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TAX STRATEGIES AND COMPLIANCE IN SOUTH-WEST NIGERIA

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ABSTRACT

Tax compliance remains a significant challenge in developing economies, where inadequate tax strategies and weak enforcement mechanisms hinder effective revenue generation and economic development. Given the issues, this study aims to examine the impact of tax strategies on tax compliance in South-West Nigeria. Specifically, the study seeks to: assess the effect of tax planning strategies on tax compliance, evaluate the influence of compliance and risk management strategies on tax compliance, investigate the impact of tax avoidance strategies on tax compliance, and determine the moderating effect of regulatory enforcement on the relationship between tax strategies and tax compliance in South-West Nigeria. A cross-sectional survey design was adopted, targeting a population of 159,000 taxpayers and 8,818 SIRS staff with a sample size of 399 and 383 respondents. Data was analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) to establish relationships among the study variables. The findings reveal that tax planning and compliance and risk management strategies positively influence tax compliance, while tax avoidance strategies negatively impact compliance. The study concludes that effective tax planning and robust compliance measures can enhance adherence to tax regulations, with regulatory enforcement playing a crucial role in strengthening compliance efforts. It recommends that tax authorities in South-West Nigeria implement stronger regulatory frameworks, improve taxpayer education, and leverage digital tools to monitor and mitigate tax avoidance practices, thereby fostering a more compliant tax environment.

Keywords: *tax strategies; tax compliance; tax planning; risk management; tax avoidance*

INTRODUCTION

Tax compliance is a universal concern for governments, as it directly affects revenue mobilization and the capacity to deliver public services. Even in developed countries with robust tax infrastructures, achieving full compliance remains a challenge. For instance, the United States Internal Revenue Service (IRS) estimated a gross tax gap of approximately $540 billion between 2017 and 2019, representing taxes owed but unpaid (Alshira'h, 2024). By 2022, the IRS projected that the annual tax gap could exceed $600 billion due to factors such as digital asset transactions, offshore holdings, and evolving business models (Guerra, 2023).

Similarly, in Canada, the Canada Revenue Agency (CRA) estimated a federal tax gap of CAD $22.4 billion in 2018, and recent assessments suggest the gap has widened slightly in subsequent years, as compliance enforcement struggles to keep pace with the digital economy and cross-border activities (Canada Revenue Agency, 2022). In Australia, the Australian Taxation Office (ATO) reported a net tax gap of AUD $33.4 billion for the 2020–2021 fiscal year, representing 6.9% of the total theoretical tax liability (Australian National Audit Office, 2023). Despite leveraging data-matching programs and compliance strategies, tax gaps in both countries persist, highlighting the ongoing difficulties governments face even when equipped with advanced digital systems and enforcement mechanisms.

Tax compliance is the degree to which taxpayers fulfill their tax obligations as required by law, including accurate reporting of income, timely filing of tax returns, full payment of taxes due, and avoidance of tax arrears and penalties (Surugiu et al., 2025). This tax compliance can also be assessed based on both voluntary compliances, where taxpayers willingly adhere to tax rules, and enforced compliance, which involves compliance prompted by audits, penalties, or other enforcement actions (Rahman et al., 2024).

Although developed countries continue to face significant challenges in tax compliance, the situation is even more critical in developing countries, such as Nigeria, which encounter even more pronounced difficulties due to systemic issues, infrastructural gaps, and administrative inefficiencies. As of 2023, Nigeria's tax compliance rate remains one of the lowest in Africa, estimated at 10.8% of GDP, far below the OECD benchmark of over 30% (Okuji, 2023). In comparison, countries like South Africa and Kenya report higher tax-to-GDP ratios at around 27% and 18%, respectively. Other developing African nations, such as Ethiopia and Uganda, also struggle with compliance challenges linked to administrative inefficiencies and low taxpayer trust. For instance, Uganda’s property tax compliance rate in Kampala was just 12%. These figures reflect systemic issues in tax policy enforcement, public awareness, and digital infrastructure, emphasizing the need for reforms to boost voluntary compliance and revenue generation across developing economies (Gebrihet et al., 2023; Barake & Le-Pouhaër, 2024).

Factors such as inadequate tax planning, ineffective compliance risk management, and the prevalence of aggressive tax avoidance strategies continue to hinder the government's ability to collect revenue efficiently (Olasunkanmi et al., 2025). Understanding how these tax strategies affect compliance and the role of regulatory enforcement as a moderator offers insight into building a more sustainable tax system.

Despite ongoing tax reforms and digitalization efforts, Nigeria continues to experience low tax compliance rates. This situation is compounded by challenges inherent in several tax strategies (tax planning strategies, avoidance, compliance risk management, and enforcement mechanisms), each with significant implications for tax behavior (Mahmood, 2012; Olasunkanmi et al., 2025).

Tax planning strategies (TPS) are intended to legally optimize tax obligations; however, in Nigeria, these strategies are often poorly structured or misunderstood. Rather than encouraging compliance, weak or improperly applied tax planning may open the door to aggressive tax reduction schemes, which erode the tax base (Akintoye et al., 2020). Meanwhile, Compliance and risk management strategies (TRMS) are critical for identifying, assessing, and mitigating non-compliance risks (Nandan-Prasad, 2024). Unfortunately, many tax authorities in South-West Nigeria lack the technical capacity and data infrastructure to implement these strategies effectively. As a result, high-risk taxpayers are often unmonitored, allowing tax evasion to flourish unchecked (Adekunle, 2022).

Tax Avoidance Strategies (TAS) involve the exploitation of legal loopholes to minimize tax liabilities. While technically legal, aggressive avoidance tactics blur the lines of ethical compliance (Haryanto, 2023). In Nigeria, the limited scope of enforcement and loopholes in tax laws make it easier for businesses and individuals to engage in avoidance practices without consequences, significantly weakening the culture of compliance (Olasunkanmi et al., 2025). Be that as it may, Regulatory Enforcement (TRE), which should serve as a deterrent to non-compliance, is often undermined by inadequate auditing practices, inconsistent penalties, and weak institutional frameworks. The lack of credible enforcement reduces the perceived risk of detection and punishment, making non-compliance a low-risk behavior for many taxpayers (Ogungbesan, 2023; Akinsola, 2025).

The general objective of this study is to evaluate the impact of tax strategies on tax compliance in South-West Nigeria. Specifically, it aims to: assess the effect of tax planning strategies on tax compliance; evaluate the influence of compliance and risk management strategies on tax compliance; investigate the impact of tax avoidance strategies on tax compliance; and determine the moderating effect of regulatory enforcement on the relationship between tax strategies and tax compliance in South-West, Nigeria. The following hypotheses will be tested:

Ho_1: Tax planning strategies have no significant effect on tax compliance among businesses in South-West Nigeria.

Ho_2: Tax compliance and risk management strategies have no significant effect on tax compliance among businesses in South-West Nigeria.

Ho_3: Tax avoidance strategies negatively impact tax compliance in South-West Nigeria.

Ho_4: Regulatory enforcement does not significantly moderate the relationship between tax strategies and tax compliance among businesses in South-West Nigeria.

LITERATURE REVIEW

Tax strategy has been described from different perspectives, as it is complex in scope. A tax strategy outlines how a company manages its tax obligations, ensuring compliance with laws and regulations while also addressing ethical considerations (Neuman, 2023). According to Akintoye et al. (2020) and Akinsola (2025), tax strategies imply the deliberate and structured approaches adopted by individuals, businesses, and governments to minimize tax liabilities while ensuring compliance with tax laws and regulations. These strategies involve legal planning, regulatory, compliance risk management and decision-making to optimize tax benefits, enhance financial efficiency, and align with organizational or national economic goals (Barake & Le Pouhaër, 2024; Ogungbesan, 2023).

Tax planning involves legal approaches used by individuals and businesses to arrange financial activities in ways that minimize tax liability while complying with tax laws. Tax planning strategies involve the legal arrangement of financial activities to minimize tax liability while complying with tax laws (Akintoye et al., 2020; Kaltuma, 2021). These strategies include utilizing tax incentives, exemptions, and deferrals to optimize tax positions. Effective tax planning enhances organizational efficiency, reduces tax-related risks, and can contribute to improved tax compliance by promoting transparency and foresight in financial management (Adekunle, 2022; Guerra, 2023).

Compliance risk management refers to the systematic identification, assessment, and mitigation of risks associated with non-compliance with tax regulations (Nandan-Prasad, 2024; Mahmood, 2012). It involves internal controls, audits, staff training, and technology use to ensure tax obligations are met. When properly implemented, these strategies help reduce errors, detect fraud, and build a culture of accountability that fosters tax compliance (Farenzena, 2022; Rahman et al., 2024; Surugiu et al., 2025).

Tax avoidance strategies involve legally exploiting the tax code to reduce tax liabilities. Though not illegal, aggressive tax avoidance can raise ethical concerns and trigger regulatory scrutiny (Olasunkanmi et al., 2025; Haryanto, 2023; Hapsari, 2021). Firms often use techniques like income shifting, transfer pricing, or tax shelters. While aimed at reducing tax burdens, these strategies can affect long-term compliance behavior and public perception (Gebrihet et al., 2023; Alshira'h, 2024).

Regulatory enforcement encompasses the mechanisms used by tax authorities to ensure adherence to tax laws. These include audits, penalties, prosecutions, and public awareness efforts (Canadian Revenue Agency, 2022; Australian National Audit Office, 2023). Strong enforcement signals the risk of non-compliance and increases the cost of evasion, thereby encouraging voluntary compliance and fostering trust in the tax administration system (Gebrihet et al., 2023; Alshira'h, 2024).

Tax compliance refers to the extent to which taxpayers fulfill their tax obligations as required by law. It includes timely filing, accurate reporting, and full payment of taxes. High compliance levels are essential for effective revenue generation and governance. Compliance is influenced by taxpayers' attitudes, perceptions of fairness, enforcement intensity, and available planning mechanisms (Alshira'h, 2024; Surugiu et al., 2025; Ogungbesan, 2023).

Theory Integration

This section presents eclectic theories that explain the relationship between tax strategies and tax compliance.

These theories include planned behavior, the economic deterrence model, and the institutional theory.

The Theory of Planned Behavior (TPB), proposed by Ajzen (1991), assumes that individual behavior is a result of rational planning and deliberate intentions. In the context of taxation, the theory posits that an individual's decision to comply with tax obligations is influenced by three key determinants: attitudes toward tax compliance, subjective norms, and perceived behavioral control (Alshira'h, 2024). Attitude refers to the degree to which a taxpayer evaluates tax compliance as favorable or unfavorable. Subjective norms capture perceived social pressures to comply, while perceived behavioral control reflects the ease or difficulty a person feels in fulfilling their tax responsibilities.

When tax strategies such as effective tax planning and awareness campaigns are implemented, they can positively shape taxpayer attitudes and enhance perceived control by simplifying tax processes and reducing ambiguity (Rahman et al., 2024). Moreover, publicizing compliance behavior and penalties can influence societal norms, encouraging others to conform (Gebrihet et al., 2023). Hence, the TPB provides a behavioral lens through which tax compliance can be improved by tailoring strategies that affect personal and social motivations for compliance (Surugiu et al., 2025).

The Economic Deterrence Model, derived from the work of Becker (1968) and later refined in the context of taxation by Allingham and Sandmo in 1972, assumes that individuals are rational agents who weigh the expected costs and benefits of tax evasion before acting (Devos, 2013). In this model, the decision to comply with tax laws is influenced by the probability of detection and the severity of sanctions. If the perceived costs of evasion (e.g., fines, penalties, and audits) outweigh the potential financial benefits, compliance is likely to increase (Rahman et al., 2024). This framework supports the use of compliance risk management strategies, such as enhanced audit techniques, automated monitoring systems, and data analytics, which raise the perceived likelihood of detection (Mahmood, 2012).

Moreover, tax strategies that close loopholes and penalize avoidance behaviors make non-compliance less attractive (Haryanto, 2023). Therefore, the economic deterrence model offers a practical basis for understanding how the design of regulatory and enforcement mechanisms can shape taxpayer behavior and improve overall compliance (Akinsola, 2025).

Institutional Theory, originally rooted in sociology and organizational studies, posits that behavior within an organization or society is largely shaped by established norms, rules, and cultural beliefs (Meyer & Rowan, 1977; Wooten & Hoffman, 2017). In the context of taxation, this theory assumes that compliance is driven not just by individual choices or economic calculations, but by institutional environments including laws, regulatory frameworks, enforcement capacity, and the legitimacy of the tax authority. When tax strategies are aligned with institutional expectations such as transparency, consistency, and fairness, they reinforce societal norms and legitimize the tax system (Adekunle, 2022; Guerra, 2023; Barake & Le Pouhaër, 2024). Effective regulatory enforcement, combined with institutional capacity-building, fosters a culture of compliance where adhering to tax rules becomes the accepted standard (Ogungbesan, 2023; Gebrihet et al., 2023).

In environments where institutions are strong and perceived as fair and efficient, taxpayers are more likely to view compliance as a civic duty. Therefore, Institutional Theory emphasizes the role of systemic, structural, and normative forces in shaping tax compliance behavior, particularly through well-designed, coherent tax policies and governance structures (Olasunkanmi et al., 2025; Okuji, 2023).

Tax Planning Strategies and Compliance

Chyz et al. (2021) found that tax planning (higher tax avoidance and lower tax risk) enhanced tax compliance. Elumilade et al. (2022) examined the effect of corporate tax optimization strategies on tax compliance in Nigeria. The study adopted a case study approach and found that integrating robust compliance mechanisms can be achieved through effective strategic tax planning. Gusti (2023) found that tax planning can have a significant influence on tax revenue. Suhadi et al. (2024) tax planning and tax digitalization on tax compliance. The study used a survey method with 180 respondents and analyzed data using Smart-PLS (Partial Least Squares) for Structural Equation Modelling (SEM). The results showed that tax planning and tax digitalization positively affect tax compliance. Furthermore, tax digitalization acts as a mediator between them.

This research provides further suggestions on how tax planning can improve tax digitalization in their tax compliance. Blazek and Searing (2025) showed that tax Planning can improve Compliance for Tax-Exempt Organizations through rules, guide, and procedures. Ilyas, et al. (2025) analyzed the impact of tax planning on taxpayer compliance. They found that tax planning has a positive impact on taxpayer compliance.

Tax Avoidance Strategies and Compliance

Rabbi and Almutairi (2021) revealed that corporate tax avoidance practices of multinationals enhance the quality of compliance. Similarly, Theresia et al. (2022) examined the effect of tax compliance and tax avoidance on corporate business strategy among firms listed on the Indonesia Stock Exchange. Their study revealed that companies adopting a defender business strategy characterized by efficiency and risk aversion tended to exhibit higher tax compliance while minimizing aggressive tax avoidance. The findings indicate that corporate strategic orientations influence tax compliance behaviors, with more conservative firms demonstrating better compliance.

Compliance Risk Management Strategy and Tax Compliance

Recent empirical research has examined tax compliance from both corporate governance and risk management perspectives, highlighting the role of compliance management systems and financial constraints in shaping tax behavior. For instance, Nanthuru et al. (2018) examined the extent to which risk management practices in Small and Medium Enterprise (SME) taxpayers in Malawi enhance tax compliance. The study collected a sample of 324 SMEs, using Partial Least Squares-Structural Equation Modeling (PLS-SEM) to analyze and test hypotheses. The study showed that risk management has a significant effect on tax compliance. Van-den-Broek (2019) and Chooi (2020) examined tax risk management and the paradox of cooperative compliance. They suggested that a well-designed risk management framework, integrating compliance monitoring and enforcement mechanisms, can significantly improve tax revenue performance.

A similar study by Hassan et al. (2021) investigated whether compliance strategies improve tax compliance in Malaysia, considering factors that contribute to non-compliance, such as tax avoidance and evasion. Their study, conducted during the early months of the COVID-19 pandemic, found that well-designed compliance strategies, including enforcement and incentives, significantly enhance compliance levels among taxpayers, implying that regulatory measures tailored to address specific non-compliance risks can improve overall tax adherence. Meanwhile, Khuong et al. (2020) found that tax avoidance has an insignificant relationship with tax compliance.

Mangoting et al. (2021) investigated the association between tax risk management and tax avoidance among listed manufacturing companies in Indonesia. The secondary data was collected through annual reports of 168 firm years using purposive sampling and was analyzed with OLS regression. The study revealed that tax risk is positively associated with the cash effective tax rate. A different study by Theresia et al. (2022) investigated the influence of compliance strategies on tax compliance behavior. The study indicated that individual taxpayers have a positive perception of compliance strategies provided by the tax authority in Malaysia (refer to the Inland Revenue Board of Malaysia (IRBM)). In addition, the threat of punishment and treatment provided by IRBM and SVDP are significantly proven to have a positive relationship with tax compliance.

Similarly, Sulik-Górecka (2022) investigated tax compliance strategy as an integral component of corporate compliance management systems. The study emphasized that effective compliance frameworks incorporating internal controls, risk assessment, and ethical corporate culture significantly enhance tax compliance. Boateng et al. (2022) conducted a bibliometric analysis of tax risk assessment, financial constraints, and tax compliance. The study found that tax risk assessment mechanisms, when properly implemented, enhance compliance by enabling firms to identify and mitigate potential risks associated with tax obligations. In Indonesia, Anggraeni et al. (2025) examined the impact of the implementation of compliance risk management on tax compliance behavior. The study adopted a qualitative research approach, and data was collected through Focus Group Discussion (FGD). The study's findings showed that compliance risk management impacts tax compliance behavior.

Tax Regulatory Enforcement Mechanisms and Compliance

Rosid and Romadhaniah (2021) investigated the relationship between law enforcement and tax compliance in Indonesia. The study focused on two aspects of law enforcement and audit coverage ratio, and their roles in improving tax compliance. and administered data from all 352 tax offices. The study found that the law enforcement and audit coverage ratio have significant impacts on tax compliance. In Russia, Demin and Efremova (2021) found an insignificant effect of enforcement instruments on tax compliance in Russia. In Nigeria, Olatunbosun (2022) examined the effect of tax enforcement strategy on the tax compliance level of SMEs in Northwestern Nigeria. The findings of the study revealed that tax clearance certificates, tax audits and investigations, tax amnesty, and tax penalties have a significant impact on the tax compliance level of SMEs in Northwestern Nigeria. Contrarily, Ikosimi (2023) examined the relationship between the tax enforcement mechanism and tax compliance using the dimensions of tax penalty, tax audit, tax amnesty, and tax education. The study found that tax enforcement mechanisms have no significant impact on tax compliance.

Adelakun et al. (2024) focused on the role of legal frameworks in shaping tax compliance within the digital economy. Their findings indicated that legal reforms, coupled with enhanced technological tools such as tax regulatory enforcement strategies, can improve tax compliance in the rapidly evolving digital marketplace. Similarly, Pumulo and Yohane (2025) examined the impact of stringent enforcement measures as tax strategy on taxpayer compliance, focusing on the Zambia Revenue Authority (ZRA), and found that stringent tax enforcement measures positively influenced taxpayer compliance, though the overall impact is limited by complex tax laws and insufficient taxpayer education.

Research Gaps

Despite the growing body of literature on tax compliance, several critical research gaps persist. Variable gaps are evident as prior studies (e.g., Chyz et al., 2021; Suhadi et al., 2024; Gusti, 2023) have predominantly examined tax planning, tax avoidance, or compliance risk management strategies independently, rather than exploring their combined or interactive effects on tax compliance. Furthermore, few studies (e.g., Rosid & Romadhaniah, 2023; Olatunbosun, 2022) have examined the moderating role of regulatory enforcement, particularly within a multidimensional framework that integrates diverse tax strategies. The neglect of this moderating variable limits the understanding of how enforcement mechanisms shape strategic tax behavior.

From a theoretical perspective, the dominant reliance on the Economic Deterrence Model in Nigerian tax compliance studies (e.g., Olatunbosun, 2022; Ikosimi, 2023) often downplays behavioral and normative factors. Limited studies have adopted the Theory of Planned Behavior (TPB) (e.g., Theresia et al., 2022), which explains how taxpayers' intentions, attitudes, and perceived control influence compliance. Additionally, the Institutional Theory has been underutilized in capturing how regulatory structures, formal institutions, and administrative practices affect compliance outcomes (Adelakun et al., 2024). Geographically, most studies have focused on urban areas like Lagos, Abuja, or Northern Nigeria (e.g., Pumulo & Yohane, 2025), with scarce attention to South-West Nigeria. This gap hinders the contextual understanding of socio-economic and administrative dynamics affecting tax compliance in this region. A notable methodological gap also exists. While several studies employed regression models and OLS (e.g., Mangoting et al., 2021) or qualitative approaches (e.g., Anggraeni et al., 2025), few have utilized Partial Least Squares Structural Equation Modeling (PLS-SEM), particularly the Basic Algorithm. This study bridges this gap by adopting PLS-SEM to model complex relationships, assess moderation, and provide robust statistical insights into tax compliance behavior in South-West Nigeria

RESEARCH METHOD

This study adopted a cross-sectional survey design to obtain quantitative data from two distinct stakeholder groups within South-West Nigeria: staff of the State Internal Revenue Services (SIRS) and registered taxpayers. The total population consisted of 8,818 SIRS staff within compliance, audit, enforcement, and planning departments, and 159,000 taxpayers. A sample size of 383 was selected for the SIRS staff using Taro Yamane's formula Concurrently, a sample size of 399 was selected for taxpayers. This resulted in a combined sample of 782 respondents, ensuring a balanced representation of tax administrators and taxpayers.

Sample Size Determination for SIRS Staff as follows.

$n = N/(1 + N(e)^2)$,

where n denotes sample size, N (8,818) represents the target population, and e represents a margin of error of 5% (0.05). Therefore, $n = 8{,}818/(1 + 8{,}818(0.0025)) = 8{,}818/23.045 \approx 383$

$n = N/(1 + N(e)^2)$,

$n = 159{,}000/(1+159{,}000(0.05)^2) \approx 399$.

A stratified random sampling technique was employed to ensure proportional representation from various SIRS units and taxpayer categories (e.g., individuals, small, and large businesses). Within each stratum, simple random sampling was applied to select eligible respondents. SIRS staff were selected based on their involvement in tax planning, compliance monitoring, audit, and enforcement functions, while taxpayer respondents were selected based on their registration status and recent filing or payment history with the tax authority. The distribution of sample size was presented in Tables 1 and 2.

Table 1. Distribution of Population and Sample Size by State Internal Revenue Service in South-West Nigeria

State	Staff Population	Proportional Share (%)	Allocated Sample
Lagos	4779	54.2%	4,779×383/8,818 ≈ 208
Ogun	1628	18.5%	1628x383/8,818 ≈ 71
Oyo	1436	16.3%	1436x383/8,818 ≈ 62
Osun	427	4.8%	427x383/8,818 ≈ 19
Ondo	220	2.5%	220x383/8,818 ≈ 10
Ekiti	328	3.7%	328x383/8,818 ≈ 13
Total	8818	100%	383

Source: Author's Compilation (2025) from the Website Database of the IRS of each State.

Table 2. Distribution of Taxpayers and Sample Size by State (Southwest)

State	Taxpayer Population	Proportional Share (%)	Allocated Sample
Lagos	48635	30.59%	48635x399/159000 ≈122
Ogun	33243	20.91%	33243x399/159000 ≈ 83
Oyo	32740	20.59%	32740x399/159000 ≈ 82
Osun	7901	4.97%	7901x399/159000 ≈ 20
Ondo	18970	11.93%	18970x399/159000 ≈ 48
Ekiti	17511	11.01%	17511x399/159000 ≈ 44
Total	159000	100%	399

Source: Author's Compilation (2025) from the database of the Joint Tax Board of each State.

Tables 1 and 2 present the proportional distribution of the total sample size of 782 respondents across the six states in South-West Nigeria, comprising 383 staff members of the State Internal Revenue Services (SIRS) and 399 registered taxpayers. For both groups, the sample sizes were determined using Taro Yamane's formula, ensuring statistically valid representation from the total population of 8,818 SIRS staff and 159,000 taxpayers, respectively. The sample distribution for staff respondents in this study covered all six State Internal Revenue Services (SIRS) within South-West Nigeria. These included the Lagos State Internal Revenue Service (LIRS), Oyo State Internal Revenue Service (OYSIRS), Ogun State Internal Revenue Service (OGIRS), Osun State Internal Revenue Service (OIRS), Ondo State Internal Revenue Service (ODIRS), and the Ekiti State Internal Revenue Service (EKIRS).

In Table 1, Lagos State, which had the highest number of staff (4,779), accounted for approximately 54.2% of the staff sample (208 respondents), while states like Ondo and Ekiti contributed 10 and 13 respondents, respectively, based on their smaller staff populations. Table 2 shows that the taxpayer sample distribution was also proportionally allocated, with Lagos again contributing the largest share (122 respondents or 30.59%), followed by Ogun and Oyo. These proportional allocations ensure that the study's findings are representative of the actual population sizes across the region and support the reliability and generalizability of the results.

Primary data collection was conducted over six weeks using a mixed-mode approach. Questionnaires were physically distributed to SIRS staff through departmental heads at their various headquarters, while taxpayers received survey links electronically via email and WhatsApp. Participants were informed of the study's objectives and assured of the confidentiality and anonymity of their responses via a letter of introduction.

Completed questionnaires on a five-point Likert scale were carefully screened for completeness. Responses with more than 20% missing data were excluded from the final dataset. For cases with minimal missing items (less than 10%), mean substitution was used for missing values within construct scales. This ensured the integrity of the dataset and reduced the risk of bias in the analysis.

Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed as a technique for data analysis due to its suitability for complex models involving multiple latent variables, interaction effects, and smaller to medium sample sizes. PLS-SEM is robust in handling non-normal data distributions and is ideal for both exploratory and predictive modeling. The analysis was conducted using SmartPLS 4, which enabled a comprehensive evaluation of both the measurement model (reliability, validity) and the structural model (hypotheses testing and path analysis).

RESULT AND DISCUSSION

This study presents analysis in table format and graphical representations thereof using the PLS-Basic Algorithm and Bootstrapping.

Descriptive Statistics

This section presents the descriptive statistics of the study variables in Tables 3-7, including Tax Planning Strategies (TPS), Compliance Risk Management Strategies (TRMS), Tax Avoidance Strategies (TAS), Regulatory Enforcement (TRE), and Tax Compliance (TAXC). The statistical measures include mean, standard deviation, skewness, and excess kurtosis. These results offer insights into the central tendencies and distributional characteristics of each construct based on the respondents' evaluations.

Table 3. Descriptive Statistics for Tax Planning Strategies (TPS)

Manifest Variable	Items	Mean	Std. Dev.	Excess Kurtosis	Skewness
TPS-1	Use of available tax reliefs and exemptions to minimize tax liability	4.191	0.719	0.371	-0.657
TPS-2	Strategic timing of income and expenses to optimize tax burden	4.138	0.678	1.622	-0.804
TPS-3	Engagement of tax experts in planning corporate tax obligations	3.926	0.854	1.249	-1.003
TPS-4	Structuring business operations to benefit from tax incentives	3.915	0.883	1.733	-1.149
TPS-5	Keeping updated tax records to aid planning and compliance	4.000	0.729	2.694	-1.003
TPS-6	Continuous review and improvement of tax planning strategies	3.872	0.828	2.400	-1.239

Source: Author's Computation (2025)

Table 4. Descriptive Statistics for Compliance Risk Management Strategies (TRMS)

Manifest Variable	Items	Mean	Std. Dev.	Excess Kurtosis	Skewness
TRMS-1	Regular internal audits to detect non-compliance risks	3.330	1.308	-1.138	-0.403
TRMS-2	Risk assessment procedures for identifying compliance threats	3.394	1.231	-0.835	-0.342
TRMS-3	Implementation of automated compliance monitoring systems	3.479	1.278	-1.025	-0.372
TRMS-4	Allocation of resources for managing tax compliance risks	3.266	1.083	-0.522	-0.245
TRMS-5	Establishment of compliance taskforces or committees	3.266	1.103	-0.796	-0.210
TRMS-6	Periodic training on emerging tax compliance issues	3.287	1.478	-1.402	-0.309

Source: Author's Computation (2025)

Table 5. Descriptive Statistics for Tax Avoidance Strategies (TAS)

Manifest Variable	Items	Mean	Std. Dev.	Excess Kurtosis	Skewness
TAS-1	Use of transfer pricing to shift income to low-tax jurisdictions	3.968	0.893	0.440	-0.757
TAS-2	Taking advantage of tax treaty benefits to reduce withholding tax	3.883	0.742	0.540	-0.601
TAS-3	Setting up offshore accounts or entities for tax minimization	3.872	0.718	2.234	-0.854
TAS-4	Exploiting legal loopholes in tax legislation for advantage	3.883	0.727	2.453	-0.995
TAS-5	Reclassification of transactions to qualify for tax deductions	3.894	0.722	0.891	-0.699
TAS-6	Use of hybrid instruments or entities for tax arbitrage	3.617	0.924	0.614	-0.721

Source: Author’s Computation (2025)

Table 6. Descriptive Statistics for Regulatory Enforcement (TRE)

Manifest Variable	Items	Mean	Std. Dev.	Excess Kurtosis	Skewness
TRE-1	Frequency of tax audits by authorities	3.936	0.998	1.548	-1.241
TRE-2	Penalties imposed for non-compliance are consistently applied	3.660	0.984	1.071	-1.102
TRE-3	Tax laws and enforcement guidelines are clearly communicated	3.606	1.034	0.301	-0.731
TRE-4	Swift prosecution of tax offenses by regulatory bodies	3.851	0.910	0.150	-0.643
TRE-5	Regular taxpayer education and awareness campaigns	3.681	1.122	0.069	-0.807
TRE-6	Deployment of technology to enhance enforcement effectiveness	3.851	0.887	2.960	-1.468

Source: Author’s Computation (2025)

Table 7. Descriptive Statistics for Tax Compliance (TAXC)

Manifest Variable	Items	Mean	Std. Dev.	Excess Kurtosis	Skewness
TAXC-1	Timely filing of tax returns	3.298	1.100	-0.719	-0.472
TAXC-2	Accurate reporting of taxable income	3.904	0.745	1.815	-0.784
TAXC-3	Prompt payment of taxes due	3.840	0.803	1.233	-0.827
TAXC-4	Full disclosure of financial activities to tax authorities	3.755	0.930	1.686	-1.180
TAXC-5	Avoidance of tax arrears and penalties	3.702	0.873	1.566	-1.031
TAXC-6	Proper documentation and record-keeping for tax purposes	3.839	0.752	0.540	-0.647
TAXC-7	Cooperation with tax audits and investigations	3.809	0.829	-0.052	-0.537

Source: Author’s Computation (2025)

Table 3-7 presents the descriptive statistics of various manifest variables related to tax strategies, showing mean values ranging from 3.266 to 4.191, indicating generally positive responses. The descriptive statistics summarize respondents’ perceptions across key tax-related constructs using mean scores derived from 5-point Likert-scale responses. The mean reflects the central tendency of opinions (average responses) on each item, showing the general level of agreement and/or effectiveness. This current analysis helps identify areas of strength and gaps in current tax practices.

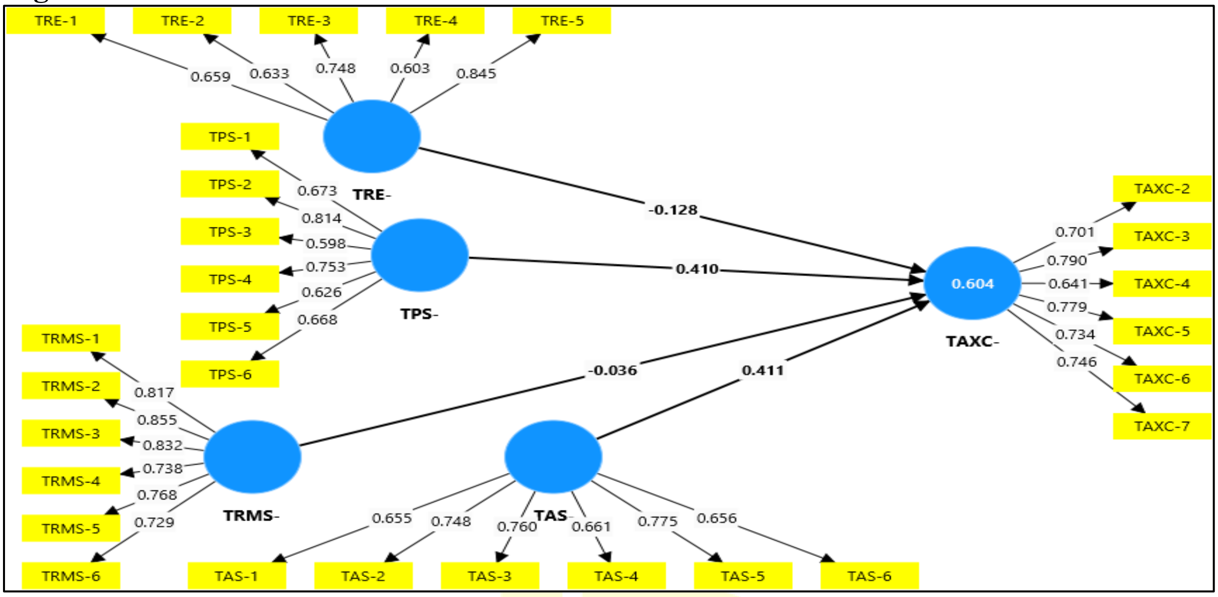
The descriptive statistics across Tables 3 to 7 provide insights into the respondents’ perceptions and practices regarding tax planning, compliance risk management, tax avoidance, regulatory enforcement, and tax compliance. Tax Planning Strategies (TPS) recorded high mean values ranging from 3.872 to 4.191, indicating strong agreement among respondents on the use of tax reliefs, expert engagement, and continuous strategy improvement.

However, negative skewness across all items and moderate excess kurtosis suggest that most responses were above the mean but not heavily peaked. Compliance Risk Management Strategies (TRMS) had relatively lower means (3.266–3.479) and higher standard deviations, reflecting moderate engagement and more dispersed views. Excess kurtosis values were mostly negative, indicating flatter distributions, while skewness remained mildly negative. Tax Avoidance Strategies (TAS) showed moderately high mean scores (3.617–3.968), suggesting notable use of legal tax minimization techniques like transfer pricing and offshore setups. The data was negatively skewed with some leptokurtic distributions (e.g., TAS-3 and TAS-4), showing a clustering of higher responses. Regulatory Enforcement (TRE) variables revealed mean scores from 3.606 to 3.936, suggesting that respondents perceived tax authorities as fairly active, particularly in technology deployment and audit frequency. The distributions were also negatively skewed with some high kurtosis values, implying concentrated responses above the mean.

Lastly, Tax Compliance (TAXC) items had moderate to high means (3.298–3.904), indicating generally favorable compliance behavior. The negative skewness and mixed kurtosis values suggest that while most responses leaned positively, there was variation in the concentration of opinions, particularly around accurate reporting, and timely payments. Overall, the data suggest favorable perceptions of tax strategies, with some dispersion, particularly in TRMS variables.

Measurement Model

Figure 1: Diagrammatic Representation of Measurement Model of Basic PLS Algorithm



Source: SmartPLS4

Table 8. Construct Reliability and Validity, Collinearity, and Model Fitness

Constructs	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	VIF
TPS	0.803	0.808	0.859	1.746
TRMS	0.900	0.857	0.909	1.051
TAS	0.783	0.787	0.845	1.104
TRE	0.746	0.810	0.828	1.691
TAXC	0.828	0.837	0.874	
R-square	R-square Adjusted			
TAXC-	0.604	0.586		

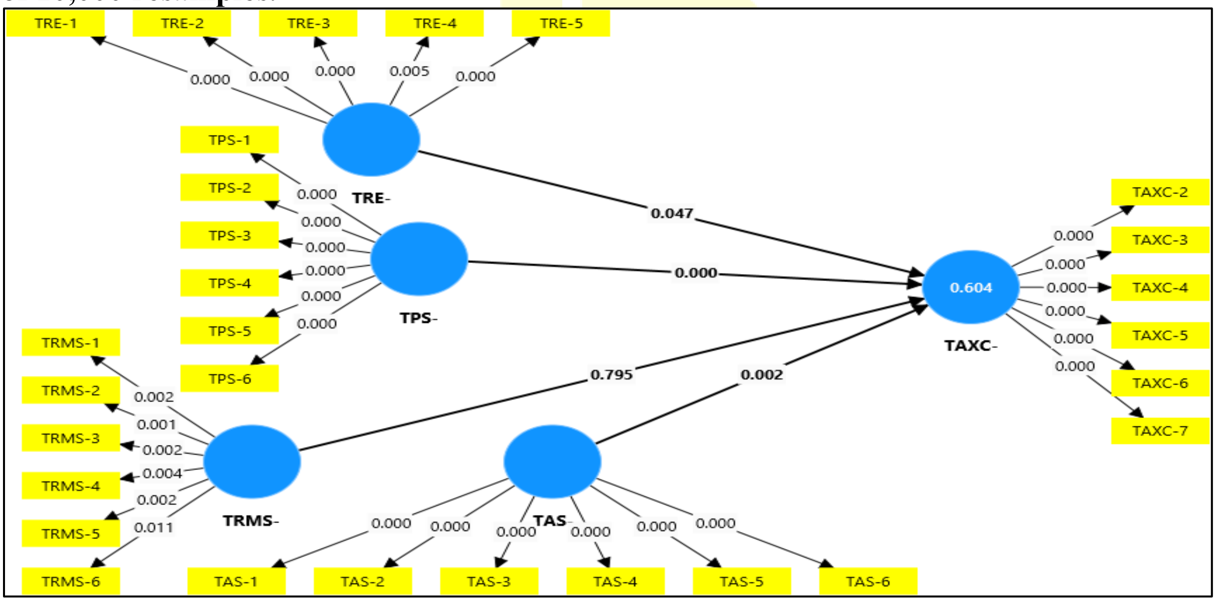
Source: Author's Computation (2025)

The results in Table 8 indicate that all constructs exhibit strong reliability and validity. Cronbach's alpha values range from 0.746 to 0.900, suggesting good internal consistency, with Tax Risk Management Strategies (TRMS) showing the highest reliability (0.900) and Tax Regulatory Enforcement (TRE) the lowest (0.746). Composite reliability (rho_c) values exceed the 0.7 threshold, confirming construct reliability, with TRMS having the highest value (0.909). The Variance Inflation Factor (VIF) values are all below 3.0, indicating no multicollinearity concerns. The R-square value (0.604) suggests that the independent variables explain 60.4% of the variance in tax compliance (TAXC), with an adjusted R-square of 0.586, reflecting a robust model fit. Overall, the constructs demonstrate strong reliability, validity, and minimal collinearity, supporting the study's measurement model.

Figure 1 demonstrates satisfactory discriminant validity using cross-loadings, as each indicator clearly loads highest on its respective construct compared to other constructs. For instance, items like TRMS-2 (0.817), TRE-3 (0.748), and TAXC-4 (0.779) show strong loadings on their designated latent variables, with no evidence of significant cross-loadings on unrelated constructs. All item loadings exceed the acceptable threshold of 0.60, indicating that each construct is measured distinctly without overlapping. This confirms that the measurement model possesses adequate discriminant validity within the PLS-SEM framework.

Structural Model

Figure 2: Diagrammatic Representation of Structural Model of PLS-SEM Bootstrapping of 10,000 resamples.



Source: SmartPLS4

Table 9: Path Coefficient

<table>
<tr><th>Constructs
sample</th><th>Original
mean</th><th>Sample</th><th>Std.Dev
(|O/STDEV|)</th><th>T statistics
(O)</th><th>P values
(M)</th></tr>
<tr><td>TAS- -> TAXC-</td><td>0.411</td><td>0.401</td><td>0.133</td><td>3.076</td><td>0.002</td></tr>
<tr><td>TPS- -> TAXC-</td><td>0.410</td><td>0.419</td><td>0.082</td><td>5.001</td><td>0.000</td></tr>
<tr><td>TRE- -> TAXC-</td><td>-0.128</td><td>-0.123</td><td>0.065</td><td>1.987</td><td>0.047</td></tr>
<tr><td>TRMS- -> TAXC-</td><td>-0.036</td><td>-0.028</td><td>0.140</td><td>0.260</td><td>0.795</td></tr>
</table>

Source: Author's Computation (2025)

The path coefficient results presented in Table 9 provide critical insights into the relationships between tax-related constructs and tax compliance

(TAXC). Using the PLS-SEM Basic Algorithm, this study evaluated the direct effects of tax planning strategies (TPS), tax avoidance strategies (TAS), compliance risk management strategies (TRMS), and regulatory enforcement (TRE) on tax compliance (TAXC). The results revealed that both TPS (β = 0.410, p < 0.001) and TAS (β = 0.411, p = 0.002) had significant positive influences on TAXC, indicating that strategic planning and legal avoidance approaches are associated with higher compliance. Conversely, TRE had a weak but significant negative effect (β = -0.128, p = 0.047), while TRMS showed no significant impact (β = -0.036, p = 0.795). These mixed findings offer theoretical implications grounded in the Theory of Planned Behavior and Institutional Theory, reflecting both supportive and contradictory evidence relative to existing literature.

Effect of Tax Planning Strategies on Tax Compliance

Tax Planning Strategies (TPS) exhibit a strong and significant positive influence on tax compliance, with a path coefficient of 0.410, p-value = 0.000, and T-statistic = 5.001. This suggests that when taxpayers effectively structure their financial activities within the legal framework, it promotes voluntary compliance. This result aligns with the findings of Chyz et al. (2021), Elumilade et al. (2022), Gusti (2023), Suhadi et al. (2024), Blazek and Searing (2025), and Ilyas et al. (2025), who emphasized that efficient tax planning reduces uncertainty and facilitates better compliance behavior. The result is also consistent with the Theory of Planned Behavior, which posits that behavioral intentions, such as proactive planning, can drive compliance-related behaviors.

Influence of Tax Risk Management Strategies on Tax Compliance

Tax Risk Management Strategies (TRMS) reveal an insignificant effect on tax compliance, with a path coefficient of -0.036, p-value = 0.795, and T-statistic = 0.260. This suggests that current risk management efforts are not effectively influencing compliance outcomes. Similar findings were reported by Nanthuru et al. (2018), Van-Den-Broek (2019), Chooi (2020), Hassan et al. (2021), Boateng et al. (2022), Gusti (2023), and Anggraeni et al. (2025), who argued that vague or reactive risk strategies often fail to change taxpayer behavior. This weak link may indicate poor integration of risk controls into organizational compliance cultures. From the lens of Institutional Theory, it may reflect a gap in formal institutional frameworks that fail to enforce or support robust risk governance.

Impact of Tax Avoidance Strategies on Tax Compliance

Interestingly, Tax Avoidance Strategies (TAS) display a positive and significant relationship with tax compliance (path coefficient = 0.411, p-value = 0.002, T-statistic = 3.076). Although tax avoidance is often viewed critically, this result suggests that legally structured avoidance practices can enhance compliance by offering taxpayers legitimate means of minimizing liabilities. This finding indicates the importance of distinguishing between legal tax planning within the boundaries of the law and aggressive tax evasion. In the South-West, Nigeria, where clarity in tax legislation is evolving, the availability and use of legally permissible tax avoidance mechanisms may empower taxpayers to comply more willingly, as they feel in control of their obligations without fear of penalties.

This supports the findings of Theresia et al. (2022), Rabbi and Almutairi (2021), and Mangoting et al. (2021), who argued that when tax avoidance is transparently regulated and grounded in legal provisions, it can serve as a compliance-enhancing tool in the tax system. This behavior is supported by the TPB, where perceived behavioral control, when taxpayers believe, they can legally minimize taxes, increases their compliance intentions. Therefore, refining tax policies by Policymakers would enable them to clearly define acceptable avoidance practices, thereby enhancing trust and voluntary compliance within the tax system. Contrarily, Khuong et al. (2020) argued that tax avoidance, regardless of its legal framing, often undermines the integrity of the tax system and erodes public trust, especially when perceived as benefiting only large or well-advised entities. Their findings revealed an insignificant relationship between tax avoidance and compliance, suggesting that in some contexts, particularly where institutional enforcement is weak or public accountability is low, even legal avoidance strategies may not necessarily promote compliance but instead foster a culture of opportunism and minimal tax morality.

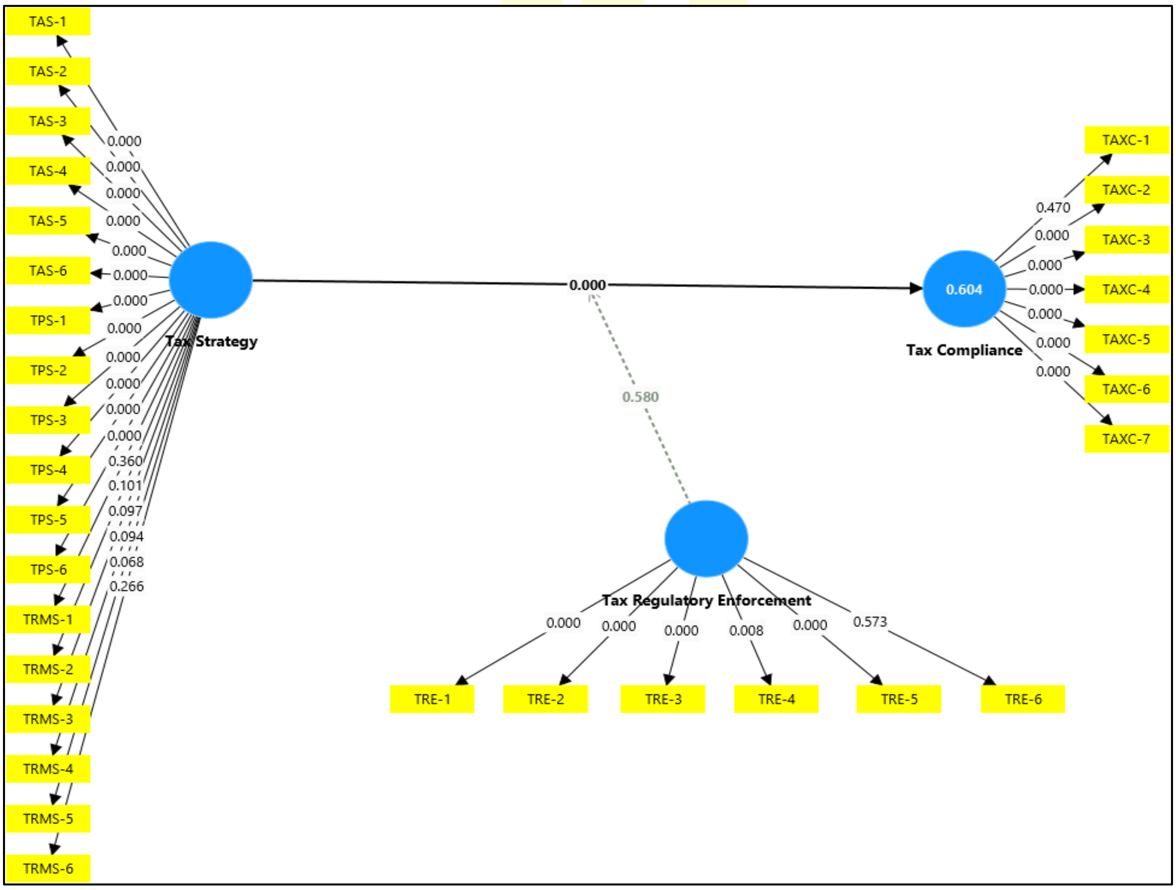
Tax Regulatory Enforcement and Its Moderating Role

Tax Regulatory Enforcement (TRE) shows a weakly significant negative relationship with tax compliance (path coefficient = -0.128, p-value =

0.047, T-statistic = 1.987), suggesting that overly stringent enforcement could reduce compliance. This finding is consistent with Rosid and Romadhaniah (2021), Olatunbosun (2022), Ikosimi (2023), Adelakun et al. (2024), and Pumulo and Yohane (2025), who argue that stringent enforcement measures may provoke resistance, erode trust, and encourage underground tax behaviors. This reflects the Institutional Theory's assertion that legitimacy and fairness in institutional enforcement matter more than severity alone. This finding does not align with the findings of Olatunbosun (2022), who found that regulatory enforcement has no significant effect on tax compliance.

Moderating Analysis

Figure 3: Interaction among Variables



Source: SmartPLS4

Table 10. Path coefficient – Moderating Result

Constructs	β	Sample (M)	Std. dev.	T-statistics	P values
Tax Regulatory Enforcement -> Tax Compliance	-0.142	-0.146	0.061	2.349	0.019

Tax Strategy -> Tax Compliance	0.743	0.758	0.060	12.348	0.000
Tax Regulatory Enforcement x Tax Strategy -> Tax Compliance	0.036	0.038	0.066	0.554	0.580

Source: Author's Computation (2025)

Moderating Effect of Regulatory Enforcement and Tax Compliance

Furthermore, Table 10 presents the moderation analysis where TRE shows a significant negative direct effect (path coefficient = -0.142, T-statistic = 2.349, p-value = 0.019), reinforcing the idea that excessive enforcement might undermine voluntary compliance. Meanwhile, Tax Strategy (TS) independently exerts a strong positive influence on compliance (path coefficient = 0.743, T-statistic = 12.348, p-value = 0.000), underscoring the strategic orientation of taxpayers as a key compliance driver.

However, the interaction effect (TRE × TS) is statistically insignificant (path coefficient = 0.036, T-statistic = 0.554, p-value = 0.580), indicating that tax enforcement does not meaningfully moderate the relationship between tax strategy and compliance. This implies that compliance is better achieved through well-structured strategies than through aggressive enforcement, aligning with findings from Anggraeni et al. (2025) and Adelakun et al. (2024).

CONCLUSION

The findings of this study highlight the significant impact of tax strategies on tax compliance, demonstrating that well-structured tax planning and avoidance strategies enhance compliance levels. While tax regulatory enforcement was found to have a negative effect on tax compliance, suggesting that excessive enforcement measures may create resistance among taxpayers, tax strategies showed a strong positive influence. Additionally, the moderating effect of tax regulatory enforcement on the relationship between tax strategy and compliance was found to be insignificant, indicating that tax strategies operate independently in influencing compliance behavior. Overall, the study underscores the importance of effective tax strategies in fostering voluntary tax compliance rather than relying solely on regulatory enforcement.

Based on the findings from the study, the following recommendations are proposed: Given that tax planning strategies significantly improve tax compliance, tax authorities should encourage and support legal tax planning practices. This includes taxpayer education, simplified tax laws, and incentives for proactive financial structuring within the law.

The insignificance of tax risk management strategies suggests a need to redesign and strengthen these mechanisms. Authorities should integrate risk controls into the overall compliance framework and ensure that risk governance practices are clear, proactive, and embedded in organizational culture.

Given the positive effect of tax avoidance strategies on compliance, regulators should focus on transparency and legal clarity. By delineating acceptable avoidance practices and discouraging aggressive tax evasion, compliance levels may improve. The negative impact of overly strict tax regulatory enforcement indicates the need for a shift from punitive to persuasive enforcement. Emphasis should be on building trust, fairness, and legitimacy, rather than relying solely on sanctions and audits.

The study shows that tax strategy has a stronger effect on compliance than enforcement, and enforcement does not significantly moderate this relationship. Therefore, tax policy should prioritize strategic engagement with taxpayers, providing advisory services, and personalized compliance support.

Governments should strengthen institutional frameworks by enhancing regulatory transparency, reducing ambiguity in tax laws, and improving administrative capacities to better support compliance through strategic and cooperative approaches rather than coercion.

Policy And Social Implications

The findings underscore the need for policies that promote strategic tax planning and reduce over-reliance on punitive enforcement. Governments should encourage transparency and provide incentives for lawful tax avoidance within regulatory boundaries.

Unlike previous studies that primarily emphasize enforcement as the cornerstone of compliance, this study introduces a more strategic and behavioral lens by exploring how lawful tax planning, risk mitigation, and even tax avoidance (within legal boundaries) can positively influence compliance level. The findings of this study offer a novel contribution to policy discourse, suggesting that tax compliance improves when taxpayers perceive fairness, transparency, and flexibility in the tax system. Therefore, policy recommendations arising from this study advocate for a balanced approach: promoting tax planning literacy, incentivizing legal avoidance practices, and enhancing risk-based enforcement rather than blanket punitive measures.

Socially, this study highlights the importance of building a cooperative tax culture, which can lead to improved trust and voluntary compliance. It cautions against excessive reliance on enforcement, which may damage public perception and morale. Furthermore, it emphasizes the need for digital infrastructure, taxpayer education, and ethical governance as enablers of sustainable compliance behavior. Thus, the study's recommendations are not only theoretically grounded but also socially relevant, offering a holistic framework for reform that extends beyond traditional enforcement models and contributes new direction to tax administration practices in developing economies like Nigeria.

Practical Implications

Based on the findings of this study, as suggested that tax authorities should shift focus from aggressive enforcement toward promoting strategic and transparent tax planning practices. Encouraging lawful tax avoidance within regulatory frameworks and enhancing taxpayer education can lead to improved voluntary compliance. Since compliance risk management strategies showed no significant effect and regulatory enforcement had a negative influence, efforts should be redirected toward building trust, simplifying compliance processes, and offering incentives for strategic compliance behavior. This approach not only supports a more cooperative tax environment but also aligns with global trends favoring behavioral and policy-based compliance strategies over coercive methods.

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