nigeria

Dependent Variable: CIT
Method: Least Squares
Date: 11/09/22 Time: 17:33
Sample: 2015 2022
Included observations: 41

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2296.471	6931.282	0.331320	0.7501
AT	26.29616	10.96052	2.399170	0.0475
AC	62.93329	14.18758	4.435803	0.0030

R-squared	0.960513	Mean dependent var	80550.90
Adjusted R-squared	0.949232	S.D. dependent var	47357.89
S.E. of regression	10670.62	Akaike info criterion	21.63170
Sum squared resid	7.97E+08	Schwarz criterion	21.72248
Log likelihood	-105.1585	Hannan-Quinn criter.	21.53212
F-statistic	85.13766	Durbin-Watson stat	1.120557
Prob(F-statistic)	0.000012		

Source:E-Views9

From the analysis above, it shows that the probability value (0.000012) is less than the alpha value (0.05) the researcher therefore accept the alternative hypothesis and conclude that tax rate determines the level of tax compliance.

Discussion of findings

The study focused on companies' income tax compliance and enforcement behaviours in Nigeria. Based on the analyzed information obtained and the hypotheses tested, Hypothesis one result showed that tax audit help companies' to voluntarily pay their taxes provided the environment is conducive for them to carry on their business activities. The finding is similar to the result obtained from Olufemi (2018) which confirm that medium and small scale businesses will only comply with tax payment when tax audit is carried out on them and when government play the role of making their business environment conducive. Favorable economic condition is a major determinant for tax compliance.

Hypothesis two affirmed that enforcement methods have significant impact on compliance. This is confirmed by Mohammed (2015) that enforcement strategy is a way of ensuring total compliance and makes more money available as revenue to the government. Tax payment help the government to augment shock that may arise from oil revenue.
Hypothesis three revealed that tax rate determines the level of tax compliance in Nigeria. This is confirmed based on the regression result as shown above. The higher the rate, the lower the level of tax compliance in the country and vice versa. It is affirmed in Kurawa (2018) that some companies are willing to comply when tax rate is moderate.

Summary of findings

The result of the analysis showed that;

1. Tax audit help companies to voluntarily pay their taxes probably to avoid paying penalty which will definitely encroach on their profit margin.
2. Enforcement methods used by federal inland revenue service such as distrain, assessment and prosecution of defaulting companies has a significant impact on compliance by these companies.
3. Tax rate is a determinant factor to tax compliance and companies tries to be tax compliant to avoid tax arrears accumulation. An acceptable tax rate encourages these companies to comply with tax payment.

Conclusion

The major objective of this study was to empirically examine whether companies default in the payment of taxes (compliance) and how Federal Inland Revenue is going about with the collection of taxes (enforcement). Using ordinary least square (OLS) regression technique and econometric view 9 to analyze data obtained on companies' income tax obtained from secondary source and from FIRS archive, and the annual reports of some selected companies in Nigeria, the study has been able to throw light on the need for compliance and enforcement.
In view of the above, companies can only comply with tax payment totally if the immediate environment is conducive for them to carry on their businesses (Provision of infrastructural needs of these companies such as electricity and good road network and curtailing security challenges in the country). Enforcement is the only means of ensuring that these companies comply with tax payment as and when due.
From the findings, voluntary compliance has increased immensely due to enforcement mechanisms in place. Tax audit and tax rate are also important instruments that has significantly influence on tax compliance in Nigeria.

Recommendations

From the findings and conclusion, the study recommends as follows:

1. Government should ensure that company income tax revenue derived are ploughed back into the society which should translate into infrastructural provision such as electricity and roads as these companies spends millions of naira every month to power their generating sets. This sometimes deters companies from total compliance.
2. Government through federal inland revenue service should reduce company income tax rates of 30% and 20% for big and smaller companies as other taxes such as Value

Added Tax (VAT), Withholding Tax (WHT), Stamp Duties (SD) and Education Tax (ET) are equally paid by these companies translating into multiple taxation.

3. Government should ensure that seasoned tax auditors are appointed for these companies to carry on tax audit on them so as to solve the problem of under reporting of incomes.
4. Companies that default in tax payment should be delisted from Corporate Affairs Commission (CAC) register and subsequently be made to wind- up compulsorily.
5. Government should also provide FIRS with the needed skills that will help them to carry out total enforcement on defaulting companies.

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