

Comparative Study of the Role of Tax Audit and Tax Investigations in Developed and Developing Countries (Emphasis on Nigeria and United Kingdom)Joseph Fineboy Ikechi¹, Omonu Obioma M², Ngaonye Luke Onyemauche³¹Department of Accounting, Clifford University, Owerri, Nigeria²Department of Business Administration, Clifford University, Owerri, Nigeria³Michael Okpara University of Agriculture, Umudike, Nigeria***Corresponding author***Josep Fineboy I***Article History***Received: 12.04.2018**Accepted: 22.04.2018**Published: 30.06.2018*

Abstract: This paper assesses the comparative study of the role of tax audit and tax investigations in developed and developing countries (emphasis on Nigeria and United Kingdom). The two research questions that guided the research include; to what extent does effective tax audit and investigation curb incidents of tax evasion in developed countries?; to what extent does effective tax audit and investigation in developed countries enhance their tax revenue generation?. For developing countries, Nigeria as a case study, the methodology employed for data collection is only primary source, which involved the use of questionnaires, in which 48 questionnaire were administered to the members of staff Port Harcourt branch of Federal Inland Revenue Services (FIRS) and all the questionnaire were returned. Conversely, for developed countries, a critical look was given to published journals and some published information on databases that have confirmed that tax evasion occurs less often in UK owing to effective tax audit and investigation. Such journals have equally confirmed that one of the reasons for increase in revenue derivable from tax is as a result of effective tax audit and investigation as well as reliable tax laws. A Simple random sampling technique was adopted in distributing 48 copies of questionnaire, which were returned. Presentation and analysis of primary and secondary data collected with questionnaire were done using table, charts and simple percentages. It was established that effective and efficient tax and investigation has not been optimally put in place in developing countries hence the rampant incidents of tax evasion and low revenue generated through tax administration systems in such countries. On the other hand, in developed countries such as UK, tax audit and investigation is effective and efficient and for that reason, higher revenue is generated and less incidents of tax evasion. The study therefore concludes that for increased revenue generation and prevention of tax evasion, reliable, efficient and effective tax audit and investigation should be put in place in both developing and developed economies. It is the recommendation of the study that developing countries urgently embrace functional audit and investigation exercises to increase their revenue base through taxation and prevent uncontrollable loss of revenue through tax evasion while developed countries should maintain and strengthen their tax audit and investigation activities for a sustained optimal performance.

Keywords: Tax Evasion, Tax Avoidance, Tax payers, Tax audit and Investigation, Tax compliance.

INTRODUCTION

Ezejelue and Ihendinihu [1] defined taxation as the demand made by the government of a country for a compulsory payment of money by the citizens of the country with the objectives of raising revenue to finance government expenditures, satisfy collective wants of the people and regulate economic and social policies. The taxpayer is always unwilling to settle his tax liability because he sees it as a burden. He therefore needs to be motivated seductively or by force into paying what is expected from him. To buttress the need for motivation

of taxpayer, Phillips [2] sees tax incentives as a deliberate reduction in tax liability granted by government in order to encourage particular economic units (e.g. corporate bodies to act in some desirable ways (e.g. invest more, produce more, employ more, export more, save more, conserve less, pollute less, and so on). Nigeria's experience in the granting of tax incentives is traceable to the inception of British Administration in the territory, when all sorts of reliefs, allowances, and tax holidays were granted to British Companies and individuals as an attraction to establish

trade links within the country. All these are done because tax is a very important source of revenue to any economy, Nigeria case notwithstanding.

The use of tax audit has however helped in the generation of revenue to the government. Adediran, Alade & Oshode [3] in Onoja and Iwerere [4], observed that, tax audit just like financial audit involves the gathering of information and processing it for determining the level of compliance of an organization with tax laws of the territory. For a successful audit, it is necessary that the auditor organizes his work in such a way that the assignment is accomplished completely and efficiently. The Audit unit of the Federal Inland revenue Service (FIRS) employed audit tools to identify tax evaders and to officially carry-out enforcement on any company. One of such audit tools is the risk engine tool for identification of tax evaders or non-compliant taxpayers. In Nigeria, companies flagged by such tools are either subject to tax audit or tax investigation in line with its statutory mandate and the provisions of Sections 58 and 60 of the Companies' Income Tax Act (Cap. 21 LFN 2004) and Sections 26 and 27 establishing Federal Inland Revenue Services (Establishment) Act 2007 [5]. In an effort by the FIRS to increase government revenue through taxation, reforms have been put in place by creating the following departments: Process Operations Department (POD), which had five units, including, (i) Information Communication and Technology Unit; (ii) Bank Collection Services Unit; (iii) The Return and Payment Processing Unit; (iv) Tax Refund Processing Unit; and, (v) Procurement and Due Process Unit.

However, these new processes and units faced serious challenges in the light of the existence of fraud syndicates and the absence of a secured electronic system. Yet another department was established. This was the Audit Department, because the new leadership realised that tax audit and investigation were core operational priorities of a modern system of administration. The existing units and processes in the pre-reform era lacked the requisite funding, training, independence and spread to function optimally. The Investigation and Intelligence Division was created at the same time. It was later merged with the Audit Department in February 2006 to take over the operations of the Special Investigation Branch and the Intelligence Branch. The mandate of the new unit includes, (i) investigation of civil and criminal cases and violations of tax laws; (ii) installation of an effective database and efficient intelligence network; (iii) prosecution of violators of the tax laws to serve as deterrence; and, (iv) fostering closer working relationships with other government agencies. Other divisions established included the Values and Doctrines Division - which was built on the whistleblower unit. This unit had earlier been established in August 2005 in the Office of the Executive Chairman of FIRS to serve as a window through which stakeholders and the public

at large could reach the Chairman with reports of corrupt practices involving the FIRS and its staff [6]. Tax Investigation is an inspection of the tax payers business or individual books, records or document in order to ensure the tax payer had reported the correct amount of income and tax that need to be paid in accordance with tax laws and provisions [3, 4].

The tax investigation can be classified in two categories which is civil tax investigation and criminal tax investigation. Civil tax investigation involves the activity of detection of tax evasion. This will lead to the tax payers have the responsibility to recover the tax loss and coupled with heavy penalties. Criminal tax investigations focus on gathering some acceptable evidence that prosecute and belief that the tax evader is offences to the law.

It should be noted that an appropriate designed audit policy may achieve higher level of compliance and higher net revenue for given output and resources expended on audit as well as show desirable effect in a wider economic context.

Statement of the Problem

There is a widespread perception that high levels of corruption, lack of transparency by tax administrators and tax payers have negative impact on the ability of the relevant tax authorities to generate appropriate level of revenue from taxes thereby reducing the tax revenue for government especially in developing countries like Nigeria. Studies have drawn attention to the rate of noncompliance with tax laws concerning both the tax administrators and the tax payers as well. There is a belief that tax administration has not been effective to take care of these loopholes. The existence of these challenges has raised the urgent need on how best to collect tax revenue efficiently and effectively. In the light of the above, tax audit and tax investigation have been introduced to plug in these problems bedevilling tax collection in both developed and developing countries though developing countries are not doing well yet. It is as a result the renewed effort to find out the reason for the discrepancy between tax revenue in developed countries and developing countries that this study is conducted with a view to finding out how tax audit and tax investigation can influence that.

Objectives of the Study

This study aims at achieving the following objectives:

- To investigate why there is higher incidents of tax evasion in developing countries more than developed countries.
- To investigate why tax revenue generation is higher in developed countries more than developing countries.

- To investigate the reason for high level of tax compliance in developed countries as opposed to developing nation.

RESEARCH QUESTIONS

- To what extent does effective tax audit and investigation curb incidents of tax evasion in developed countries?
- To what extent does effective tax audit and investigation in developed countries enhance their tax revenue generation?

Limitations of the Study

- Difficulty in assessing the data required for this study.
- Time constraint considering the short period within which the research was carried out.
- Scarcity of Researched Materials: The researcher was initially faced with the problem of relevant research materials but this was overcome by searching the website and other hard copies far and wide for these literatures.
- Time was a critical constraint given the urgency in which the work was expected to be completed.
- Non-Disclosure of Information: Attitude of Nigerian managers and their constraints to disclose the desired information needed in spite of their academic levels and exposure.
- Psychologically, the researcher was initially stretched beyond the bounds of academic curiosity to provide a suitable research explanation to the study. Despite all these constraints, with perseverance, and strong commitment to the task at hands, the researcher was able to gather adequate data necessary to make deductions and generalization on the study.

Definition of Terms

Company: For the purpose of this study, a company means any corporation established by or under any law in force in Nigeria elsewhere.

Tax Incentives: Tax incentives are relief's granted to tax payers or industries in the form of set-offs from the total income before tax liability is determined. It could be in form of tax holidays or waivers. It is established by legislations or statute authorizing such payment of tax.

Qualifying Capital Expenditure: Is the approval expenditure on specified items or assets of a company as approved by the law.

Allowance Expenses: Expenses made of a few of the allowable deductions in arriving at the taxable profit of the company.

Tax Evasion: This is deliberate attempt by a companies or taxpayers to give false information of his revenue assets for assessment.

Fiscal Sacrifice: Fiscal sacrifice is the difference between total gain from tax incentives scheme and loss from incentives scheme.

Fiscal Policy: This can be explained in terms of government's manipulation of taxes and its expenditure to achieve certain economic objectives.

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

Frank [7] concludes that audit policy can have important effects on production decision by firms. The nature of such effects depends on whether firms compete or collude. Accordingly, an appropriate designed audit policy may not only achieve greater compliance and higher net revenue for given output and resources spend on audit but may also have other effects that would be normally considered desirable in a wider economic context. Yongzhi [8] concluded that this study does find a positive relationship between the audit and the voluntary compliance. The Nigeria tax system has failed in the area of its administration. Personal and company income tax administration in Nigeria today does not measure to the appropriate standard. The self-employed persons earn more than those in paid employment. The self-employed earn four times higher than those in paid employment but the bulk of personal income yield comes from those paid employment whereas those who are self-employed earn most of the money. As a result of inadequacy in monitoring taxes paid, lots of those who are self-employed evade tax. These thus call for the need for a good and standard tax audit and investigation. Tax audit and investigation in Nigeria are terms which embrace a variety of sectors. It simply means the advanced part of auditing practice that involves examination of books of account in order to check if the assessable profit showed by the tax payer is correct [3]. Adediran, Alade & Oshode [3] opined that, tax audit just like financial audit involves the gathering of information and processing it for determining the level of compliance of an organization with tax laws of the territory. For a successful audit, it is necessary that the auditor organizes his work in such a way that the assignment is accomplished completely and efficiently. According to Hornby [9] in Onoja and Iwere [4] tax means money that you have to pay to the government so that it can settle public service. He also defined Audit as "an official examination of business and financial records to see that they are true and correct". The Association of Chartered Certified Accountants (2009) describes tax audit as an exercise which provides assurance to the shareholders and other stakeholders of a company on the financial statements because it is independent and impartial [3, 4]. Adediran, Alade and Oshode [3] in Onoja and Iwerere [4] classified the following as types

of tax audit: Desk (or Office) Audit -This is one which the whole activity of the audit takes place within the confines of the office of the tax officials. In this situation the tax official may simply request the taxpayers to provide some additional documents to his office to enable him clear some issues in the returns submitted. In this type of audit, no official notice is given to the taxpayer of the impending desk audit exercise. He only gets to know when letters are written to him requesting for certain documents or explanations. The essence is to ensure some level of compliance with tax laws, rules and regulations as well as performing the administrative checks on returns submitted. Field Audit: By the nature and scope of their work, regular assessing officers can only carry out limited desk audit through examination of accounts and returns. It is in a bid to check this handicap as well as to improve on tax compliance that tax authorities carry out field audit exercise on taxpayers by physically conducting the exercise in the office of the taxpayer. The taxpayers are however formally notified of the arrival of the auditor prior to the commencement of the audit and the requirements of the auditors in terms of documents to be audited will also be requested for in advance. Field audit involves physical verification of documentary evidence and materials at the premises of a taxpayer so as to confirm the facts and figures of the tax returns filed by corporate taxpayers. The scope or depth of verification depends on the outcome of the desk audit work carried out by the tax auditor as well as the risk factors of the audit exercise. Special attention will normally be paid to those items likely to have high tax yield potentials. The tax audit is normally carried out through the back duty audit.

Back Duty Audit: Back duty audit may be instituted when the following occurs:

- Failure to disclose or include in full any income or earning in the return made available to the tax office.
- Doubtful claim of capital allowance in respect of current or previous year.
- Reduction in the profit in the returns files in tax office
- Where the tax charged or assessed is less than what it ought to be.

The institution of back duty audit on a taxpayer can either be a routine or as a result of the above reason. It is an exercise by the relevant tax authority to ensure that the amount due to the government is duly collected [10].

Issues in Tax Audit and Investigation:

Adediran & Oshode [3] outlined a number of issues in tax Audit and investigation. A modest effort will hereby be made to address some of these contemporary issues related to tax audit and investigation. Some of these are summarized below:

Liability for the result of tax audits

The result of a tax audit is enforced by holding the employer responsible for any tax liability arising from the tax audit of the employees. In a situation where some affected staff (local and expatriates) might have left the country by the time of the audit there is always a debate as to who should be held responsible. This debate is quite unnecessary as the law is clear on who should be held responsible. Section 81 of the Personal Income Tax Acts (PITA) as amended to date recommends that where an employer fails; “to make the deduction or properly account therefore, the amount, together with a penalty of 10% per annum of the amount of interest at the prevailing commercial rate shall be recoverable as a debt due by the employer to the relevant tax authority”. Thus it is the duty of the appointed collection agent or an employer to fully account for what it had deducted, or ought to have deducted, on behalf of the relevant tax authority.

Meaning of Income

Chargeable Income is defined in Section 3 (1) of the PITA as the income of a person from a source inside or outside Nigeria and it includes any gain, profit salary, wages, fee, compensation, bonus, premium and almost all conceivable allowances but excluding some reimbursable expenses and compensation for loss of office. In some cases, only basic salary is included by the employers while other taxable allowances like bonus, appropriate portions of rent and transport allowances and leave pay are wrongly excluded from taxable income. In the oil industry where the compensation package is robust, exclusion of relevant income and allowance has the tendency of gross understating PAYE taxes and remittances to the respective state government. The normal audit approach is to re-compute the taxable income and tax there from with a view to recovering possible underpayments, if the collection agents have previously been computing the taxable income as stipulated by the Act, there would have been no need for elaborate tax audit.

Focal point on Revenue Generation

It is often said that the customer is always right, this is however not the case in the relationship between the tax authority and the taxpayer. This is so because the major aim of tax audit and investigation is not to manage the taxpayer but a focus on generating revenue [11, 4].

Artificial Transactions, Global Income, Expatriates and Deemed Income

Taxable incomes of expatriates in the oil industry are most often grossly understated. This emanates from the fact that the revenue accruing to oil companies are partly received offshore from which expatriates are also partly paid offshore. The part of an expatriate's income paid offshore is always hidden from the tax authorities. This is an illegal practice given that what is taxable in Nigeria as stipulated by Section 3 (1)

of the PITA is the income “from a source inside or outside Nigeria”. In other words, an expatriate is expected to pay tax on his global income here in Nigeria irrespective of how and where the income is received provided the work is performed here in Nigeria. In order to ensure that government is not under charged as a result of this, the tax auditor usually has no choice than to invoke the provision of Section 17(1) of the PITA which states that where a tax authority is of the opinion that any transaction which reduces or would reduce the amount of any tax payable is artificial or fictions, the tax authority may disregard the disposition or direct that such adjustments shall be made as respect as the income of an individual so as to counteract the reduction of liability to tax affected.” This is done by substituting the declared taxable income of the expatriate with reasonable deemed income which in most cases is computed by assigning the naira equivalent of the minimum wage or the average unemployment benefit in the country of origin of the expatriate concerned. This is based on the assumption that no rational expatriate (who might have come from a country more developed than Nigeria) will accept a job that will fetch him less than the minimum wage (or unemployment benefit) in his country in some cases, where the tax auditor has reasons to believe that income of local staff in a company is understated, the concept of deemed income may also be applied. In the oil industry for example, there are many off-payroll benefits paid to local staff, such benefits include furniture grants, dress allowances and housing grants that are not meant to be refunded. All these are always not included in the taxable Income of the employees hence the justification for applying the concept of deemed income in this instance. The application of deemed income is a recent development in tax audit which the private sector detests.

Recovery of debt due to the State Government

One of the recent developments is the sealing-up of business premises so as to recover liabilities or debts due to the State Government (e.g. Edo State) arising from tax audits. The critics of this particular method often claim that such a method is not in line with provisions of Section 96 of the PITA. It should be realized that the section provides that the tax authority may, in the prescribed form, for the purpose of enforcing payment of the tax due detain upon any land, premises, or place in respect of which the taxpayer is the owner. If the defaulter in question is the taxpayer, the most practical way his immovable property can be detained is by sealing it up. In the case that the defaulter is not the taxpayer but his employer who failed to remit government what it has deducted, or refused to deduct that which it ought to have deducted on behalf of the government, the issue is that of debt. This is recoverable “as a debt due by the employer to the relevant authority” as per Section 81 of the PITA. As the Act is silent on how the government should go about recovering such debts, sealing up the premises of

recalcitrant debtor cannot be said to be a contravention of the PITA provisions particularly if it is done after an order from a court of competent jurisdiction.

Reasons for Non Tax Compliance in Nigeria

As observed by Usman [14], there are a number of reasons for non-tax compliance in Nigeria and such include but not limited to inadequacy of sufficient tax facilities for the relevant tax authorities, high-ranking tax evaders are honoured and respected, embezzlement of tax payers fund, multiple taxation and numerous levies et cetera.

Theoretical Framework of Tax Audit and Tax Investigation

Any strategy to prevent tax evasion should begin with the theory of why people cheat on their taxes. Naturally, much of it is unconvincing and ambiguous. Nevertheless, to give an indication of the full range of variables that social scientists have studied in an attempt to answer this question. The Forum on Tax Administration 2004 in Onoja and Iwerere [4] categorized some of the basic theories of tax compliance to include, but not limited to: Economic theories, Psychological theories and Sociological theories.

Economic Theories

Economists approaching the question of why people fail to comply with the law began by constructing a theory based upon the assumption about human behaviour that underlies all economics; namely that individuals generally act rationally in evaluating the cost and benefit of any chosen activity.

Psychological Theories

Many analysts have suggested that the economic model of human behaviour reflects a too simplistic view of human beings and, in the real world of everyday life, is without any predictive value. Like economists, psychologists also tend to explain human behaviour in terms of variables that relate to individuals. However, they tend to model human behaviour in much more complex terms than economists.

Sociological Theories

Sociologists tend to see the cause of variation in human behaviour in the structure of the social system. Thus they explain people’s actions by examining the forces that impinge on the position that they occupy within the system.

Review of Empirical Studies

Adediran, Alade and Oshode [3] in Onoja and Iwerere [4] examined the impact of tax audit and investigations on revenue generation in Nigeria and conclude that Tax audit and investigations can increase the revenue base of the government and can also stamp out the incidents of tax evasion in the country. He

recommended that Tax audit and investigations should be carried out more often and as thorough as possible to accomplish its task of increasing the revenue base and stamping out tax evasion in the country.

Ibrahim, Yusuf and Bello [12] examined the contribution of tax audit and investigation to the sustainable development of the Nigerian economy and concluded that the practicing accountants should uphold the fundamental principles of professional ethics while rendering consultancy services since they often act for taxpayers in their dealing with the relevant tax authority. Afuberoh and Okoye [13] examined the impact of taxation on revenue generation in Nigeria and recommends among others that Well Equipped Data Base (WEDB) on all tax payers should be established by the Federal, State and Local Governments with the aim of identifying all possible sources of income of tax payers for tax purpose however the tax collection processes must be free from corruption.

RESEARCH METHODOLOGY

As a field study and descriptive in nature, this relies on survey analysis of the views of staff members of FIRS, Port Harcourt branch, Rivers State, academia and professional accountants on comparative study of

the role of tax audit and tax investigations in developed and developing, emphasis on Nigeria and United Kingdom). Using questionnaire as a research instrument, the study applied a simple random sampling technique in gathering primary data from the sample drawn from the population. Simple percentages, charts and tables are used in the analyses of data collected via questionnaire.

Presentation and Analyses of the Results of the Test

The analyses of the data obtained from respondents give more attention to the questions relevant to two research questions for the study. These responses to these three research questions were empirically analyzed using table, simple percentages and charts. Based on the experiences of the respondents' subject matter, a total of 48 copies of questionnaires were distributed to the sample firms. The researcher was able to retrieve 48 copies, representing 100%. In view of this, 48 copies were used for the purpose of the analyses.

Research Questions

Research Question 1: To what extent does tax evasion occur in developed countries because of effective tax audit and investigation?

Table 1.0

Nature of response	Scale	Frequency	% Distribution
Great extent	5	0	0
Considerable extent	4	6	12.5
Moderate extent	3	8	16.7
Slight extent	2	10	20.8
Minimal extent	1	24	50
Total		48	100%

From table-1, it can be seen that there is a minimal extent to which tax evasion occurs in developed countries because of effective tax audit and tax investigation processes hence the highest response of 50% level of respondents' confirmation whereas low responses of 12.5%, 16.7%, 20.8% for considerable extent, moderate extent and slight extent responses respectively are low. That is to say that the occurrence of tax evasion is higher in developed countries is minimal because the majority of the respondents are of that view.

The chart above is a representation of the responses of various respondents. The chart in line with the responses of various respondents shows that there is a minimal extent to which tax evasion occurs in developed countries owing to effective tax audit and tax investigation hence the highest response of 50% level of respondents' confirmation whereas low responses of 12.5%, 16.7%, 20.8% for considerable

extent, moderate extent and slight extent responses respectively are low.

Research Question 2: To what extent does effective tax audit and investigation in developed countries enhance their tax revenue generation?

From table 2.0, the response of 52.1% from the distribution is high showing that to a great extent, effective tax audit and investigation exercises help to boost tax revenue generated in developed countries because it enforces compliance to filling of tax returns to the relevant authorities while 10.4%, 18.75%, and 18.75% for considerable extent, moderate extent, and slight extent respectively show low responses. This means that to a great extent, effective tax audit and tax investigation boost the tax revenue generating capacity of developed countries as leakages and noncompliance are curtailed.

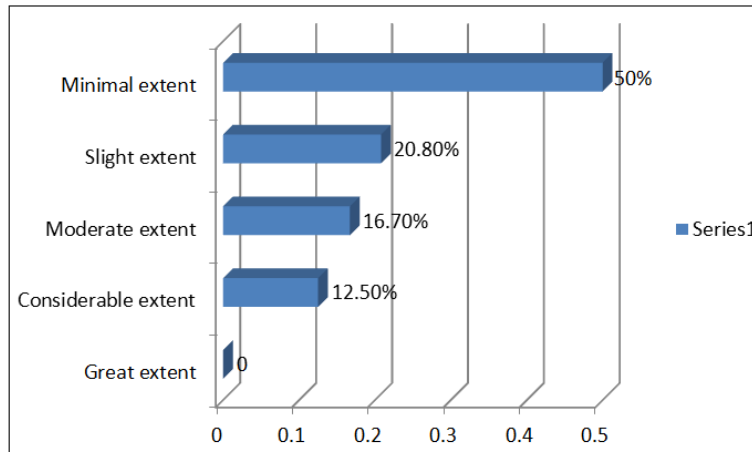


Fig-1: Chart Representation of Respondents Responses to Research Question1
 Source: Author’s Data Analysis in Chart Form (2017)

Table 2.0:

Nature of response	Scale	Frequency	% Distribution
Great extent	5	25	52.1
Considerable extent	4	5	10.4
Moderate extent	3	9	18.75
Slight extent	2	9	18.75
Minimal extent	1	0	0
Total		80	100%

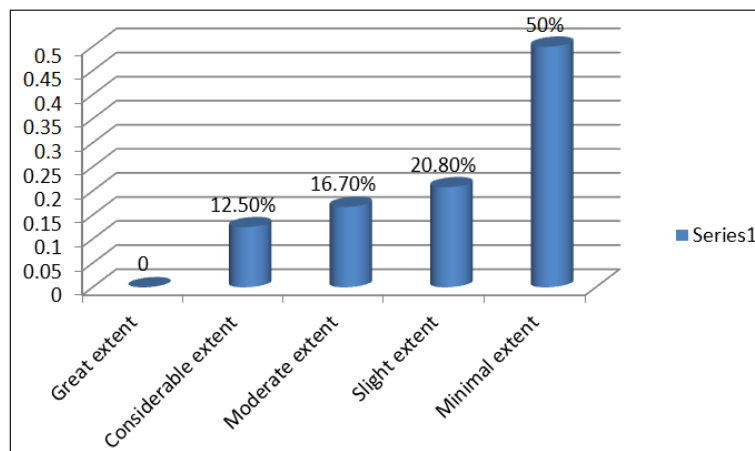


Fig-2: Chart Representation of Respondents Responses to Research Question 2
 Source: Author’s Data Analysis in Chart Form (2017)

The chart above i.e., figure-2 is a depiction of the responses of various respondents. , the response of 52.1% from the distribution is high showing that to a great extent, effective tax audit and investigation exercises help to boost tax revenue generated in developed countries because it enforces compliance to filling of tax returns to the relevant authorities while 10.4%, 18.75%, and 18.75% for considerable extent, moderate extent, and slight extent respectively show low responses. This means that to a great extent, effective tax audit and tax investigation boost the tax revenue generating capacity of developed countries as leakages and noncompliance are curtailed.

RESULTS AND DISCUSSION

From the analyses in table 1.0 and figure 1 above, comparatively, the study concludes that efficient and effective tax audit and investigation as obtainable in developed countries e.g. UK has reduced incidents of tax evasion to a minimal extent by plugging in some leakages and ensuring compliance on the part of the taxpayers. This is in line with the study carried out by Onoja and Iwerere [4]. The study concluded that an increase in tax audit reduces tax fraud in the tax system and an increase in tax audit increases tax base for the government. This is in contrast to what is obtainable in developing countries like Nigeria where tax evasion and

noncompliance is the order of the day because of porous tax administration system together with ineffective tax audit and investigation exercises.

From table 2.0, the response of 52.1% from the distribution is high showing that to a great extent, effective tax audit and investigation exercises help to boost tax revenue generated in developed countries because it prevents to a great extent as well as enforces compliance to filling of tax returns to the relevant authorities while 10.4%, 18.75%, and 18.75% for considerable extent, moderate extent, and slight extent respectively show low responses. This means that to a great extent, effective tax audit and tax investigation boost the tax revenue generating capacity of developed countries as leakages and noncompliance are curtailed

Findings

From the study, it has been ascertained that consequent upon effective and efficient tax audit and investigation in developed countries such as UK, tax evasion has been reduced to a minimal extent and tax compliance is equally very high in developed countries because of efficient tax administration/tax audit and investigation as opposed to developing countries like Nigeria.

It was also discovered that effective and efficient tax audit and investigation in developed countries, to a great extent, has helped such countries generate high tax revenues thus making tax revenue a vital source of revenue to the government.

CONCLUSION

The study therefore concluded that effective tax audit and investigation by relevant tax authorities with the support of relevant tax laws by the government is a veritable tool with which to fight tax evasion.

Again, through effective tax audit and investigation, tax revenue of both developed and developing countries would be boosted thereby increasing the revenue base of the government; reason being that revenue loss through tax evasion would be checked to a great extent.

RECOMMENDATION

The study therefore recommends that efficient and effective tax audit and investigation should be put in place in developing countries to help them fight tax evasion. Similarly, effective and efficient should be sustained in developed countries to maintain the minimal level at which tax evasion is kept presently.

Developing countries should emulate developed countries' effort at putting in place effective tax audit and investigation in order to boost their tax revenue generating capacity.

Again, to ensure voluntary tax compliance to filling of tax liability by taxpayers, adequate tax laws and other effective tax administration mechanism including incentives and meaningful utilization of taxpayers' fund should be ensured.

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