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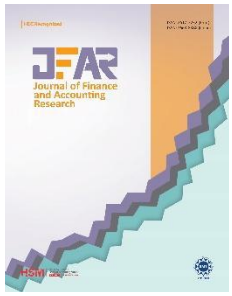

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Effects of Tax Havens and Employee Tax Fraud on Internally Generated Revenue (IGR) in Oyo State, Nigeria

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Abstract

The current study examined the effects of tax fraud on the Internally Generated Revenue (IGR) of the Oyo State Government. The study investigated the impact of tax haven utilization and tax incentives on IGR. Moreover, the study also adopted a quantitative research design and employed a standardized questionnaire as the primary research instrument. The population comprised personnel from the Oyo State Internal Revenue Service. A non-probability purposive sampling technique was employed due to the small population size. The questionnaire comprised two sections, that is, section one focused on respondent characteristics, whereas the other one focused on tax fraud and IGR. Regression analysis was employed as a data analysis technique to test the hypotheses. Moreover, the study also examined the relationship between tax fraud variables, tax haven, and IGR. The findings revealed no significant relationship between tax haven utilization and IGR. Furthermore, a significant positive relationship was established between employee tax fraud and IGR, indicating its adverse impact on revenue generation. Based on findings, it was recommended that the Oyo State Government should implement measures to prevent employee tax fraud including comprehensive training and monitoring of tax officials along with the establishment of a whistle-blower policy. By effectively addressing tax fraud, the government can enhance its IGR and work towards its development objectives.

Keywords: internally generated revenue (IGR), tax fraud, tax haven, tax revenue, whistle-blower policy

JEL Codes: F38, H25, H26

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Introduction

Some groups have shown their support to reform the way a country collects its taxes. Due to its heavy reliance on oil exports, Nigeria's economy is quite susceptible to foreign manipulation which, in turn, has a negative impact on the country's ability to prepare for the future. The current worldwide crisis has highlighted the need to recognise that a nation's overreliance on oil produces avoidable shocks. Resultantly, it is necessary to diversify the resource base and long-term economic path of the country. Oil is a finite resource; however, taxation is the government's sole non-depletable genuine source of resource creation (Yenni et al., 2021).

Most of the world's national economy either emerged or emerging is built on one sort of taxes or the other. Taxes help governments bring in much required funds and also serve to fortify the economy. In economies with a lower level of development, the usage of tax income provides a foundation for financing developmental activities (Yenni et al., 2021). In light of this, different countries throughout the world have formulated distinct fiscal policies which enable them to investigate new taxation options and apply them to their citizens with the goal of increasing income generation in order to stabilise their economies (Adekoya et al., 2020). To address this, an effective framework of base administration and collection calls both a pragmatic and qualitative approach. It is true that tax evasion may bring down even the well-organized administration due to the populace's negative sentiments against paying taxes. Tax evasion and avoidance are serious problems for all nations, however, they have a disproportionate impact on developing and expanding economies, such as Nigeria. Therefore, government's developmental initiatives are hampered (Olaoluwa, 2019).

In Nigeria, some taxpayers comply with their tax obligations, while others evade them. This tremendous tax fraud and avoidance lifestyle costs billions of naira annually (Kiabel & Nwokah, 2009). The Federal Inland Revenue Service (FIRS) Executive Chairman at the time said that (Ogbueghu, 2016), "Nigeria loses $15 billion a year to tax evasion due to large number of tax evaders in the country". Due to the loss of tax revenue, tax evasion has a substantial negative impact on the budget by creating an imbalance and deficit. Tax evasion is a dishonest conduct that costs the government money which it needs to fund infrastructure development, provide goods and services, and maintain government equipment.

Additionally, it presents a serious disadvantage for taxpayers who make complaints. Tax evaders or dishonest taxpayers conceal their income and refuse to pay taxes. Understating revenues or profits and overstating expenses is how this unscrupulous strategy is carried out. The intentional and unlawful misrepresentation of a tax obligation is known as 'tax fraud'.

Subsequently, it is not impossible that there be tax evasion in all of Nigeria's states. Particularly, Oyo State has recorded a high tax income yield over the last two years due to the present acclaim. Since 2019, the State's Internally Generated Revenue (IGR) has increased to N15 billion without increasing the taxes (Alkhatib et al., 2019). Unfortunately, an overemphasis on PAYE has not only burdened the taxpayers under the plan with a massive burden. However, it has also resulted in the loss of potential tax revenues from other sources not covered by PAYE, since most taxpayers have neglected to report alternative sources of income. Most states in Nigeria get the majority of their IGR using the tax system known as Pay-As-You-Earn (PAYE) which is mostly used by government employees (Olaniyi, 2016).

Taxpayers' dissatisfaction with the tax system continues to rise as more and more people learn how to avoid paying their fair share. An anti-tax sentiment is disloyal due to the widely acknowledged function that taxes provide for the economy, as mentioned in Appropriation Act, 2016 of Nigeria. Whether for its own economic growth or as a tool to reduce wealth disparities, taxes are now an integral part of every government's operation.

Moreover, tax havens impede tax revenue collection since they highlight the significance of tax rate in influencing the incidence and prevalence of tax havens in each tax system. This means that tax haven preferences would increase with an increase in tax rates. Due to tax havens offering low tax rates, foreign companies may choose to avoid paying taxes there. This could lower the nation's revenue as a result of the companies structuring their transactions to minimise their taxable profit in high-tax jurisdictions and encouraging others to channel portfolio capital flows through tax haven financial affiliates (Abdulhamid, 2018). Consequently, the current research focused to investigate the impact of tax fraud and havens on Oyo State's IGR. Moreover, it also aimed to determine the effects of tax fraud using the underlying elements of tax haven schemes on the revenue generated internally of the Oyo State Government. Additionally, the study also assessed the impact of employee tax fraud and tax havens on the government's internal revenue.

Literature Review

Concept of Taxation

To finance the operation of necessary services and the development of favourable economic conditions for the general populace, governments across the world impose taxes on their citizens and their possessions (Azubike, 2019). Tax legislation, tax policy, and tax administration all contribute to a well-functioning tax system. Direct and indirect taxes are a part of Nigeria's well-rounded tax system, with separate laws governing each form regarding the taxes and how the federal, state, and local governments administer them. Due to its inequitable structure and reliance on oil money, Nigeria's tax system presents significant hurdles to its use as a macroeconomic regulatory tool (Azubike, 2019). The Nigerian Constitution empowers the federal, state, and local governments the authority to impose taxes, which are then subject to a number of laws and rules. The Companies Income Tax Act (CITA), the Personal Income Tax Act (PITA), and the Value Added Tax (VAT) Act are the primary laws that govern taxation in Nigeria, and Petroleum Profits Tax Act (PPTA) (Adekunle & Disu, 2018). Every company operating in Nigeria is subject to taxation on their profits under the CITA, regardless of whether they are residents or not. Companies that are residents pay 30% of taxes, whereas companies that are not residents pay 20%. The PITA, on the other hand, imposes tax on the income of individuals, including employment income, rent, and interest income, among others. While the PPTA taxes the revenues of businesses engaged in petroleum exploration and production, the VAT taxes the value added to goods and services at every stage of production and distribution (Azubike, 2019).

The Nigerian government has implemented various reforms in recent years to improve tax compliance and to increase revenue generation. These include the deployment of technology-driven tax collection platforms, such as the Integrated Tax Administration System (ITAS) and the Taxpayer Identification Number (TIN) registration system. The government has also introduced tax incentives to encourage compliance, such as the Voluntary Asset and Income Declaration Scheme (VAIDS). It provides a waiver of interest and penalties for taxpayers who voluntarily declare their previously undeclared income and assets (Azubike, 2019). However, despite these efforts, tax compliance in Nigeria remains low, with a large informal sector and a culture of tax evasion.

Internally Generated Revenue (IGR)

IGR refers to wealth which the state earns from a variety of sources including motor vehicle licence fee and taxes (pay as you earn, direct assessment, and capital gain taxes) (Anyafo, 1996). IGRs constitute the source of finance for the government that are primarily produced by the federal, state, and local governments. They contribute to the expansion of the state's overall non-oil income structure (Omodero, 2019). The current issues facing Nigeria's three levels of government include the state governments' diminishing ability to generate revenue and their total reliance on federal allocations, which are skewed more in favour of federal government. Resultantly, the states' annual budget deficits and lack of sufficient funding for projects that would actually generate meaningful growth and viability are the results (Chiamaka et al., 2021).

Forms of Internally Generated Revenue (IGR) at State Governments

Direct taxes are one of the forms of IGR for the government. The petroleum profit tax (PPT), company income tax (CIT), education tax, and personal income tax (PIT) are examples of direct taxes in Nigeria. Taxes may impact the economic growth in five main ways. Firstly, high statutory tax rates on corporate and individual income, high effective capital gains tax rates, and limited depreciation allowances can all work against the investment rate. Secondly, taxes influence the decision to acquire skills, education, and training as well as dissuade people from entering the labour force or skew career choices. Thirdly, by seeking to impose taxes on R&D and venture capital development, tax policy may impede the expansion of productive industries (Omodero et al., 2018).

Another type of IGR is indirect taxes which are levied on transactions regardless of the buyer's or seller's circumstances (Azubike, 2017). These are the taxes that have the ability to be transferred to other people, meaning that the people who pay them to the government do not carry the entire burden; rather, they may transfer it in part or in full to other people (Olurankinse & Oladeji, 2018). One way or another, consumers bear some or all of the cost of indirect taxes, which are imposed on production and sale of goods and services (Calderón et al., 2018). A tax that is transferable from the taxpayer to another party is known as an indirect tax. It can ultimately result in a good's price increase so that customers must pay the tax by purchasing additional goods (Mustafi & Sulbije, 2018).

According to Kassa (2021), the primary internal revenue source for local governments is community tax. It is a poll tax that varies from local council to local council and is paid by every adult male who is of tax paying age. This is a capitations tax, meaning that all adult males, whether they work for themselves or not, are required to pay it. Patterns of economic activity in society are either artisanal or mechanical. Community tax is a capitation tax, that is, a fixed amount paid by every male adult regardless of their income level or employment status. This implies that a person must still pay the tax regardless of whether they are self-employed, unemployed, or participate in the economy differently from the rest of society. The community tax's proceeds are allocated to local government programmes and initiatives. These projects can range from the construction of roads and schools to the provision of basic services, such as waste management and sanitation. The revenue is also used to pay the salaries of local government officials and staff (Mustafi & Sulbije, 2018).

License fees and sales are also forms of IGR. Local governments receive a significant portion of their funding from fees associated with using council land for events including social gatherings in the municipal hall, market spaces, and vendor stalls, truck stops with butchers, broom stores, and booze stores. The usage of council-owned buildings including social halls for meetings, market spaces and vendors, parking lots, slaughterhouses, liquor stores, and wheelbarrows, is subject to these costs. To maximize revenue from fees, local authorities need to ensure that the fees charged must be appropriate to the level of service provided. For instance, fees for the use of municipal halls should reflect the cost of maintenance and administration, while the fees for market stalls should reflect the value of location and the level of demand for the space (Omodero et al., 2018).

Property rates are a type of tax imposed on the property's observable value which restricts the amount of money that can be raised locally from it. Only local governments in metropolitan areas are permitted to use property rates as a source of funding (Alan et al., 2015). A tax imposed on the value of real estate that is owned by a person or an organisation is known as property tax. It is a direct tax, and the tax amount is determined by the property's assessed value. In Nigeria, property tax is primarily collected by urban local governments and is a potential source of revenue for these governments. However, it is limited in its potential as a revenue source since it only applies to urban areas where property values are high and not all local governments have legal authority to collect property tax. The property tax system in Nigeria is not without its challenges, as many property owners are not aware of their tax obligations or the value of their property.

The value-added tax, or VAT, is a levy on consumer expenditure. Similar to sales taxes, VAT ultimately only taxes the final user. It is not the same as sales tax as sales tax is only collected and sent to the government once at the point of sale by the final customer. The federal government collects VAT and then redistributes it to all levels of government, with the local government receiving a portion of this distribution (Alan et al., 2015).

Board of Internal Revenue

The objectives of the Board of Internal Revenue are as follows:

1. to oversee and manage any tax or levy and to administer the Personal Income Tax Decree of 1993
2. create proposals from time to time to increase the state's internal revenue sources
3. identify the sources of revenue available within the state
4. educate public about taxes
5. fairly evaluate all sources of revenue and taxes within the state
6. create and put into place an efficient revenue collection system and uphold all tax laws and revenue collection regulations
7. maintain accurate records and accounts for all taxes and revenue that the board collects
8. ensure the efficiency and maximum collection of all taxes and penalties owed to the government under applicable laws
9. monitor and coordinate the collection of revenue and taxes in the State by all government agencies including ministries, parastatals, and public companies
10. take all actions deemed necessary or expedient for the assessment and collection of taxes and revenue
11. make recommendations, as appropriate, to the Joint Tax Board regarding tax policy, tax reform, tax legislation, tax treaties, and exemptions, as may be required from time to time; and generally,

exercise control over the management of the State's internal revenue service on matters of policy (Onyeka & Nwankwo, 2016).

Law Enforcement and Intention to Commit Tax Fraud

An important part of implementing policies is law enforcement. Everyone is required to abide by any applicable rules or regulations, regardless of background (Putra & Tjaraka, 2020). Law enforcement is a government rule which ensures that taxpayers fulfil their tax duties and administer justice. Law enforcement may also serve as a deterrent to taxpayers who engage in tax fraud (Ngadiman, 2020). The power of tax authorities to compel payment through force of law is also known as law enforcement. Consequently, tax authorities are able to enhance tax compliance (Youde & Seunghoo, 2019). Thus, tax theft by taxpayers decreases as tax authority to execute the law increases.

The presence of provisions in tax laws provides the tax authority with the ability to compel taxpayers to pay their taxes. This is known as coercive power. Additionally, tax authorities have the authority to conduct tax audits and impose sanctions on taxpayers who engage in other forms of tax fraud or who practice unauthorised tax deductions. Consequently, the provisions of tax legislation give tax authorities the authority to increase taxpayer compliance (Youde & Seunghoo, 2019). Consequently, the tax system would not function efficiently (Robert & Karie, 2018). Strict legislation would affect taxpayers' intent to defraud the government.

Intention to Commit Tax Fraud and Tax Fraud

In TPB, an individual's intention conveys their level of willingness to try or effort they intend to put into executing a behaviour (Ajzen, 1991). Therefore, the willingness to put effort to commit tax fraud is indicated by the desire to commit tax fraud (Ajzen, 1991). Therefore, the likelihood of someone committing tax fraud increases when they have a strong purpose to do so.

Prior research has demonstrated that intention has a favourable impact on behaviour. For instance, actual evidence from a study shows that students' intentions have a favourable impact on academic cheating (Wahyuni et al., 2018). This finding implies that academic cheating behaviour increases with a student's intention to commit fraud. Similarly, intentions for tax compliance have a favourable impact on tax compliance conduct (Yasa & Prayudi, 2019). These investigations have demonstrated that an individual's intention drives their actions.

Fraud Triangle Theory

The fraud triangle and fraud diamond theories served as the study's foundations. Donald Cressey, a criminologist, created the fraud triangle in 1953 to look into the reasons behind fraud. This idea confirmed the fundamental reason why people and businesses violate the confidence that has been placed in them. Three factors, that is, pressure, opportunity, and rationalization are taken into account while evaluating fraudulent conduct. These are the things that lead a person or business to commit dishonest and unethical acts. Any number of factors including preferences, addictions, medical expenses, achieving status and reputation, and so forth, might put someone under pressure to commit fraud. An individual's unethical behaviour is a result of their motivational characteristics. Opportunity is the capacity to conduct fraud due to collaboration, loopholes, insufficient internal control mechanisms, and inadequate managerial scrutiny. The belief held by an individual that a fraudulent act is worth the danger is known as rationalisation. It serves as a defence to support deceptive behaviour (Yusof & Ming, 2014).

Capability is the fourth factor in fraud triangle that has been added to the first three. The belief held by an individual that a fraudulent act is worth the danger is known as rationalisation. It serves as a defence to support deceptive behaviour (Yusof & Ming, 2014). The elements, for instance pressure, opportunity, capability, and rationalization combine to form what is known as a fraud diamond. The personal qualities, aptitudes, or positional authority that allow one to perpetrate fraud are referred to as capacity, that is, the capacity to materialise fraud opportunities. The fraudulent diamond surpasses mere fraud (Yusof & Ming, 2014). Opportunity is perceived through the lens of contextual or situational elements. In spite of the other three components of the fraud triangle, it was claimed that fraud cannot be properly concealed unless the perpetrator has the capability (personal attribute and abilities) that determines fraud. Opportunity is the key to unlocking the door to fraud, however, pressure and justification lead people to commit fraud (Yusof & Ming, 2014). On the other hand, someone who engages in fraudulent conduct has the capacity to spot an opportunity and eventually capitalise on it. The relationship between tax pressure and taxpayer behavior is complex, with some taxpayers resorting to avoidance or non-compliance when faced with significant tax burdens. Financial and non-financial variables contribute to this. A variety of sources may cause financial pressure including an unforeseen financial necessity, pressure from one's lifestyle, addictions, such as greed or bad credit, and personal financial losses. A deficient internal control system in the areas of tax administration, tax assessment, and tax payment procedures create the possibility for fraud. The absence of internal controls to identify or stop fraudulent activity, the inability to punish those who commit fraud, information access issues, lack of an audit trail, and ignorance, incompetence, and apathy are some of these. The ability to avoid paying taxes is based on a person's position, personal qualities, and influence. These include influence, corruption, political standing in the community, and tax official collaboration. The rationalisation of tax evasion includes claims that wealthy people pay insufficient taxes that infrastructure is deteriorating, that government services are inefficient and ineffectual. Moreover, it also includes claims that tax monies are embezzled and corrupted, and that wasteful spending occurs of tax money by the government on less critical citizen needs, and occasionally, personal convictions about paying a disproportionate amount of taxes (Nigrini, 2017).

According to Putra and Tjaraka's (2020) assessment, tax law enforcement can improve individual taxpayers' tax compliance behavior. The current study focused on taxpayers in Palangkaraya, Central Kalimantan. One of the study's main issues was whether the taxpayer compliance behavior is strengthened by the relationship between tax awareness and tax law enforcement. Secondly, it also focused in which way does the relationship between tax law enforcement and public faith in tax authorities influence the development of taxpayer compliance? The results indicated that the compliant behavior of taxpayers is positively influenced by both tax awareness and faith in tax authorities. It was evaluated whether the moderation variable related to tax law enforcement encourages taxpayer compliance behavior. The study made recommendations for additional research as well as contributions and implications.

Ellawule (2018) conducted research on the effect of tax evasion on Yobe State's economic expansion. This study aimed to ascertain why tax revenue, that has previously been collected, is not being used to boost the state's economy, in contrast to other states, such as Lagos and Kano. The study's objective was achieved when it was determined that tax evasion had a major impact on the state's economic growth. It was recommended that the state administration improves governance and reduces insurgency within the state, among other things.

Abiola et al. (2017) evaluated tax morale and Nigeria's informal sector. The research investigated the effect of tax morale on Nigeria's informal economy. The results demonstrated a negative link of tax morale -0.05 (i.e., 5%) on the informal sector, indicating that the desire to participate in informal sector decreases with increased tax morale. According to the findings, there is no discernible relationship between the informal sector's size, tax morale, or other indices of tax morale, and sociodemographic characteristics. In order to prevent the informal sector from controlling the economy, the study suggested that Nigeria must start building small-scale industries. These industries would create jobs and help Nigerians focus their efforts on building roads, hospitals, schools, and reliable power supplies.

Methodology

The current study adopted a quantitative research design primarily informed by the positivist philosophy held by Davies and Fisher in 2018. This approach was used to examine the tax fraud and how it impacts Oyo State's IGR. Personnel from Oyo State, Nigeria's Internal Service constituted the study's population. The tax division of the Oyo State Internal Revenue Service employed 350 workers, according to the administrative unit of tax station. The researcher opted to include all the replies since the population size was 350 and is thought to be small. Using the SPSS 26.0 software programme, the researcher produced frequency distribution tables to display the data.

Table 1
Reliability Coefficient of Items Related

Cronbach's Alpha	Number of Items
.952	25

The computed Cronbach's alpha coefficient of 0.952 of the questionnaires is notably high and bears considerable significance at 0.05 significance level. This coefficient reflects a robust level of internal consistency among the variables and statements adopted in the questionnaire. It essentially indicates that these questionnaire items exhibit strong correlations with one another.

The regression formula is as follows, assuming a 5% significance level (0.05).

$Y = f(Xi)$

$IGR_i = f(TH_i, TI_i)$

$IGR_i = \beta_0 + \beta_3 TH_i + \beta_4 TF_i + e_i$

where;

Y_i = dependent variable

f = function

X_i = independent variable

TH = Tax Haven

TF = Tax Fraud

Beta = unknown parameters

e_i = error terms

This analysis presents the study issue context and an explanation by relating the findings with the research objectives and questions.

Results and Discussion

Research Question One: To what extent does tax haven affect the IGR of Oyo State Government?

Table 2

Tax Haven and the Internally Generated Revenue (IGR) of Oyo State Government

S/N	Tax Haven	SD (%)	D (%)	A (%)	SA (%)	Mean	Remark
1.	Hiding interest/gains received in an offshore account by taxpayers to reduce the IGR by the state	11 (3.6)	8 (2.6)	52 (17.0)	234 (76.7)	3.67	Agreed

S/N	Tax Haven	SD (%)	D (%)	A (%)	SA (%)	Mean	Remark
2.	Setting up business residence in a country with low-income tax rate by the taxpayer reduces the amount remitted to the government	11 (3.6)	8 (2.6)	120 (39.3)	166 (54.4)	3.45	Agreed
3.	Absence of effective exchange of information amongst countries had inhibit the tracking of taxpayers to know about their oversee incomes which reduces the amount remitted by the government	11 (3.6)	6 (2.0)	86 (28.2)	202 (66.2)	3.57	Agreed
4.	The declaration of a state/country as a Tax Haven reduces the amount generated by the taxpayers as this would lead to an influx of new business just to take advantage of the tax haven policy	11 (3.6)	6 (2.0)	81 (26.6)	207 (67.9)	3.59	Agreed
	Cumulative mean					3.57	

The distribution of respondents' answers about how far tax havens impact Oyo State Government's internally produced revenue do is displayed in Table 2. The majority of respondents, as evidenced by the mean 3.67, agreed that taxpayers concealing interest or earnings in an offshore account lowers the state's internally produced revenue. Most of the respondents also opined that setting up business residence in a country with low-income tax rate by the taxpayer reduces the amount remitted to the government as indicated by the mean 3.45. The absence of effective exchange of information amongst countries may inhibit the tracking of taxpayers to determine their oversee incomes. It was also agreed by majority of the respondents with a mean value of 3.57 to reduce the amount remitted by the government. Majority of the respondents agreed as indicated with a mean of 3.59 that the declaration of a state/country as a tax haven reduces the amount generated by the taxpayers as this would lead towards an influx of new businesses just to take advantage of the tax haven policy. The cumulative mean of 3.57 indicates that the majority of respondents believed that taxpayers should conceal interest or gains received in an offshore account, establish a business residence in a nation with a low-income tax rate, and declare a state or country as a tax haven to reduce their income and potentially impact the amount they remitted to the government. Additionally, they also believed that there was ineffective information exchange between nations which hindered the tracking of taxpayers' overseas income.

Research Question Two: How does Employee Tax Fraud affect the IGR of Oyo State Government?

Table 3
Employee Tax Fraud and the Internally Generated Revenue (IGR) of Oyo State Government

S/N	Employee Tax Fraud	SD (%)	D (%)	A (%)	SA (%)	Mean	Remark
1.	The declaration of a portion of an employees' remuneration for taxes purpose subjects a state/country to reduce IGR.	11 (3.6)	4 (1.3)	44 (14.4)	246 (80.7)	3.72	Agreed
2.	Having a contract that encourages disguised remuneration by an employer reduces the IGR by a state	11 (3.6)	4 (1.3)	129 (42.3)	161 (52.8)	3.44	Agreed
3.	Having a contract that encourages employers to agree to under tax employees' salary from source reduces the IGR by a state	11 (3.6)	4 (1.3)	78 (25.6)	212 (69.5)	3.61	Agreed

S/N	Employee Tax Fraud	SD (%)	D (%)	A (%)	SA (%)	Mean	Remark
4.	Under the declaration of income received by an employee to the government reduces the IGR by a state	11 (3.6)	4 (1.3)	105 (34.4)	185 (60.7)	3.52	Agreed
	Cumulative mean					3.57	

The distribution of respondents' answers about how much employee tax fraud affects Oyo State Government's internally produced revenue is displayed in Table 3. Most of the respondents agreed that the declaration of a portion of an employees' remuneration for taxes purpose subjects a state/country to reduce IGR and this was shown by the average value of 3.72. Contracts that allow employers to disguise employee compensation or underreport salaries at the source can lead to a significant reduction in Income Gross Revenue (IGR) for the state. Our analysis shows an average decrease of 3.44 to 3.61 in IGR due to these practices. Additionally, the under declaration of income received by an employee to the government reduces the IGR by a state as agreed by most respondents with the mean value of 3.52. Employers who disguise employee compensation or underreport salaries at the source, and employees who under-declare their income to the government, all contribute to a decrease in a state's internally generated revenue (IGR).

H_01: There is no significant relationship between tax haven and IGR of Oyo State Government.

H1: There is a significant relationship between tax haven and IGR of Oyo State Government.

Table 4

Model Summary of Relationship between Tax Haven and Internally Generated Revenue (IGR) of Oyo State Government

R	*R^2*	Adjusted *R^2*	*SE*	Change Statistics					Durbin-Watson
				R^2 Change	*F* Change	*df1*	*df2*	*p*	
.85	.72	.72	1.21	.72	385.46	2	302	.000	1.58

Table 4 shows regression output to test the relationship between tax haven and IGR of the Oyo State Government. R square value of .719

realized is an indication that 71.9% of the variation in tax haven was explained by the variables of low-income tax rate on business and hiding interest gains and the remaining 18.1% is due to other variables that are not included. The result shows that the model is fit, since 0.719 is close to 1.

Table 5

ANOVA Table of the Relationship between Tax Haven and Internally Generated Revenue (IGR) of the Oyo State Government

	Sum of Squares	*df*	Mean Square	*F*	*p*
Regression	1122.35	2	561.17	385.46	.000
Residual	439.66	302	1.46		
Total	1562.01	304			

The relationship between tax havens and the Oyo State Government's IGR is displayed in Table 5. The model is statistically significant, indicating that the independent variable is statistically significant at the 0.05 alpha level to explain the dependent variable, according to the computed F-value of 385.463, which was produced with a corresponding probability value of 0.000. This is because the p-value of 0.000 is less than 0.05, which suggests that there is a substantial association between tax havens and the Oyo State Government's IGR, the null hypotheses are rejected.

Table 6

Coefficients of the Relationship between Hiding Interest Gains and Low-Income Tax Rate on Business with IGR of the Oyo State Government

Model	*B*	*SE*	β	*t*	*p*
(Constant)	3.283	.397		8.276	.000
hiding interest gains	1.724	.122	.533	14.147	.000
low-income tax rate on business	1.312	.119	.416	11.041	.000

Table 6 presents the correlation between low-income tax rate and interest gain concealment for businesses that generate revenue internally for the Oyo State Government. With a *p*-value of 0.000 realised being less than 0.05, table showed a significant association between hidden interest gains and a low business income tax rate and IGR of the Oyo State Government. This suggests that the Oyo State Government's IGR is significantly impacted by both concealing interest gains and a low business income tax rate.

H₀2: There is no significant relationship between Employee Tax Fraud and IGR of Oyo State Government.

H2: There is a significant relationship between Employee Tax Fraud and IGR of Oyo State Government.

Table 7

Regression Output to Test the Relationship between Employee Tax Fraud and Internally Generated Revenue (IGR) of the Oyo State Government

R	R^2	Adjusted R^2	*SE*	Change Statistics					Durbin-Watson
				R^2 Change	*F* Change	*df1*	*df2*	*p*	
.867	.751	.750	1.13381	.751	456.535	2	302	.000	1.914

The model result employed to examine the connection between employee tax fraud and the Oyo State Government's IGR is displayed in Table 7. The realised R square value of.751 indicates that the variables of under-taxing employee wage and under-declaring remuneration accounted for 75.1% of the variation in employee tax fraud, with other variables accounting for the remaining 14.9%. Given that 0.751 is near to 1, the outcome indicates that the model is fit.

Table 8

ANOVA Table of the Relationship between Employee Tax Fraud and Internally Generated Revenue (IGR) of the Oyo State Government

Model	Sum of Squares	*df*	Mean Square	*F*	*p*
Regression	1173.782	2	586.891		
Residual	388.231	302	1.286	456.535	.000
Total	1562.013	304			

The relationship between employee tax fraud and the Oyo State Government's IGR is displayed in Table 8. The model is statistically significant, indicating that the independent variable is statistically significant at the 0.05 alpha level to explain the dependent variable, according to the computed F-value of 456.535, which was produced with a corresponding probability value of 0.000. Given that the p-value of 0.000 is less than 0.05 and suggests a strong correlation between employee tax fraud and the Oyo State Government's IGR, the null hypotheses are rejected.

Table 9

Coefficients Table of the Relationship between Hiding Interest Gains and Low-Income Tax Rate on Business with IGR of the Oyo State Government

Model	*B*	*SE*	β	*t*	*p*
(Constant)	2.746	.382		7.182	.000
Under declaration of remuneration	2.031	.146	.598	13.910	.000
Under taxing employee salary	1.060	.140	.325	7.556	.000

Table 9 presents the correlation between low-income tax rate and interest gain concealment for businesses that generate revenue internally for the Oyo State Government. Given that the p-value of 0.000 realised was less than 0.05, the table showed a significant association between undertaking employee salaries and under declaring remuneration and the Oyo State Government's IGR. This suggests that the Oyo State Government's IGR and under taxing employee salaries and underreporting remuneration have a substantial relationship.

Combined Multiple Regression

There is no meaningful connection between tax avoidance, tax evasion, and tax haven and Employee tax fraud and IGR of Oyo State Government.

Table 10

Model Summary

R	R^2	Adjusted R^2	*SE*	Change Statistics					Durbin Watson
				R^2 Change	*F* Change	*df1*	*df2*	*p*	
.95	.90	.902	.71	.903	698.76	4	300	.00	2.064

Table 10 shows the R squared value of 0.903 determined that employee tax fraud, tax evasion, tax avoidance, and tax havens accounted for 90.3% of the variation in Oyo State Government's IGR. Other variables not included in this model account for the remaining 9.7% of the variation. Given that the R-squared number is close to 1 which denotes that the model is fit, this value suggests that the model is fit.

Table 11
ANOVA

Model	Sum of Squares	*df*	Mean Square	*F*	*p*
Regression	1410.608	4	352.652	698.758	.000
Residual	151.405	300	.505		
Total	1562.013	304			

Table 11 presents the findings about the potential correlation between the Oyo State Government's IGR and tax evasion, tax avoidance, tax havens, and employee tax fraud. The model is statistically significant, indicating that the independent variable is statistically significant at the 0.05 alpha level to explain the dependent variable, according to the computed F-value of 169.866, which was produced with a corresponding probability value of 0.000. The internal income of the Oyo State Government is positively correlated with tax evasion, tax avoidance, tax havens, and employee tax fraud; thus, the null hypotheses are rejected. This is because the p-value of 0.000 is less than 0.05.

Table 12
Relationship between Each Independent Variable and Dependent Variable

Model	*B*	*SE*	β	*t*	*p*
(Constant)	.468	.262		1.787	.075
Tax evasion	.311	.053	.322	5.839	.000
Tax avoidance	-.018	.039	-.020	-.457	.648
Tax haven	.274	.054	.287	5.094	.000
Employee tax fraud	.382	.049	.388	7.818	.000

The effect of each tax fraud variable on the Oyo State Government's internal revenue is displayed in Table 12. Table showed that tax avoidance did not have a significant relationship with the IGR of the Oyo State Government, as indicated by the p-value of 0.648 derived, which was greater than 0.05, and that tax evasion, tax havens, and employee tax fraud did have a significant relationship with the government's internal revenue. This suggests that the internal revenue generated by the Oyo State Government is significantly impacted by tax evasion, tax havens, and employee tax fraud.

The first hypothesis's study showed that the null hypothesis, that is, "There is no significant relationship between tax haven and IGR of Oyo State Government"—was accepted. There is no discernible correlation between tax haven and the Oyo State Government's IGR, according to the p-value of 0.648, which is higher than the alpha threshold of 0.05. Our analysis found a significant relationship between employee tax fraud and Oyo State Government's IGR. The null hypothesis was rejected. There is no significant relationship between employee tax fraud and IGR of Oyo State Government" was rejected. The Oyo State Government's IGR and employee tax fraud are significantly correlated, as indicated by the p-value of 0.00, which is less than the alpha threshold of 0.05.

The current study examined the connection between Oyo State Government's IGR and employee tax theft. The findings demonstrated a strong correlation between Oyo State Government's IGR and employee tax theft. This suggests that employee tax evasion has a detrimental effect on the government's ability to generate income.

Overall, the meticulous design of the questionnaire, based on literature analysis and direct replies from respondents improve the relatability of the conclusions. However, the limitations of the methodology suggest that future research should consider using a combination of primary and secondary data collection methods to enhance the accuracy and completeness of the data collected.

Conclusion

It is crucial for the government to take measures to prevent and reduce employee tax fraud in order to ensure proper revenue generation. This can be achieved through increased monitoring and supervision of tax officials, implementing stronger penalties for fraudulent behaviour, and improving taxpayer education and awareness programs. Additionally, government can also consider adopting modern technology, such as electronic tax filing systems, which may improve tax collection efficiency and reduce opportunities for fraud. Based on findings, the study indicated that in order to encourage citizens to voluntarily comply with their tax obligations, the government should embrace and promote good governance.

Recommendations

In order to combat tax evasion, tax audits ought to be conducted on a regular basis. To minimize inefficiencies and audit delays, taxpayers ought to be carefully profiled and chosen for audits. Given that respondents indicate they do not see an effective use for their tax investment, infrastructure facilities ought to be made available to the whole public without any capacity to exclude them. Additionally, the parties participating in corrupt actions face the worst legal consequences. To guarantee equitable compliance, tax officials must take responsibility for any financial misuse.

Data Availability Statement

The data associated with this study will be provided by the corresponding author upon request.

Conflict of Interest

The authors of the manuscript have no financial or non-financial conflict of interest in the subject matter or materials discussed in this manuscript.

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