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EFFECT OF COERCIVE INSTRUMENTS: EVALUATING TAX ENFORCEMENT STRATEGIES ON CORPORATE COMPLIANCE IN KWARA STATE

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Abstract

This study investigates the efficacy of coercive enforcement strategies specifically penalties, premises sealing, and legal prosecution on corporate tax compliance within Kwara State, Nigeria. Amidst aggressive domestic resource mobilization efforts by the Kwara State Internal Revenue Service (KW-IRS), this research addresses the critical tension between state-backed punitive measures and long-term taxpayer sustainability. Utilizing a quantitative survey design, the study synthesized perspectives from 345 respondents, including tax administrators and corporate taxpayers, and employed multiple regression analysis to assess the impact of enforcement mechanisms. Empirical findings reveal a statistically significant positive relationship between coercive strategies and tax compliance. However, descriptive data exposes a deterrence paradox: while coercive measures, particularly public shaming through premises sealing, effectively induce short-term compliance, they simultaneously foster an adversarial business-government climate. An overwhelming 89.2% of taxpayers reported that these tactics strain their relationship with the state, and 48.3% admitted that aggressive enforcement incentivizes creative tax avoidance. Furthermore, KW-IRS staff identified a frequent culture of penalty negotiation, which undermines the perceived consistency of enforcement. The study concludes that while coercion is an efficacious short-term revenue tool, its over-reliance threatens business survival and erodes voluntary tax morale. Consequently, the study recommends a transition toward a responsive regulatory model that balances aggressive prosecution of chronic defaulters with improved taxpayer education and standardized, automated penalty frameworks to ensure long-term fiscal sustainability.

Keywords: Coercive Enforcement, Corporate Tax Compliance, Kwara State Internal Revenue Service, Deterrence Theory, Tax Administration

1.0 Introduction

Globally, the debate surrounding tax enforcement is dominated by the Deterrence Theory, which posits that taxpayer behavior is primarily influenced by the fear of punishment (Allingham & Sandmo, 1972). In developed economies, advanced digital surveillance and automated information exchange have made tax evasion increasingly difficult, reducing the reliance on aggressive physical enforcement. However, in many jurisdictions, "naming and shaming" policies such as the public publication of tax defaulters' names in countries like the United Kingdom and Australia have been employed as a psychological tool to maintain compliance (Torgler, 2021).

Despite these measures, empirical evidence from the Organization for Economic Cooperation and Development (OECD) suggests a shift toward Responsive Regulation. This framework argues that rigid coercion, while effective in the short term, often triggers a rebound effect, where taxpayers feel alienated from the state and subsequently invest in sophisticated tax avoidance schemes (Ayres & Braithwaite, 1992). The global consensus is increasingly moving toward a "cooperative compliance" model, where the state acts as a partner rather than an adversary, as excessive coercion has been shown to erode the tax morale essential for voluntary compliance (Alm, 2019).

In the developed economy, when tax evasion or non-tax compliance data are taken into consideration, it is estimated that the tax revenue loss due to tax evasion exceeds 860 billion Euro in European Union (EU) in the year of 2009 (Murphy, 2012). Moreover, the estimated loss due to tax evasion for the period of five years after 2008 was 21 billion dollars in United States of America (USA), 30 billion dollars in Russia, 30 million dollars in Greece and approximately 21 billion dollars in England per year (Hauptman, et. al., 2024).

Several past studies (Matthias & Alm, 2021; Irawan and Utama, 2021; Oladele et al. 2021; Adebowale and Dada, 2022; Wahyudin, 2022) have been conducted on tax audit and tax compliance. For instance in Zimbabwe, the research findings showed that those working in informal sector do not find the need of paying tax whereas it is the largest and growing component in the Zimbabwean economy and this leads to the revenue loss (Irawan & Utama, 2019). Several Asian studies revealed that Asian and Latin American countries and some of sub-Saharan African countries still mobilize less than 17% of their GDP in tax revenues hence making it difficult to finance public projects (Zhang, 2019).

In the African context, tax enforcement is significantly more complex due to the prevalence of large informal sectors and systemic institutional trust deficits. Tax administrations in developing economies often face a "compliance trap": the urgent need for domestic resource mobilization clashes with the low administrative capacity of the state (Fjeldstad et al., 2020). Research across Sub-Saharan Africa, notably in countries like Ghana and Kenya, has demonstrated that while physical coercive measures (such as the closure of business premises) generate immediate, headline-grabbing revenue, they often damage the investment climate. According to Bird (2015), African revenue authorities often rely on coercion because they lack the high-quality taxpayer databases required for "soft" compliance. Consequently, enforcement is often perceived as arbitrary or politically motivated, leading to widespread resistance. This "trust gap" is the central issue in African tax administration where the state uses power (coercion) to compensate for a lack of trust, which in turn further diminishes the taxpayers' willingness to contribute (Kirchler et al., 2008).

In Nigeria, the quest for revenue at the sub-national level has intensified as states strive to reduce dependence on federal allocations from the Federation Account. State Internal Revenue Services (SIRS), including the Kwara State Internal Revenue Service (KWIRS), have increasingly adopted aggressive strategies to enforce compliance among corporate entities. These strategies, which include the "sealing" of premises and the use of enforcement units to compel payment, are frequently justified as a "last resort" to ensure tax liabilities are met (Fauvelle-Aymar, 2016).

Theories such as the deterrence theory amongst others, emphasizes the role of punitive measures and coercive instruments such as stringent audits, penalties, and legal sanctions in compelling taxpayers to fulfill their obligations (Allingham & Sandmo, 1972; Devos, 2014). In the context of corporate entities, these coercive strategies are often balanced against persuasive instruments, like tax education, to optimize revenue generation (Alm et al., 2012). Corporate tax compliance remains a critical focal point for tax administrators because corporate entities typically account for a significant proportion of internally generated revenue in developing economies (Alabede, 2016). Therefore, there is the need for further studies to examine the impact of coercion on improving taxpayer compliance, within the context of the Nigeria economy, specifically isolating how corporate bodies react to the threat and execution of coercive state powers.

Despite the modernization efforts of the Kwara State Internal Revenue Service (KW-IRS), persistent gaps in administrative oversight remain. These gaps are characterized by an over-reliance on coercive enforcement measures at the expense of technical efficiency. Furthermore, the lack of a standardized blueprint for technological leapfrogging has resulted in fragmented digital adoption, making it difficult to track high-net-worth individuals and informal sector activities. As of 2026, the cost of collection in many Nigerian states remains prohibitively high

While persuasive strategies have been widely advocated, the recalcitrant nature of some corporate entities necessitates the deployment of coercive instruments. However, the over-application or misapplication of such coercive strategies like aggressive tax audits, arbitrary assessments, and hefty penalties can stifle business growth, encourage capital flight, and inadvertently force businesses into the shadow economy (Fagbemi,et al., 2010; Sanni, 2012). Despite the transition of the Kwara State Internal Revenue Service (KW-IRS) to a more robust tax administration model, empirical evidence regarding the precise deterrent effect of its coercive enforcement strategies on corporate entities remains sparse (Fasanya & Odudu, 2020). Previous literature has heavily focused on individual income tax compliance, leaving a lacuna in the evaluation of how corporate entities in Kwara State react to stringent enforcement

While the use of coercive enforcement is statistically linked to revenue spikes, it remains unclear whether these strategies are sustainable or if they are undermining the state's "Ease of Doing Business" reputation. The current reliance on "stick-based" enforcement raises a critical question: does the coercive model actually foster tax compliance, or does it merely force a temporary, transactional agreement that breeds long-term resentment and tax avoidance? This study bridges the gap between global theory and local reality by empirically testing the efficacy of these strategies, providing a critical assessment of whether Kwara State's enforcement model is achieving its goals or simply creating an adversarial tax culture

Research Objectives

The main objective of this study is to investigate the effectiveness of the coercive enforcement strategies on corporate taxpayer compliance at the Kwara State Internal Revenue Service (KW-IRS). The specific objectives were to:

i. Evaluate the effect of penalties and fines on tax compliance at the Kwara State Internal Revenue Service.

ii. Examine the impact of sealing of business premises on tax compliance at the Kwara State Internal Revenue Service.

iii. Analyze the impact of litigation and prosecution on tax compliance at the Kwara State Internal Revenue Service.

2.0 Literature Review

2.1 Conceptual Review

2.1.1 Tax Enforcement Strategy

Tax enforcement is a situation whereby an individual or taxpayer does not voluntary complies with the discharge of his tax obligation; therefore, such person is being coerced with force to do so (Lawal, et al., 2024). Tax enforcement is achieved by function of penalty and detection, and enforced based on assumed power of authorities to pursue and bring to book the tax offenders or evaders, while voluntary compliance is based on individual willingness to respect and exhibit trust in government or tax authorities (Irawan & Utama, 2021). In the modern context, enforcement is viewed as a coercive instrument within the Slippery Slope framework, which distinguishes between power-based compliance (power of tax authorities) and trust-based compliance (trust in tax authorities) (Kirchler et al., 2008)

Tax enforced strategy refers to actions achieved where taxpayers comply with relevant tax laws only by force or coercion from perceived higher power or authority (Matthias & Alm, 2022). This is achieved through the deterrence effect of audits and fines by the tax authorities. This occurred where taxpayers complied with tax payments based on fear of audits and imposition of fines with forces, when there is no alternative to tax compliance (Oladele, et al., 2022). Coercive instruments represent the extreme end of the tax enforcement spectrum, utilizing state-backed punitive actions to compel recalcitrant corporate entities into submission (Alabede, 2016). In Kwara State, the deployment of coercive instruments by the Kwara State Internal Revenue Service (KW-IRS) often manifests as the physical sealing of business premises, aggressive field audits, the deployment of law enforcement agents for tax debt recovery the freezing of corporate bank accounts through ex-parte court orders, and the public naming and shaming of defaulting corporation sanctions which directly threaten corporate reputation and operational continuity (Fasanya & Odudu, 2020).

The Nigerian legal framework provided several instruments for enforcement which have been significantly expanded under the 2025 Nigeria Tax Administration Act (NTAA). Notable measures include: litigation, exercise of power of search and seizure, exercise of power to lay distress, denial of Tax Clearance Certificate (TCC), imposition of penalty and interest, authority to the Attorney-General of the Federation (AGF), to deduct un-remitted withholding tax from funds due to relevant agencies of government and authority to the Nigeria Customs Service (NCS), to refuse clearance to any defaulting shipping company (Oyedokun et al., 2022; Oladele et al., 2021; Akinadewo, et al., 2023; Lawal et al., 2024).

There are some administrative measures for tax enforcement purposes. The most prominent of these is the Special Investigation (Compliance) Branch, which deals with suspected cases of tax fraud and serious non-compliance (Bugaje, et al., 2023). The offenses dealt with include failure to file returns, non-disclosure or non-declaration of income, false or incorrect claims and similar offences (Part XIII, CITA). The police, as well as the Office of the Attorney-General (OAG), are also involved in tax enforcement. Other criminal tax offences such as conversion or diversion of drafts or other financial instruments for payment of tax, forgery of tax receipts, embezzlement, bribery and corruption and other fraudulent Acts are handled by the police or the Economic and Financial Crimes Commission (EFCC), as the case may be (Ellawule, et al., 2024). While these tools are highly effective in recovering short-term revenue and sending a strong deterrence signal to the corporate community, their long-term impact on corporate sustainability and voluntary compliance remains a subject of intense academic debate, as over-reliance on coercion can foster an adversarial relationship between the government and businesses (Neneman, 2019; Fasanya & Odudu, 2020).

2.1.2 Tax Compliance

Corporate tax compliance specifically entails the strict adherence of corporate entities to tax laws, which involves accurately computing corporate income tax, the timely remittance of Value Added Tax (VAT) and Withholding Tax (WHT) collected on behalf of the government, and the transparent disclosure of all taxable corporate activities without engaging in aggressive tax avoidance or evasion schemes (Okwuru & Sanni, 2021; Tawfik & Elmaasrawy, 2024). Corporate non-compliance is often highly sophisticated, with companies utilizing elaborate tax avoidance schemes, transfer pricing manipulation, and aggressive tax planning to shield profits. This sophisticated evasion capability necessitates the deployment of equally robust and occasionally coercive enforcement strategies by tax authorities to ensure that corporate entities contribute their fair quota to state development (Sanni, 2012; Alabede, 2016). Tax compliance can be in form of voluntary compliance or by enforcement (tax authorities influence) (Fadhilah & Tarmidi, 2023).

The voluntary compliance is achieved by taxpayers willingness to comply with the relevant tax laws without any form of harassment or pressure from the tax authority (. The taxpayer does not need to be coerced or forced into paying taxes and he does not see tax payment as a burden to him, rather he sees it as a duty he or she owe to the government (Abdu & Adem, 2023; Akinadewo et al., 2023). Voluntary compliance is a crucial determinant in tax administration, significantly contributing to greater tax revenue, however, the primary driver of voluntary tax compliance is trust, thereby, when taxpayers perceive the government as accountable and transparent, it enhances their trust in the government (Zhang, 2019). This trust, in turn, plays an instrumental role in fostering the behavioral morals that lead to voluntary tax compliance. In the corporate sector, fostering this trust often yields better long-term compliance yields than constant coercion, as businesses are more likely to comply when they perceive the tax system to be fair, equitable, and properly utilized for infrastructure that benefits the business environment (Slemrod, 2019).

Coerced enforcement compliance on the other hand is the use of penalty, fines, litigation and any other means to force taxpayers to pay (Tawfik & Elmaasrawy, 2024). The enforced compliance is based on assumed power of authorities to pursue and bring to book the tax offenders or evaders. The enforced compliance is the focus of this study.

2.2 Theoretical Framework

2.2.1 Deterrence Theory (Gary Becker, 1968)

Deterrence theory by Gary S. Becker (1968) and later adapted specifically to taxation by Allingham and Sandmo (1972), posits that individuals are deterred from engaging in non-compliant behavior (such as tax evasion) by the fear of detection and the severity of penalties. This theory is widely used in the context of tax enforcement to justify audits, fines, and penalties as methods to increase compliance by increasing the perceived risk and cost of non-compliance. It provides a clear rationale for enforcement mechanisms and has empirical support showing that higher penalties and audit rates can reduce tax evasion.

In relation to the variables of this study, Deterrence Theory directly anchors the independent variables of Tax Enforcement Strategy. According to the foundational economic model of tax evasion derived from Beckers work, corporate entities act as rational economic maximizers; they continuously evaluate the utility of tax evasion by weighing the financial benefits of retaining undeclared tax liabilities against two primary factors: the probability of being caught and the magnitude of the ensuing punishment (Allingham & Sandmo, 1972; Becker 1968; Fagbemi, et al., 2010).

The Tax Enforcement Strategy, specifically the deployment of coercive instruments such as statutory penalties, freezing of corporate accounts, and the physical sealing of business premises operationalizes the severity of punishment. For corporate entities, the cost of non-compliance is not merely the financial penalty, but the catastrophic operational disruption and reputational damage caused by coercive state action (Ocheni, 2015). Therefore, the use of coercive instruments, measured through the Penalty and Interest Enforcement Rate and Distress and Seizure Execution, creates a direct economic deterrent (Lawal et al., 2024).

However, an over-reliance on punishment can lead to negative perceptions of the tax authority and may not to address the underlying motivations for non-compliance. Scholars such as Braithwaite (2009) and Tyler (2006) have argued that a pure deterrence approach is insufficient, emphasizing that compliance is more sustainably achieved through positive incentives, moral appeals, and the fostering of institutional legitimacy (Braithwaite, 2009; Tyler, 2006).

2.2.2 The Theory of Planned Behavior (TPB) (Ajzen, 1991):

TPB by Icek Ajzen (1985) posits that an individuals behavior is driven by their intention to perform the behavior, which is influenced by attitudes toward the behavior, subjective norms, and perceived behavioral control. This theory is relevant to tax compliance as it incorporates a broad range of factors, including personal attitudes towards taxes, perceived social pressure to comply, and the perceived ease or difficulty of complying with tax obligations. It provides a comprehensive framework for understanding the multifaceted nature of tax compliance, incorporating both internal and external factors. The threat of Coercive Instruments shapes a negative attitude toward evasion by associating it with severe financial and operational loss (Smart, 2012). However, it can be complex to implement and measure all components accurately. Critics like Sheeran (2002) and Taylor and Todd (1995) argued that it may not fully account for spontaneous behaviors or the influence of habitual actions. In the corporate environment, where tax decisions are highly structural rather than spontaneous, TPB remains a highly effective lens for evaluating how tax education reduces the reliance on purely coercive enforcement strategies. TPB adds a psychological layer, suggesting that enforcement affects Perceived Behavioral Control. If an SME owner perceives that the KW-IRS has the legal and administrative Power to seize assets or prosecute, their control over evading taxes is diminished, thereby increasing their intention to comply. This theory argues that enforcement changes the Perceived Behavioral Control (PBC). When the KW-IRS conducts visible enforcement sweeps, it sends a signal that the state has the capacity to detect and punish. This reduces the taxpayers perceived freedom to evade.

2.3 Empirical Review

2.3.1 Evidence from Developed Countries

In developed economies, the literature emphasizes that while coercive instruments are effective, their utility is significantly maximized when paired with information transparency and high-quality audit design. Kim and Lee (2020) examined the impact of severe financial sanctions on multinational corporations and found that while coercive power increases filing compliance, it often triggers avoidance-seeking behaviors, where firms increase investments in tax planning to circumvent the very laws being enforced. This is supported by Bruce-Twum (2023), who demonstrate that coercive strategies, when applied without the balance of procedural justice, lead to a perception of an antagonistic tax climate. Their study revealed that while firms comply to avoid the cost of punishment, their long-term voluntary tax morale diminishes, which can eventually lead to higher costs of administration for the tax authority due to the need for persistent, ongoing enforcement. Furthermore, findings by Slemrod (2019) suggest that for large corporate entities, threat of public naming and shaming (a non-financial coercive instrument) is often more effective than standard monetary penalties, as it threatens the firms most valuable intangible asset: its reputation

Advani et al. (2023) and Hebous et al. (2023) provide compelling evidence from the UK and Norway that audits induce a deterrence effect that lasts up to five years post-audit. Importantly, Advani et al. (2023) demonstrate that this effect is driven by the audit process itself specifically the correction of misreporting rather than merely the punitive monetary outcome. This suggests that for corporations, the process of being audited is a powerful coercive instrument in its own right.

2.3.2 Evidence from Emerging Economies

The narrative in developing economies often highlights a tension between the need for aggressive enforcement and the systemic obstacles (corruption, lack of infrastructure, and complex regulations) that hinder effectiveness. Usman et al. (2024) and Fadhilah and Tarmidi (2023) confirm that in Pakistan and Indonesia, enforcement (audits and penalties) significantly boosts compliance, but Usman et al. (2024) specifically note that the severity of tax penalties serves as the strongest coercive deterrent against corporate evasion. Their structural equation modeling revealed that firms in developing markets are less responsive to soft educational strategies and significantly more responsive to the immediate financial and operational threat of penalties.

However, Melliniawati and Mulyono (2023) caution that the effectiveness of these enforcement tools is highly conditional on organizational readiness. In their Jakarta-based study, they found that even with sophisticated tools, lack of auditor personnel, poor information system integration, and inadequate training significantly blunted the potential impact of audits. This highlights a critical synthesis point: coercive instruments are only as effective as the administrative capacity to execute them; without efficient back-end support, the coercive nature of tax enforcement may become performative rather than impactful (Abdu & Adem, 2023).

Similarly, Offinso et al. (2024) examined small retail firms in Ghana and found that the enforcement of tax penalties specifically the physical application of fines was the most significant factor in reducing evasion. They argue that in environments with high informality, the visibility of enforcement (such as the actual collection of a penalty) is a stronger compliance driver than the theoretical threat of future prosecution. Conversely, Irawan and Utama (2021) provide a critical counter-perspective from Indonesia, showing that in environments where corruption is perceived to be high, the coercive power of the tax authority can actually backfire. Their panel data analysis revealed that when firms perceive that coercive enforcement is applied arbitrarily or to facilitate corrupt gains, the impact on compliance becomes insignificant or even negative, as firms opt to bribe tax officials rather than remit taxes.

2.3.3 Evidence from Nigerian Reality

The Nigerian empirical literature consistently identifies a positive relationship between tax audit practices and revenue generation, yet it also highlights the double-edged sword of enforcement. Studies by Ellawule et al. (2024), Bugaje et al. (2023), and Akinadewo et al. (2023)), who focused on the effectiveness of enforcement instruments like distress and seizure actions (the actual sealing of corporate premises). Their findings demonstrate that for Nigerian MSMEs, the immediate operational disruption caused by the temporary sealing of business premises is a powerful coercive tool that forces immediate tax settlement in Southwest and Northern Nigeria. This is consistent with the findings of Oyedokun et al. (2024), who tested the impact of back-duty enforcement (the retroactive collection of un-remitted taxes). They concluded that the states willingness to exert its statutory power to recover past-due liabilities not only generated immediate revenue but served as a demonstration effect that coerced other businesses in the same sector into compliance.

However, a nuanced view emerges regarding the intensity of these strategies. Lawal et al. (2024**)** argue that while stricter policies enhance revenue, excessively high audit penalties can be counterproductive, once penalty rates exceed a certain threshold, the corporate response shifts from compliance to operational exit or reclassification as informal, effectively removing the firm from the tax net. Oyedokun et al. (2022) reinforce this by utilizing Expectancy Theory to suggest that enforcement must be coupled with the perception of good governance. Synthesizing these Nigerian findings, it is clear that while audit-based enforcement is a potent tool for increasing government income (Ajetunmobi et al., 2022; Adebowale & Dada, 2022), its long-term success is anchored in the fairness and credibility of the enforcement process. When enforcement is perceived as arbitrary, it undermines the very compliance it seeks to enforce; conversely, when it is perceived as a transparent exercise of tax administration, it significantly diminishes tax evasion (Oyedokun et al., 2022).

3.0 **Methodology**

3.1 Research Design

This study adopts quantitative survey research design to empirically examine the effectiveness of coercive instruments on corporate tax compliance in Kwara State from the perspectives of two separate respondents. This design is selected for its ability to systematically capture the professional perceptions and experiences of tax administrators who are directly involved in the deployment of enforcement strategies on the one hand and the taxpayers (SMEs), who feels the impact of the coercive strategies on the other hand.

3.2 Sample Size

The sample size 345 comprises of respondents from both the demand and supply sides. 160 representing the Demand side representing staff members of the Kwara State Internal Revenue Service (KW-IRS) which includes those in the Audit, Enforcement, and Compliance departments while 185 from the supply side representing taxpayers. The respondents were selected using a simple random sampling technique to ensure every element had an equal chance of selection.

3.3 Data Collection and Analysis

The principal instrument was a well-structured questionnaire based on a 5-point

Likert scale (5=Strongly Agree to 1=Strongly Disagree). The instruments validity was established through expert review by specialists in public finance and taxation, ensuring that each item accurately reflects the construct of coercive enforcement. Reliability was tested using the Cronbach Alpha coefficient, ensuring that the survey items produce stable and consistent internal scores. The analytical approach integrates Descriptive Statistics which involves Frequencies, means, and percentages are used to summarize the demographic characteristics of the respondents and the raw trends in enforcement and Inferential Statistics, using Multiple Regression Analysis to test the study's hypotheses. This allows for the determination of the strength and significance of the relationship between each coercive instrument and the level of corporate tax compliance in Kwara State. This robust statistical testing ensures that the findings are both reliable and generalized to the broader corporate fiscal environment of the state via SPSS version 24.

3.4 Model Specification

To evaluate the impact of coercive enforcement on corporate compliance, the study employs the following econometric model:

$CTC = \beta_0 + \beta_1 PAF + \beta_2 SBP + \beta_3 LAP + \epsilon$

Where:

CTC: Corporate Tax Compliance (Dependent Variable).

PAF: Penalty and Fines (Independent Variable).

SBP: Sealing Business Premises (Independent Variable).

LAP: Litigation and Prosecution (Independent Variable).

β_1 = Coefficient for enforcement (expected to be positive)

d$^{\varepsilon}$ = Error term

4.0 Data Analysis and Results

4.1 Demographic Characteristics of Respondents

The respondent profile reflects a young and active business environment in Kwara State, with 28.1% of business owners aged 26–35 and 29.7% of businesses operating in the Services sector.

Table 1 Annual Turnover of Respondents

Annual Turnover	**Frequency**	**Percentage**
Less than N1 million	28	15.1%
N1 million - N10 million	62	33.5%
N10 million - N50 million	45	24.3%
N50 million - N100 million	29	15.7%
Over N100 million	21	11.4%
Total	**185**	**100%**

Source: Authors Computation, 2026

The 2025 reforms exempt small companies with turnover below 100 million from CIT which covers about 90% of the sample in this study, however, they are not exempted from deducting and remitting Personal Income Tax (PIT) of their staff in line with the tax provisions

4.2 Descriptive Results

4.2.1: Descriptive Results: Tax Authority staff Perceptions of the use of Coercive Enforcement

Table 2: Response of tax Authority on the use of Coercive Enforcement

	Statement	SA	A	N	D	SD
	Corporate taxpayers frequently attempt to negotiate or compromise penalties rather than paying the full statutory fine	28%	54%	18%	0%	0%
	The revenue service has automated systems that track and automatically compound fines for late filings	22%	42%	5%	20%	11%
	The current financial weight of penalties is high enough to deter corporate tax evasion	23%	32%	11%	22%	12%
	The enforcement unit encounters physical resistance or legal injunctions when attempting to seal corporate premises	47%	31%	12%	10%	0%
	Sealing a business immediately forces the management of that company to initiate a payment plan within 48 hours	17%	10%	12%	30%	31%
	Sealing business premises is used only as a last resort when regular reminders fail	66%	32%	1%	0%	0%
	The closure of a business premises is the most effective coercive tool for recovering outstanding tax liabilities	38%	28%	7%	17%	10%
	Legal prosecution is actively pursued against chronic corporate tax defaulters in Kwara State.	74%	26%	0%	0%	0%
	The threat of criminal prosecution or jail time is a stronger deterrent than financial penalties alone.	42%	19%	10%	17%	12%
	Inadequate security, lack of operational vehicles, or political interference significantly limits our ability to deploy these coercive tools.	3%	9%	23%	28%	37%
	Over-reliance on coercive instruments damages the Ease of Doing Business reputation of Kwara State.	25%	21%	19%	22%	13%

Source: Authors Computation, 2026

The descriptive results from KWIRS staff in Table 2 reveal that a near-unanimous 98% (66% SA + 32% A) of staff claim that sealing premises is only used as a last resort. Conversely, only 27% of staff agrees that sealing immediately forces management to initiate a payment plan. This strongly suggests that while the tool is intended as a final measure, it is often ineffective at achieving the desired result (rapid payment), despite being viewed by 66% as an effective recovery tool.

The data highlights a significant challenge for the revenue authority as enforcement is not absolute. A massive 82% of staff admits that corporate taxpayers frequently attempt to negotiate or compromise penalties. This indicates that the coercive strategy is not a hard rule but rather a starting point for a bargaining process. This undermines the deterrent effect, as taxpayers likely view penalties as flexible rather than fixed, which encourage non-compliance in the hope of later settling for a reduced amount. Unlike the sealing of premises, legal prosecution appears to be the most cohesive and standardized tool in the KWIRS arsenal. 100% of staff (74% SA + 26% A) agree that legal prosecution is actively pursued against chronic defaulters, however, 61% of staff believe the threat of jail time/criminal prosecution is a stronger deterrent than financial penalties alone. This suggests that for KWIRS staff, the future of effective enforcement lies in the courtroom, not the storefront.

Staff perceives their organization as operationally strong, but they are divided on the long-term cost of their methods. Contrary to what one might expect in many public sectors, 65% of staff disagree that they are limited by inadequate security, lack of vehicles, or political interference. They clearly believe they have the capacity to enforce the law. The staff is split regarding the Ease of Doing Business in Kwara State: 46% agree that coercive instruments damage the states reputation, while 35% disagree. This indicates an internal acknowledgment that the current hard-line approach comes at a cost to the states economic attractiveness.

4.2.2: Descriptive Results: Taxpayer Perceptions of Coercive Enforcement

Table 3 presents the descriptive statistics regarding taxpayer perceptions of coercive tax enforcement strategies. The findings reveal a complex dichotomy between the perceived efficacy of deterrence and the negative externalities associated with aggressive revenue collection.

Table 3: Taxpayer Perceptions of Coercive Enforcement

Statement	SA	A	N	D	SD
Strict enforcement encourages compliance	21.6 %	35.1 %	18.9 %	16.2 %	8.1 %
Facing penalties has altered my filing	13.5 %	18.9 %	10.8 %	32.4 %	24.4 %
Strict tax enforcement strategies encourage your business to comply with tax regulations?	21.6 %	35.1 %	18.9 %	16.2 %	8.1 %
The existing penalties and fines for tax defaults are too severe for businesses in the state to comfortably absorb, threatening our business survival	43.4 %	36.1 %	8.9%	4.2%	7.4 %
The fear of being publicly shamed through a sealed banner affects our corporate compliance more than the actual tax amount owed.	39.7 %	34.9 %	15.7 %	8.9%	0.8 %
We believe that the state government lacks the capacity or political will to prosecute every tax-evading firm.	31.2 %	27.4 %	1.1%	22.6 %	17.7 %
Aggressive tax enforcement tactics make us actively seek aggressive tax avoidance strategies	26.7 %	21.6 %	6.7%	21.4 %	23.6 %
Excessive use of coercive tactics (sealing, heavy fines) by the revenue service strains the relationship between the government and businesses.	54.6 %	34.6 %	2.5%	4.7%	3.4 %
	Yes, multiple times	Yes, once	No, never	Not sure	
Has your business faced any penalties or legal actions due to non-compliance with tax regulations?	13.5 %	18.9 %	56.8 %	10.8 %	

Source: Authors Computation, 2026

The data in Table 3 demonstrates that coercive strategies rely heavily on psychological deterrence. A notable majority of respondents (56.7% total agreement) believe that strict enforcement encourages compliance. This is further reinforced by the finding that 74.6% of respondents identify the sealed banner, a form of public shaming, as a stronger deterrent than the actual tax liability. This suggests that for the sampled taxpayers, reputational capital is a more potent motivator than financial cost.

Table 3 also reveals that despite the apparent success of these measures in driving compliance, the results indicate severe potential consequences for the business-government relationship. A significant 89.2% of respondents reported that current coercive tactics strain their relationship with the state, while 79.5% of businesses identified that the severity of these penalties threatens their operational survival. This indicates that the current enforcement regime may be undermining the voluntary compliance foundations of the tax system.

Furthermore, perhaps most critically, the findings in Table 3 point to a potential rebound effect. While 56.7% of respondents believe in the efficacy of strict enforcement, 48.3% admitted that these same aggressive tactics lead them to actively seek out tax avoidance strategies. Furthermore, the credibility of the revenue service is challenged by the perception that enforcement is inconsistent, with 58.6% of taxpayers suggesting that the government lacks the political will to prosecute all evaders equally. This perceived inconsistency may foster an environment where taxpayers feel encouraged to gamble on non-compliance rather than adhere to the law.

4.3. Synthesis of Divergent Perspectives

Comparing the perspectives of taxpayers and the Kwara State Internal Revenue Service (KWIRS) reveals a compliance gap characterized by a misalignment in expectations.

4.3.1 The Negotiation Paradox

While KWIRS staff report that penalty negotiation is a frequent occurrence (82%), taxpayers express that aggressive enforcement tactics leave them no choice but to seek aggressive avoidance strategies (48.3%). This suggests that the current enforcement mechanism may be creating a cycle where businesses avoid, get caught, and then negotiate, rather than complying voluntarily.

4.3.2. The Sealing Contradiction

Staff view the sealing of premises as a precise last resort (98%), whereas taxpayers perceive it as a source of intense psychological distress. The data shows that while this tool creates high fear among taxpayers, staff report that it is often ineffective at ensuring immediate payment, suggesting that the tool serves more as a punitive measure than a revenue-recovery catalyst.

4.4 Inferential Statistics

The regression model indicates that enforcement strategy is a statistically significant predictor of compliance.

Table 4: Regression Model Summary

Model	R	R-Square	Adjusted R-Square	Std. Error
1	.895	.801	.800	.6309

Source: Authors Computation, 2026

The regression model in Table 4 explains 80.1% of the variance in tax compliance (R^2 = 0.801), indicating that coercive enforcement is a dominant predictor of tax behavior in the state. The coefficient (beta = 0.200) is statistically significant ($p < 0.001$), confirming that the application of coercive measures is an efficacious, albeit aggressive, tool for driving revenue recovery

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Table 5: Coefficient

Predictor	Unstandardized β	t-value	Sig. (p)
(Constant)	0.021	0.318	0.750
Enforcement (TENF)	0.200	6.213	0.000

Source: Authors Computation, 2026

In Table 5, the result (β =0.200, $p< 0.001$) indicates that for every unit increase in the effectiveness of enforcement, compliance improves by 0.2 units.

4.4 Discussion of Findings

The regression analysis provides empirical support for the efficacy of coercive enforcement strategies. The model achieved a high explanatory power, with anR^2 of0.801, confirming that80.1% of the variation in tax compliance can be attributed to the enforcement mechanisms deployed by the revenue service ($p < 0.001$).

While the inferential statistics prove that coercive enforcement is highly effective at driving compliance (as shown in the significant beta = 0.200 and p = 0.000), the descriptive data from Tables 1 and 2 reveal the nature of this compliance. It is compliance by coercion rather than voluntary compliance. This explains the highR^2: taxpayers are indeed complying because of the enforcement, but our earlier findings suggest this comes at the cost of strained business-government relationships and an increase in aggressive avoidance strategies among those who cannot pay. The data indicates that KWIRS has achieved a high level of compliance through coercion-led enforcement. While this is statistically effective in the short term, the high prevalence of penalty negotiations and the taxpayer-reported rebound effect (where aggressive tactics trigger avoidance) suggest that the current enforcement regime may have reached a point of diminishing returns. Future policy should aim to balance the proven effectiveness of legal prosecution which staff identify as a strong deterrent with a shift toward taxpayer education to reduce the reliance on premises-sealing, which appears to be a high-friction, low-yield tool in the long term. Thus, while the strategy is statistically efficacious, it may be socially and economically *costly* in the long term. The finding that enforcement significantly influences compliance aligns with the Deterrence Theory applied by Lawal, Igbekoyi, and Dagunduro (2024) and Ellawule et al. (2024).

5.0 Conclusion and Recommendations

5.1 Conclusion

The study set out to evaluate the efficacy of coercive enforcement strategies on tax compliance within Kwara State. The findings present a clear duality: coercive strategies are statistically efficacious but socially and economically costly. The empirical evidence derived from the regression model confirms that coercive enforcement is a significant predictor of tax compliance, accounting for80.1% of the variance in behavior. This proves that, from a purely administrative standpoint, the use of audits, penalties, and the sealing of premises successfully drives compliance by leveraging the taxpayers fear of reputational damage and financial loss.

However, the descriptive analysis reveals a critical flaw in this approach: the compliance-by-fear model is eroding the tax morale of the business community. With89.2% of taxpayers reporting strained relationships with the state and48.3% actively seeking aggressive tax avoidance in response to enforcement, the strategy appears to be hitting a point of diminishing returns. While the revenue service effectively uses legal prosecution as a deterrent, the frequent negotiation of penalties and the resistance to premises-sealing suggest that the coercive framework is currently perceived as inconsistent and transactional, rather than a universal standard.

5.2 Recommendations

Based on the synthesized results, the following recommendations are proposed to enhance the sustainability of tax administration in Kwara State:

i. Transition to a Responsive Regulatory Model: The revenue service should move away from a one-size-fits-all coercive approach. For compliant businesses, the focus should shift to service-oriented tax administration, reserving aggressive enforcement (sealing/prosecution) strictly for chronic, deliberate evaders. This will help mitigate the89.2% relationship strain reported by taxpayers.

ii. Standardize Penalty Application to Reduce Negotiation: The high frequency of penalty negotiation (82% of staff reports) undermines the deterrent effect of enforcement. KWIRS should implement a clear, automated, and non-negotiable penalty framework for late filings, supported by digital systems, to ensure that taxpayers perceive penalties as mandatory rather than a starting point for bargaining.

iii. Prioritize Public Awareness Over Public Shaming: While the sealed banner is an effective deterrent, it carries a high risk to the states Ease of Doing Business reputation. The government should invest more in public enlightenment campaigns that highlight the benefits of tax compliance such as infrastructure development to foster voluntary compliance, which is more sustainable than forced compliance.

iv. Capacity Building for Legal Enforcement: Since staff identify legal prosecution as a stronger deterrent than financial penalties, the revenue service should strengthen its legal and compliance unit. Ensuring that prosecution is swift, fair, and transparent will build institutional credibility and deter evaders more effectively than the temporary disruption of business operations.

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