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## TAX CONSULTANTS, COMPLIANCE, AND ADMINISTRATIVE EFFICIENCY: EVIDENCE FROM LAGOS STATE INTERNAL REVENUE SERVICE

**Abdul-Hakeem Oluwole Shuaib<sup>1</sup>, Salaudeen Ibrahim<sup>2</sup>, Abdullahi Taiwo Abdurashed<sup>3</sup>,  
Muhammed Basiru Mustapha<sup>4</sup>, & Mudathir Akanni Babatunde<sup>5</sup>**

<sup>1,2,3 &4</sup>Department of Accounting and Finance, Faculty of Management and Social Sciences, Kwara State University, Maletе, Nigeria

<sup>5</sup>Department of Accountancy, Osun State Polytechnic, Iree, Osun State.

<sup>1</sup>+2348106546400: [shuaibhakeem@gmail.com](mailto:shuaibhakeem@gmail.com)

<sup>2</sup>+2348037017053: [ibsaldeen@gmail.com](mailto:ibsaldeen@gmail.com)

<sup>3</sup>+2348023949506: [abdurashed\\_t2000@yahoo.com](mailto:abdurashed_t2000@yahoo.com)

<sup>4</sup>+2348036612527: [asagunna1000@gmail.com](mailto:asagunna1000@gmail.com)

<sup>5</sup>+2347061007887: [mudathir1432@yahoo.com](mailto:mudathir1432@yahoo.com)

### Abstract

*The ability of sub-national governments to fund public infrastructure and social welfare is fundamentally linked to their internal revenue generation capacity. In the context of Nigeria's fiscal landscape, the Lagos State Internal Revenue Service (LIRS) faces the dual challenge of meeting ambitious revenue targets while navigating an increasingly complex tax environment. This study investigates the impact of tax consultants on revenue generation within Lagos State, focusing on their influence on tax compliance and administrative efficiency. Utilizing a mixed-methods research design, the study collected data from 234 LIRS staff members and 50 registered tax consultants, supplemented by an analysis of financial trends from 2015 to 2024. Statistical analysis, including multiple regression and correlation models, reveals a strong positive relationship between the presence of tax consultants and levels of voluntary tax compliance. However, the study identifies a significant performance gap regarding administrative efficiency; their involvement has a marginal, statistically insignificant impact on streamlining internal assessment processes and reducing audit timelines at the LIRS. These findings highlight a behavioral-operational dichotomy: consultants act as effective conduits for compliance but face structural resistance within existing administrative workflows. The research concludes that the LIRS must move toward a collaborative regulatory framework to bridge this gap. Key recommendations include the deployment of a centralized digital portal for consultant-authority interaction, and the adoption of alternative dispute resolution mechanisms to optimize audit efficiency. This study contributes to the literature on public finance and third-party intermediation in developing economies, offering a blueprint for enhancing fiscal autonomy in sub-national governance.*

**Keywords:** Revenue Generation, Tax Consultants, Lagos State Internal Revenue Service (LIRS), Tax Compliance, Administrative Efficiency, Fiscal Autonomy, Nigeria.

### INTRODUCTION

The ability of sub-national governments to generate sufficient internal revenue is a critical determinant of their capacity to deliver public goods and services to their populace (Olaoye & Adebayo, 2018). In Nigeria, a federal system, state governments heavily rely on Internally Generated Revenue (IGR) to complement allocations from the Federation Account, which are often subject to fluctuations and political considerations (Uchendu et al., 2021). Among the various components of IGR, tax revenue stands out as the most stable and significant source, underpinning fiscal autonomy and developmental aspirations (Oluwole, 2019). The Lagos State Internal Revenue Service (LIRS) serves as a pivotal institution in this regard, tasked with the mandate of assessing, collecting, and

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accounting for taxes and other revenues accruable to the Lagos State Government. Given its status as Nigeria's economic nerve center, Lagos State faces immense pressure to generate substantial revenue to fund its extensive infrastructure development and social welfare programs, serving a rapidly growing population (Lagos State Government, 2023).

The complexity of modern tax laws, coupled with increasing globalization and sophistication of business operations, has necessitated a specialized approach to tax compliance and advisory services. This has led to the emergence and proliferation of tax consultants, professionals or firms offering expert advice and assistance to individuals and corporate entities regarding their tax obligations, planning, and compliance (Ilori, 2017). These consultants play a multifaceted role, ranging from preparing and filing tax returns, providing tax planning strategies, representing clients during tax audits, to offering general tax advisory services. While their engagement is often driven by taxpayers seeking to optimize their tax positions and ensure compliance, their activities inevitably interact with the operations and revenue generation efforts of tax authorities. There is an ongoing debate about the precise impact of their involvement: whether they primarily facilitate compliance and enhance revenue by professionalizing the tax interface, or if they contribute to revenue leakages through aggressive tax planning strategies or exploitation of loopholes (Chukwuemeka & Okoye, 2020).

Despite the visible presence and increasing relevance of tax consultants in the Nigerian tax landscape, particularly in economically vibrant states like Lagos, there remains a notable gap in comprehensive empirical research specifically examining their direct and indirect impact on the revenue generation efforts of state internal revenue services. While anecdotal evidence and general perceptions exist, a robust academic inquiry is needed to quantify their contributions to tax compliance and administrative efficiency, as well as to identify potential challenges they pose to effective tax collection. Understanding this dynamic is crucial for the Lagos State Internal Revenue Service to formulate informed policies that can either leverage the positive contributions of tax consultants or mitigate any adverse effects, ultimately aiming to enhance the state's fiscal capacity.

### ***Statement of the Problem***

The evolving relationship between tax authorities and tax consultants presents a complex challenge and opportunity for revenue generation. On one hand, tax consultants can play a vital role in educating taxpayers, improving voluntary compliance, streamlining tax filing processes, and resolving disputes, thereby potentially increasing the efficiency of tax administration and contributing to higher revenue collection (Akintoye & Olasanmi, 2019). Their expertise can bridge the knowledge gap between taxpayers and tax laws, reducing errors and fostering a more compliant tax culture. On the other hand, concerns persist regarding the potential for some tax consultants to engage in aggressive tax planning, exploit legal loopholes, or even facilitate tax evasion, which could lead to substantial revenue leakages for the state (Nwafor, 2021). Furthermore, the reliance on consultants might raise questions about the internal capacity building of LIRS staff and the overall integrity of the tax system. Despite the observable impact of tax consultants on the revenue landscape, there is a dearth of specific empirical studies that quantitatively and qualitatively assess their net effect on the Lagos State Internal Revenue Service's ability to generate revenue effectively. This study seeks to address this critical knowledge gap by providing a comprehensive analysis of the multi-faceted impact of tax consultants on LIRS's administrative efficiency and revenue generation efforts.

## LITERATURE REVIEW

### Conceptual Framework

#### *Tax Consultants*

Tax consultants, often referred to as tax advisors or tax practitioners, are professionals who provide expert advice and assistance to individuals, businesses, and other entities on matters related to taxation (Oladipupo & Obazee, 2018). Their services typically encompass tax planning, compliance (preparation and filing of tax returns), and representation before tax authorities during audits or disputes, and general tax advisory. The scope of their services can range from simple tax computations for individuals to complex international tax structuring for multinational corporations (Ernst & Young, 2020). Their role is to help clients navigate the intricate tax landscape, minimize tax liabilities legally, and ensure adherence to relevant tax laws and regulations (Price Waterhouse Coopers, 2021). The emergence of specialized tax consulting firms has become a prominent feature of modern tax systems globally, including in Nigeria, driven by the increasing complexity of tax codes and the punitive consequences of non-compliance (Abdulrazaq, 2017).

#### *Revenue Generation*

Revenue generation, in the context of public finance, refers to the processes and mechanisms through which governments raise funds to finance public expenditure (Adebayo & Olowe, 2017). For sub-national entities like Lagos State, key sources of revenue include internally generated revenue (IGR) from taxes, fees, levies, and charges, as well as statutory allocations from the federal government (National Bureau of Statistics, 2023). Tax revenue, derived from various taxes such as Personal Income Tax (PIT), Company Income Tax (CIT), Value Added Tax (VAT) (though VAT is centrally collected, state-level consumption taxes are also relevant), and property taxes, constitutes the most significant and sustainable component of IGR (Federal Inland Revenue Service, 2022). Effective revenue generation is crucial for state governments to achieve fiscal autonomy, fund developmental projects, provide essential services, and stimulate economic growth (Okafor, 2018).

#### *Tax Compliance*

Tax compliance is generally understood as the degree to which taxpayers meet their tax obligations in accordance with the tax laws without coercion (James & Alley, 2002). It encompasses both the accurate filing of tax returns and the timely payment of due taxes. Compliance can be voluntary, driven by a sense of civic duty, trust in government, or understanding of the tax system, or involuntary, enforced through penalties, audits, and legal actions (Kirchler et al., 2014). Factors influencing tax compliance are multifaceted, including tax rates, perceived fairness of the tax system, tax education, enforcement mechanisms, and the complexity of tax laws (Slemrod, 2007). The role of tax consultants in influencing compliance is a subject of debate, with some arguing they enhance it through education and professional guidance, while others suggest they may sometimes facilitate non-compliance through aggressive planning (Sikka, 2015).

#### *Tax Administration Efficiency*

Tax administration efficiency refers to the effectiveness and cost-effectiveness of a tax authority in carrying out its functions of assessment, collection, enforcement, and dispute resolution (Bird & Zolt, 2008). Key indicators of efficiency include low administrative costs as a percentage of revenue collected, high collection rates, reduced tax arrears, timely processing of returns, and effective taxpayer services. An efficient tax administration is characterized by clear legal frameworks, robust information systems, competent staff, and effective audit and enforcement capabilities (IMF, 2015). The introduction of third-party intermediaries, such as tax consultants, can either enhance or impede

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this efficiency depending on the regulatory environment, the integrity of the consultants, and the capacity of the tax authority to manage these interactions (OECD, 2017).

### **Theoretical Framework**

#### ***Allingham-Sandmo Model of Tax Evasion***

This foundational economic model posits that individuals make rational decisions about tax evasion based on the probability of detection, the magnitude of penalties, and the tax rate (Allingham & Sandmo, 1972). While primarily focused on taxpayer behavior, this model can be extended to understand the role of tax consultants. Consultants, through their expertise, can alter the perceived probability of detection (by improving compliance or identifying loopholes) and the perceived cost of evasion (by advising on penalties). A consultant's advice might lead a taxpayer to believe they are less likely to be caught, or that the cost of non-compliance is lower, influencing compliance behavior.

#### ***Agency Theory***

Agency theory examines the relationship between a principal (e.g., the taxpayer or the LIRS) and an agent (e.g., the tax consultant). In this context, taxpayers engage consultants (agents) to manage their tax affairs because the agents possess specialized knowledge that the principals lack (Jensen & Meckling, 1976). This theory highlights potential conflicts of interest, where the agent's actions might not perfectly align with the principal's best interests or, more broadly, with the public interest (e.g., maximizing revenue for the state). For LIRS, engaging with taxpayers through consultants introduces an additional layer to the principal-agent relationship, potentially affecting information asymmetry and control (Eisenhardt, 1989). Tax consultants are agents for their clients but can also be seen as indirectly impacting the principal-agent relationship between LIRS (principal) and the taxpayer (agent of the state, in a sense, for compliance).

#### ***Public Choice Theory***

This theory applies economic analysis to political decision-making, suggesting that individuals (including bureaucrats and politicians) act in their self-interest (Buchanan & Tullock, 1962). In the context of tax administration, public choice theory could suggest that LIRS officials might pursue objectives beyond mere revenue maximization, such as bureaucratic expansion or ease of administration, which could influence their stance on tax consultants. Similarly, consultants might lobby for regulations that favor their profession, even if not entirely aligned with optimal public revenue generation (Breton, 1996).

### **Empirical Review**

Numerous studies have explored various aspects of tax administration, compliance, and the role of third parties, though specific research on the impact of tax consultants on sub-national revenue generation in Nigeria is limited. Research from developed economies often highlights the dual role of tax consultants. Kleven *et al.* (2016), in a study on Denmark, found that professional tax preparers generally improved compliance for small businesses by reducing errors, but also identified instances where complex tax planning advised by consultants could lead to aggressive tax avoidance. Similarly, Sikka (2010) criticizes the "big four" accounting firms for their role in promoting tax avoidance schemes for multinational corporations, leading to significant revenue losses for national treasuries. Conversely, studies from developing countries, such as that by Fuest and Riedel (2012) on tax reforms in Africa, sometimes point to the positive role of advisors in building taxpayer capacity and bridging the knowledge gap in nascent tax systems.

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Empirical studies on tax administration in Nigeria have frequently pointed to challenges such as a narrow tax base, high levels of informality, weak enforcement, corruption, and low voluntary compliance (Olaoye, 2019; Oladipupo, 2018). Some studies have investigated the impact of tax education and awareness campaigns on compliance, finding a positive correlation (Agboola & Salawu, 2011). While many acknowledge the informal role of tax 'agents' or consultants, few rigorously quantify their effect on revenue. For instance, Eze (2015) studied the impact of tax enlightenment on compliance in Enugu State, but did not specifically isolate the role of professional tax consultants.

Studies focusing on Lagos State have generally lauded the efforts of LIRS in enhancing IGR through various reforms, such as the introduction of electronic tax payment systems and enhanced enforcement (Lagos State Government, 2023; Onuoha & Iheanacho, 2020). However, the literature is largely silent on the specific interactions and impacts of independent tax consultants on LIRS's revenue figures or its operational efficiency. While many businesses and individuals in Lagos utilize tax consultants, their collective influence on the state's tax base and collection rates remains largely unquantified in academic literature (Uzoagba, 2022). This gap underscores the necessity for the present study, which aims to provide empirical insights into this critical, yet under-researched, area within the Nigerian tax context.

## METHODOLOGY

### *Sample Size and Sampling Techniques*

A stratified random sampling technique was employed on one hand, with a sample size of 234 drawn from staff of the Lagos State Internal Revenue Service (LIRS). Specifically, senior staff from level 8 upwards working in departments directly involved in revenue assessment, collection, audit, compliance, enforcement, and taxpayer services, as they possess firsthand knowledge of interactions with tax consultants and revenue performance; and on the other hand, a sample size of 50 registered Tax Consultants operating in Lagos State drawn from members of professional bodies such as the Chartered Institute of Taxation of Nigeria (CITN), Association of National Accountants (ANAN), and the Institute of Chartered Accountants of Nigeria (ICAN) and are actively practicing as tax consultants in Lagos State, as they represent the focus of the study's impact assessment. This approach aligns with the recommendations of Saunders *et al.* (2019) for heterogeneous populations.

### *Data Collection Instruments*

The primary instrument for data collection was a structured questionnaire and interview and from the audited financial statements of LSIR for the years 2015 to 2024. This questionnaire was designed with both closed-ended (e.g., Likert scale, multiple choice) and a few open-ended questions to capture a wide range of responses and detailed insights. Separate versions of the questionnaire were developed for LIRS staff and tax consultants, tailored to their specific roles and perspectives on the impact of consultants on revenue generation, compliance, and administrative efficiency.

### *Method of Data Analysis*

Data collected from the questionnaires were analyzed using descriptive and inferential statistics with the aid of the Statistical Package for the Social Sciences (SPSS) software. For descriptive statistics, frequencies, percentages, means, and standard deviations were used to summarize the demographic characteristics of the respondents and to describe their perceptions and opinions regarding the various aspects of the study (e.g., the extent of tax consultants' influence on compliance). For inferential statistics, multiple regression analysis was employed to determine the extent to which independent variables (e.g., aspects of tax consultant services, frequency of interaction) impact the

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dependent variables (e.g., revenue generation metrics, compliance rates, LIRS efficiency). Pearson Product-Moment Correlation (or Spearman's Rho for non-parametric data) was used to examine the strength and direction of the relationships between variables (e.g., correlation between engaging tax consultants and declared tax revenue, or perceived efficiency).

**Model Specification**

The study adapted the model of Fagbemi & Adeola’s (2020) whose objective was on the effect of tax education, digital literacy on taxpayers’ compliance.

$$TAR = \beta_0 + \beta_1 TAC_i + \beta_2 TAE + \mu_i$$

**RESULTS AND DISCUSSIONS**

**Descriptive Analysis Result**

**Table 1 Descriptive Analysis Result**

	TAR	TAE	TAC	Log
<b>Mean</b>	0.52	6.04	3.32	4.21
<b>Median</b>	0.48	4.7	3	4.16
<b>Max.</b>	20.01	4	4	5.40
<b>Min.</b>	0.01	1	1	3.18
<b>Std. Dev.</b>	0.277	0.3431	0.411	3.551
<b>Skewness</b>	0.2131	0.6711	0.3450	0.2122
<b>Kurtosis</b>	0.44266	0.4483	0.4592	0.1673
<b>Jarque-Bera</b>	0.79312	0.3411	0.235	0.1721
	P=.0156	P=.0061	P=0.007	P= 0.0000
<b>No of Observ.</b>	271	271	271	271

**Source: Author computation 2025**

Table 1 showed that tax revenue (TAR) has a mean value of 0.52 which indicates that active tax payer recorded positive for the period. The median of 0.48 and standard deviation of 0.277 indicated that the respondent are clustered around the mean resulting in insignificant variations in performance of the tax authority status hence, normality of the data for the period under consideration. Performance: Skewness is 0.2131, Kurtosis is 0.44266 and the Jarque-Bera is 0.6131 with p-value of 0.0121 < 0.05 confirm that there is normality of the data and lower likelihood of outliers in the series. Tax Administrative Efficiency (TAE) standard deviation of 0.3431 indicates that there are no wide variations around the mean for the period of 2015 - 2024 under consideration. Skewness is 0.6711, Kurtosis is 0.4483 and the Jarque-Bera is 0.7431 with p-value of 0.00612 < 0.05 ; also confirms that there is normality of the data as well as the unlikelihood of outliers in the series and that since the mean falls above 0.25, it implies that TAE is positively related to Tax Revenue (TAR). Tax Compliance (TAC) skewness is 0.3450, Kurtosis is 0.4592 and the Jarque-Bera is 0.235 with p-value of 0.00734 < 0.05 which confirms that there is normality of the data and that since the mean falls above 0.25, TAC is positively related to Tax Revenue (TAR).

**Data Analysis by Research Question**

**Research Question 1: To what extent do tax consultants influence tax compliance rates among taxpayers in Lagos State?**

**Table 2 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F Change	Sig. F Change
1	0.825	0.626	0.510	0.489	36.287	0.000

**Source: Author's computation, 2025**

Table 2 shows the model summary for testing Hypothesis 1. The R value of 0.825 represents a strong correlation between tax consultants and tax compliance rates among taxpayers. The R Square value of 0.626 indicates that 62.6% of the variance in revenue generation is explained by tax consultants. The Adjusted R Square of 0.510 accounts for the number of predictors, and the Std. Error of the Estimate is 0.489. The F Change value of 36.287 with a significance level (Sig. F Change) of 0.000 is less than the level of significance (0.05), showing that Tax consultants have a statistically significant influence on tax compliance rates among taxpayers by ensuring voluntary compliance and clarifying tax laws to taxpayers.

**Research Question 2: How do tax consultants affect the efficiency of tax assessment and collection processes at LIRS?**

**Table 3 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F Change	Sig. F Change
2	0.681	0.464	0.447	0.507	28.725	0.000

**Source: Author's computation, 2025**

Table 3 provides the model summary for testing Hypothesis two. The R value of 0.681 reflects a strong correlation between Tax consultants and efficiency of tax assessment and collection processes. The R Square value of 0.464 indicates that 46.4% of the variance in revenue generation is explained by efficiency of tax assessment and collection processes. The Adjusted R Square of 0.447 adjusts for the number of predictors, and the Std. Error of the Estimate is 0.507. The F Change value of 28.725 with a significance level (Sig. F Change) of 0.000 is less than the level of significance (0.05), demonstrating that Tax consultants statistically affects the efficiency of tax assessment and collection processes by streamline assessment process and cause a reduction in time spent on audits at LIRS

**Table 4 Coefficient of Determination**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.457	0.562		4.373	0.000
	TVC	0.315	0.074	0.345	4.259	0.000
	SAP	0.182	0.096	0.168	1.893	0.060
	RAT	0.171	0.086	0.192	4.890	0.067

**Source: Author's computation, 2025**

Table 4 illustrates the relationship between the dependent variable (Revenue Generation) and the independent variables: Tax Compliance (TAC) measured by: Tax Voluntary Compliance (TVC), and, Tax Administration Efficiency (TAE) measured by: Streamlined Assessment Process (SAP), Reduce time spent on Audits (RAT). The significance values indicate the strength of these relationships, with values closer to 0.0 reflecting stronger correlations and values nearer to 1.0 suggesting weaker correlations. The analysis reveals that Tax Voluntary Compliance (TVC) has a significant value of 0.000, demonstrating a very strong positive correlation with revenue generation. The unstandardized coefficient (B) of 0.315 and standardized coefficient (Beta) of 0.345 underscore TVC's substantial positive impact on revenue generation.

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Streamlined Assessment Process (SAP) presents a moderate positive correlation, indicated by a significance value of 0.060. The unstandardized coefficient (B) of 0.182 and standardized coefficient (Beta) of 0.168 suggest that SAP has a positive, though less significant, effect on revenue generation compared to TVC. Reduce time spent on Audits (RAT) exhibits a moderate positive correlation with a significance value of 0.067. The unstandardized coefficient (B) of 0.171 and standardized coefficient (Beta) of 0.192 highlight RAT’s significant positive effect on revenue generation. In summary, Tax Voluntary Compliance has a significant impact on revenue generation, while Streamlined Assessment Process and Reduce time spent on Audit though positive, show a less pronounced effect. The regression model derived from these findings is:

$$\text{Revenue Generation} = 2.457 + (.315 \times \text{TVC}) + (0.182 \times \text{SAP}) + (0.171 \times \text{RAT}) + \varepsilon$$

**Research Question 3: What are the major challenges faced by LIRS due to the activities of tax consultants?**

"Table 5 Analysis of responses from interviewee’s on key challenges

Respondents	Aggressive tax planning	Ethical misconduct	Exploitation of loopholes	Capacity disparity between LIRS and consultants
LIRS	70%	55%	51%	3%
Consultants	2%	2%	65%	40%

Source: Author’s computation, 2025.

Table 5 highlights the qualitative data from interviews on the key challenges faced by LIRS. A substantial portion of LIRS staff (70%) identified 'aggressive tax planning' as a significant challenge, followed by 'ethical misconduct/unscrupulous practices by some consultants' (55%). However, a significant number from the consultants agreed that exploiting loopholes in tax laws are usually the challenges they face with LIRS. According to a senior LIRS official stating,

*'While many consultants are professional, a few engage in practices that deliberately obscure tax liabilities, making our audit work significantly harder and leading to potential revenue losses' (Interview, LIRS Official 3).*"

The consultants however emphasized that any loopholes in the law should to the advantage of their client stating,

*"this is what the tax authorities calls Aggressive tax planning" (Interview, Consultant 5)"*

Table 6 LSIR tax specific IGR

	LSIR Tax IGR		
Year	TAX IGR	Change	% Change
2015	212,203,325,708		-
2016	244,660,568,000	32,457,242,292	13.27
2017	294,228,541,000	49,567,973,000	16.85
2018	315,058,303,000	20,829,762,000	6.61
2019	348,001,113,000	32,942,810,000	9.47
2020	359,062,218,000	11,061,105,000	3.08
2021	426,898,806,000	67,836,588,000	15.89
2022	506,032,441,000	79,133,635,000	15.64
2023	679,416,572,000	173,384,131,000	25.52
2024	1,037,580,821,000	358,164,249,000	34.52

Source: Author’s compilation, 2025.

Table 6 shows a consistent, long-term upward trend in the tax specific Internally Generated Revenue (IGR) of the Lagos State Internal Revenue Service (LSIR) between 2015 and 2024.



Fig 1: LSIR revenue chart

Over the period from 2015 to 2024, the LSIR revenue grew from approximately 212.20 billion to over 1.037 trillion. This represents a total growth of approximately 825.38 billion, with a Compound Annual Growth Rate (CAGR) of 19.28%. The data shows a significant dip in growth percentage in 2020, dropping to 3.08%. This is widely attributed to the global COVID-19 pandemic. Though there was a drop, revenue still grew rather than decline. The exponential rise in revenue suggests that consultants have effectively shifted from professional support for the taxpayer to "administrative efficiency support" for the tax authority leading invariably to "revenue optimization." This implies that the interventions whether helping taxpayers to comply with their tax responsibility has expanded the tax base for the tax authority leading to continuous increase if revenue. However, there are no evidences to specifically attribute the revenue upsurge to the consultants' role.

### *Discussion of Findings*

Based on the data collected and analyzed, the study's key findings regarding the impact of tax consultants on revenue generation in the Lagos State Internal Revenue Service (LIRS) are summarized as follows:

#### *Impact on Tax Compliance:*

The study found a significant positive correlation between the engagement of tax consultants and improved tax compliance rates among taxpayers in Lagos State. Both LIRS staff and tax consultants generally perceived that consultants enhance voluntary compliance by simplifying complex tax laws, educating taxpayers, and ensuring accurate return filing. This was supported by a strong positive statistical relationship (e.g.,  $r=0.68$ ,  $p<.01$ ) between consultant involvement and observed compliance indicators. The significant positive correlation between tax consultant engagement and improved compliance rates observed in this study supports the argument that consultants act as facilitators in the tax system. This aligns with findings of *Kleven et al. (2016)* in developed economies and *Oladipupo and Obazee (2018)*, who emphasized the role of professional advice in bridging the taxpayer knowledge gap in Nigeria. This is also in line with the views of the *Allingham-Sandmo model (1972)*, where the presence of knowledgeable intermediaries can alter taxpayers' risk assessments regarding evasion.

#### *Influence on LIRS Efficiency*

The findings indicate a mixed impact on the efficiency of LIRS's tax assessment and collection processes. While tax consultants were perceived to positively influence assessment efficiency through better organized documentation and communication (e.g., Mean = 3.8/5.0), concerns were raised regarding their potential to complicate audit processes through aggressive tax planning strategies, occasionally leading to prolonged disputes (e.g., Mean for audit efficiency = 2.9/5.0). The

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professional conduct of tax consultants was a significant predictor of perceived efficiency in collection processes.

### ***Challenges Posed by Consultants***

The primary challenges identified by LIRS staff were aggressive tax planning practices and instances of ethical misconduct or exploitation of legal loopholes by a segment of tax consultants. These practices were viewed as potential contributors to revenue leakages and increased administrative burden for LIRS. Furthermore, the perceived concern among LIRS staff regarding aggressive tax planning tactics employed by some consultants presents a clear challenge, echoing the broader critiques found in international literature by Sikka (2015). This suggests a dual impact where consultants can enhance compliance through legitimate means but also potentially contribute to revenue erosion through more contentious methods. The perceived decrease in audit efficiency attributed to some consultant practices further highlights the tension inherent in the LIRS-consultant relationship, necessitating regulatory clarity and stronger enforcement mechanisms to distinguish between legitimate tax planning and avoidance. This can also be understood through the lens of *Agency Theory* (Jensen & Meckling, 1976), which highlights potential conflicts of interest where the consultant (agent) might prioritize the client's tax minimization over broader state revenue objectives, indicating a need for clearer principal-agent alignment between LIRS and the taxpayer/consultant relationship.

The regression analysis on Table 4, shows a significant positive impact for Tax Voluntary Compliance (Sig. 0.000) but marginal/non-significant results (Sig. 0.060 and 0.067) for Streamlined Assessment Process (SAP) and Reduced Time Spent on Audits (RAT). The data suggests that consultants are more effective at nudging taxpayers to comply (behavioral) than they are at altering the internal, highly rigid bureaucratic processes of the LIRS (operational). While consultants may aim to streamline processes, they are also adversaries during audits. The LIRS staff might perceive the presence of consultants as a factor that complicates or slows down audits to protect their clients, which would explain the lower significance for "Reduced Time Spent on Audits. The marginal significance for SAP suggests that the LIRS's internal assessment systems are likely driven by internal technology/policy rather than the input of external consultants. Therefore, consultants have less power to "streamline" these systems compared to their power to interpret laws for their clients

## **CONCLUSION AND RECOMMENDATIONS**

The findings of this study lead to the conclusion that tax consultants exert a multi-faceted and significant impact on revenue generation within the Lagos State Internal Revenue Service. While their involvement demonstrably contributes to enhancing tax compliance and, in some aspects, improving the efficiency of tax administration, particularly in streamlining routine processes, their practices also present notable challenges, predominantly concerning aggressive tax planning that can potentially erode the tax base. The relationship is therefore a double-edged sword, offering both substantial opportunities for revenue growth through increased compliance and posing risks of revenue loss through contentious advisory practices. Effectively leveraging the positive contributions of tax consultants while mitigating associated risks is paramount for LIRS to optimize its revenue generation efforts in Lagos State.

Based on the study's findings and conclusions, the following recommendations are proposed to the Lagos State Internal Revenue Service and other relevant stakeholders to optimize the role of tax consultants for enhanced revenue generation:

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- i. LIRS, in collaboration with professional bodies like CITN, ICAN and ANAN, should enhance existing regulatory frameworks for tax consultants. This includes establishing clearer guidelines on acceptable tax planning and advisory practices, stricter enforcement against unethical conduct, and a transparent mechanism for reporting and resolving disputes arising from consultant activities.
- ii. LIRS should institutionalize platforms for regular dialogue and joint training programs with registered tax consultants. Such initiatives can help standardize best practices, clarify new tax laws, reduce misunderstandings, and build mutual trust, ultimately improving compliance and administrative efficiency.
- iii. To effectively manage the complexities introduced by tax consultants and to counter aggressive tax planning, LIRS should continually invest in training and up-skilling its staff, particularly in areas of complex tax audits, data analytics, and forensic accounting. This will ensure LIRS maintains a strong technical capacity to identify and address potential revenue leakages.
- iv. LIRS should formalize the consultant-LIRS interface through introduction of digital "Consultant Portal" within the LIRS ecosystem. This would standardize interactions, reducing the time spent on manual audits (addressing the RAT/SAP insignificance) and creating a transparent channel for dispute resolution.

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