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Effects of Tax Dispute Resolution on Revenue Generation: A Case of Kwara State Internal Revenue Service

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ABSTRACT

Effective tax revenue generation requires robust administration and fair and transparent dispute resolution mechanisms. To address persistent tax conflicts threatening revenue performance, Kwara State Internal Revenue Service (KW-IRS) established an Alternative Dispute Resolution (ADR) framework to mitigate disputes and strengthen compliance. This study assessed ADR's effects on revenue generation by examining common dispute types, exploring relationships between dispute resolution and revenue generation, and identifying process challenges. Grounded in Conflict Theory, the study employed a qualitative design and purposive sampling to select 17 participants such as tax administrators, mediators, consultants, business owners, and accountants who participated in Key Informant and In-Depth Interviews. Findings revealed unfair tax assessments, withholding tax remittance issues, and multiple taxation as prevalent conflicts. ADR enhances revenue by promoting voluntary compliance, reducing operational conflicts, and lowering enforcement costs. However, effectiveness is undermined by the absence of independent reconciliation platforms, political interference, and poor taxpayers' record-keeping. The study concludes that ADR positively influences revenue generation in Kwara State. It recommends more tax appeal tribunal offices to enhance neutrality and taxpayer trust, alongside intensified sensitisation to deepen ADR awareness and encourage early dispute reporting.

Keywords: *Tax dispute resolution, Revenue generation, Alternative Dispute Resolution, Kwara State, Internal Revenue Service*

INTRODUCTION

Taxation is a fundamental institutional function through which governments mobilise resources for public expenditure and development. The International Monetary Fund and World Bank (2021) emphasise that tax revenue is critical for countries to finance basic services, infrastructure, and capital investments, while simultaneously addressing global challenges such as poverty reduction and climate action. However, across both developed and developing economies, effective tax administration remains contested terrain; tax collection presents complex administrative challenges, disputes between taxpayers and tax authorities are endemic, and the design and implementation of dispute resolution mechanisms significantly influence both revenue outcomes and taxpayer compliance. Research from the Organisation for Economic Co-operation and Development (OECD, 2021) confirms that fair and transparent dispute resolution processes enhance voluntary tax compliance and reduce the administrative burden of enforcement, whereas opaque or inefficient dispute mechanisms undermine taxpayer confidence and create fiscal uncertainty.

Tax administration and dispute resolution take on particular urgency. The African Tax Administration Forum (ATAF, 2020) reports that tax-to-GDP ratios across sub-Saharan Africa average 14–16 per cent, below the 15 per cent minimum threshold required to finance basic public services; this shortfall reflects not only policy gaps but also the weakness of administrative systems and dispute resolution mechanisms. African scholars such as Fjeldstad and Heggstad (2012) emphasise that taxation in Africa is fundamentally shaped by questions of state legitimacy and social contract; where citizens perceive tax authorities as predatory or unaccountable—particularly when disputes are resolved opaquely or unfairly—resistance and non-

compliance proliferate. The African Development Bank (2022) identifies a further complicating factor: fragmented tax structures across multiple jurisdictional levels, combined with weak inter-agency coordination, create overlapping levies and jurisdictional confusion that generate dispute escalation. Thus, effective dispute resolution mechanisms are not merely procedural refinements but critical institutional mechanisms for building taxpayer trust and enhancing revenue mobilisation across African subnational governments.

The Nigeria's tax system is geographically and jurisdictionally fragmented, with the Federal Inland Revenue Service (FIRS) administering federal-level taxes (company income tax, value added tax), while thirty-six State Internal Revenue Services and numerous Local Government Area revenue units operate semi-autonomously below, creating multiple overlapping taxing points. The administration and collection of tax from taxpayers across these layers requires deployment of enforcement strategies that frequently become sources of dispute; causes include disagreements over assessment accuracy, perceived over-taxation, jurisdictional conflicts, and inconsistent application of collection procedures (Alfredo, 2019). Compounding this, Nigeria's large informal economy means substantial tax bases exist outside formal administration systems, creating pressure on formal sector taxpayers who bear disproportionate tax burdens and thus have heightened motivation to dispute assessments. Over the past decade, Nigerian states including Kwara have intensified efforts to raise internally generated revenue (IGR) to reduce dependence on federal allocations, driving legislative reforms, restructuring of revenue agencies, digitalisation of tax processes, and targeted taxpayer outreach (Ambali, 2023). These efforts have met with partial success, but tax disputes remain frequent and often unresolved through administrative channels.

Tax disputes have become an increasingly visible challenge to revenue mobilisation and taxpayer-authority relations. Disputes arise from multiple sources: disagreements over assessment accuracy and fairness, procedural complaints about taxpayer communication, delays in administrative rulings and objection reviews, and jurisdictional conflicts between the Kwara State Internal Revenue Service (KW-IRS) and the Federal Inland Revenue Service over taxpayers operating across state lines or in concurrently taxed sectors (Etigwe et al., 2025). Where disputes become protracted extending from informal administrative reviews through the KW-IRS internal reconciliation process to the Tax Appeal Tribunal (TAT) and onward to the Courts. This create uncertainty for both taxpayers and the state revenue agency (Anyebe, 2025). The prolonged uncertainty weakens short-term cash flow forecasting, increases litigation costs, generates administrative bottlenecks in revenue processing, and undermines the predictability of state fiscal planning (United Nations Department of Economic and Social Affairs, 2023; Tsumah, 2020). The Kwara State Internal Revenue Service (KW-IRS) has in recent years explicitly emphasised institutional modernisation to address these challenges, including staff training, workshops on dispute resolution, and digitalisation of tax processes as part of its strategic revenue mobilisation approach (KW-IRS, 2024). For example, KW-IRS hosted a two-day tax dispute resolution workshop in September 2024 that brought together revenue officials, judges, and law officers to enhance dispute handling capacity and reduce administrative delays. Notably, at roughly the same time, Kwara State recorded marked year-on-year growth in internally generated revenue (IGR), with double-digit increases noted between 2023 and 2024 (KW-IRS, 2025), suggesting a possible connection between these administrative and dispute resolution reforms and improved revenue performance. Despite this landmark in revenue growth, rigorous empirical study remains scanty on the specific effects of tax dispute resolution mechanisms on revenue generation outcomes in Kwara State (Ulabor et al., 2022; Olasunkanmi et al., 2024; Olumoh & Sanni, 2025).

Statement of the Problem

Effective tax administration depends not only on sound tax policies but also on fair and timely dispute resolution mechanisms. In Kwara State, the increasing number of disputes between taxpayers and tax authorities has become a significant barrier to efficient revenue collection (Toheeb, 2024). Taxpayers frequently challenge assessments due to perceived overvaluation, ambiguous tax laws, and administrative errors. These disputes often drag through multiple layers of bureaucracy—from internal reviews to the Tax Appeal Tribunal (TAT) and finally the courts—creating long delays in revenue realisation. The longer a dispute remains unresolved, the more it undermines the predictability of state revenues and weakens fiscal planning (Tsumah, 2020).

The absence of robust alternative dispute resolution (ADR) mechanisms at the state level means most conflicts still end up in the formal legal system, where cases can take years to conclude. This situation increases administrative costs for the state and discourages investment, as businesses face uncertainty about their actual tax obligations (Templars, 2025). In addition, jurisdictional conflicts between state and federal authorities sometimes complicate matters further, especially where taxpayers operate across state lines or in industries taxed at both levels (Utebor & Lebile, 2019).

Existing empirical works have examined some components of this relationship such as tax audits, digitalisation, and administrative reforms but few studies isolate tax dispute resolution as the central explanatory factor for changes in state-level IGR in Kwara State (Ulabor et al., 2022; Olasunkanmi et al., 2024; Olumoh & Sanni, 2025). This study therefore seeks to empirically investigate how the efficiency and effectiveness of tax

dispute resolution processes influence revenue generation in Kwara State, Nigeria.

Aim and Objectives

The main aim of this study is to assess the effect of tax dispute resolution on revenue generation in Kwara State. The specific objectives are to:

i. examine types of tax disputes commonly encountered in Kwara State;
ii. assess the relationship between tax dispute resolution and revenue generation in Kwara State; and
iii. identify the challenges affecting efficient tax dispute resolution in Kwara State.

Research Questions

iv. What are the types of tax disputes commonly encountered in Kwara State?
v. Is there any relationship between tax dispute resolution and revenue generation in Kwara State?
vi. What are the challenges affecting efficient tax dispute resolution in Kwara State?

LITERATURE REVIEW

Conceptual Framework

Concept of Tax

Tax is a universally recognised financial instrument through which governments mobilise resources for public expenditure. At the global level, the Organisation for Economic Co-operation and Development (OECD, 2021) defines a tax as a compulsory payment to general government, emphasising that the obligation flows from law rather than consent, and that taxpayers receive no direct, identifiable benefit in exchange. The World Bank (2021) similarly describes tax as a compulsory transfer of resources to the government from the rest of the economy. These definitions underscore the coercive character of taxation and its role in financing collective public goods from infrastructure to security across all economic systems.

Taxation takes on additional dimensions shaped by informality, limited administrative capacity, and weak taxpayer culture. The African Tax Administration Forum (ATAF, 2020) observes that many African states struggle to achieve tax-to-GDP ratios above 15 per cent a minimum benchmark for financing basic public services largely because substantial portions of economic activity remain outside the formal tax net. Conceptually, scholars such as Fjeldstad and Heggstad (2012) emphasise that in Africa, legitimacy and trust between citizens and the state are central to the tax relationship; where state credibility is low, citizens resist obligations they perceive as predatory. The African Development Bank (2022) further notes that fragmented tax structures, multiple layers of jurisdiction, and overlapping levies distort the concept of taxation as a fair social contract, contributing to pervasive non-compliance.

The Chartered Institute of Taxation of Nigeria (CITN, 2002) defines tax as an enforced contribution of money to government pursuant to defined authorised legislation. Nigeria's tax regime is governed by a federation of taxes distributed across federal, state, and local government levels. The Federal Inland Revenue Service (FIRS) administers federal-level taxes, including company income tax and value added tax, while State Internal Revenue Services such as the Kwara State Internal Revenue Service (KW-IRS) are responsible for personal income tax, capital gains tax, and other state-designated revenues (FIRS, 2020). The Nigerian conceptualisation of tax is further complicated by the coexistence of formal taxes and numerous informal levies particularly in states with large informal sectors resulting in a system where the tax burden falls disproportionately on the formal wage-earning segment while non-compliant actors escape the net (Braimah & Onuoha, 2022). Taxes can be directly or indirectly imposed. Direct taxes are levied on income, profits, or assets of individuals and businesses examples include the pay-as-you-earn (PAYE) personal income tax and direct assessment of self-employed persons. Indirect taxes are passed through goods and services examples include excise duties and value added tax (VAT). Taxation is therefore an essential component of civilisation; no modern state can be effective without some degree of fiscal independence and a functional revenue-mobilisation system (Braimah & Onuoha, 2022).

Government Revenue Generation

According to Braimah and Onuoha (2022), government revenue refers to the processes and methods used by government to raise funds for service delivery. Obiechina (2010) defined government revenue as public receipts which the government collects from all sources such as tax, rent, royalties, and sale of natural resources, excluding loans and borrowings. Bello and Abga (2022) argued that revenue generation encompasses administrative activities such as taxes, fines, fees, levies, grants, and gifts, generally categorised into tax and non-tax, as well as oil and non-oil revenues. The essence of revenue generation is to advance the welfare of citizens, with focus on economic growth and development activities.

Tax Dispute

Generally, a dispute refers to any disagreement or discord between individuals or groups where members oppose one another's beliefs or actions (Tschannen-Moran, 2001). For tax purposes, 'dispute' is defined as including all areas of non-agreement between a taxpayer and the relevant tax authority (RTA) over a substantive tax liability, where non-agreement has been raised through an enquiry from either side. Tax disputes are a common feature of modern tax systems around the world

(HM Revenue & Customs, 2017). They occur when taxpayers disagree with the view provided by tax administrators in respect of the taxpayer's tax liability or entitlements and take some action regarding this disagreement.

The most disputed types of taxes are direct taxes. This is partly because the burden of direct tax falls directly on the taxpayers. Disputed areas in Nigeria include income tax (Pay-As-You-Earn), personal income tax, direct assessment, capital gains tax, and value added tax. Tax disputes have always been contentious (Mills, 2015), with the sheer difference in the objectives of the two major players tax authority and taxpayer forming the background of all tax-related disputes.

Nature of Tax Disputes

Tax disputes may arise at any stage after disagreement between tax administrators and taxpayers. In Australia, they are classified into four broad categories: complaints; objections to reviewable rulings; disputes as to facts or the application of tax law; and objections to assessments (Australian Taxation Office, 2020). Historically, tax dispute in Nigeria started as early as 1918, when Governor Lugard introduced taxation in Egba land, prompting the Egba War (Somorin, 2015). The pay-as-you-earn system presents unique features where taxes are deducted and remitted by organisations on behalf of employees, and issues of under-deduction or over-deduction frequently cause disagreements (Adams, 2020).

Alternative Dispute Resolution (ADR)

Alternative Dispute Resolution is a wide range of mechanisms and processes designed to complement or supplement the traditional court process of resolving conflict. It refers to informal ways of resolving a dispute between conflicting parties. Amrjones (2020) contends that ADR connotes proceedings that resolve conflict out of court, without the application of litigation principles, and involves collaborative problem-solving aimed at amicable and restorative justice. ADR is an overall resolution process that opens a platform for disputing parties to agree to the intervention of a neutral third party (Australian Securities and Investments Commission, 2009).

Though historically met with resistance, ADR has gained widespread acceptance in both public and legal spheres in recent times. The European Mediation Directive (2008) noted that courts now routinely refer parties to ADR processes instead of litigation. The sudden rise and popularity of ADR can be attributed to the increasing case-load of traditional courts, the high cost of securing justice, and delays in court proceedings. ADR is considered an efficient and effective option for delivering justice, particularly where industry and cultural sensitivity are paramount (USAID, 2018).

Review of Related Studies

Tax Dispute Resolution and Revenue Generation

A growing body of literature examines the relationship between tax administration, dispute resolution, and revenue generation across different national contexts, providing empirical grounds for the present study. Nwala and Gimba (2019) analysed 15 years of panel data from Nigerian states and discover that administrative tax reforms including simplified method of assessment procedures and introduction of electronic filing increased tax revenue collections by an average of 23 per cent in states that implemented them consistently when compared with 8 per cent in states that did not. This is done by examining data between 1985 and 2015, Obi (2022).

This demonstrated that improvements in tax administration efficiency measured by cost of collection ratios significantly predicted increases in total tax revenue in Nigeria. From Rwanda, Twesige (2019) conducted structured interviews with 280 taxpayers and found that a taxpayer's perception of procedural fairness in dispute resolution was the single strongest predictor of voluntary compliance, accounting for 34 per cent of the variance in compliance behavior a finding that directly implicates the quality of dispute resolution in revenue outcomes. Binh and Walpole (2016), drawing on Australian Tax Office records and court data, documented that each year of unresolved tax litigation reduced the net revenue recovery rate for the disputed amount by approximately 12 per cent due to legal costs, procedural delays, and write-offs. Emmanuel (2018), using secondary data from Gombe State, Nigeria, found a statistically significant positive relationship between tax administration quality and internally generated revenue ($\beta = 0.67$, $p < 0.05$), while Adeniyi (2012) replicated similar findings in Enugu State, confirming the generality of this association across Nigerian subnational contexts.

Van den Boogaard et al. (2018) examined tax mobilisation in conflict-affected sub-Saharan African states and found that socio-political instability reduced tax collection efficiency by up to 40 per cent, underscoring the importance of stable institutional environments for effective revenue generation. While this historical and structural lens is important, its direct applicability to contemporary Kwara State a non-conflict-affected Nigerian state is limited. Similarly, existing Nigerian studies reviewed here primarily measure revenue generation in relation to tax evasion, digital reforms, or audit practices (Ulabor et al., 2022; Olasunkanmi et al., 2024; Olumoh & Sanni, 2025), but rarely isolate tax dispute resolution as the explanatory variable. The gap is significant to study identified in this review empirically investigates how ADR-based dispute resolution mechanisms, as distinct from formal litigation or general administrative reforms, specifically influence the volume and timeliness of state-level IGR in Kwara State. Furthermore, qualitative insights into the

perceptions, experiences, and strategic behaviours of key stakeholders tax administrators, mediators, and taxpayers in ADR processes remain largely absent from the literature. This study addresses both gaps by adopting a qualitative case study design focused specifically on KW-IRS, thereby generating contextual evidence on how dispute resolution shapes revenue outcomes in a Nigerian subnational context.

Theoretical Framework

Conflict Theory

Conflict theory, propounded by Karl Marx, explains how competition over scarce resources leads to inequality and conflict (Hayes, 2022). The theory has been applied to analyse wars, revolutions, poverty, discrimination, and structural inequality (James, 2019). Galtung (1973) emphasises the balance between conflict and cooperation, while C. Wright Mills argues that social structures emerge from struggles over resources and power, influencing individuals and resource distribution (Omisore & Abiodun, 2014). At its core, conflict theory highlights the imbalance of power, where the powerful often control resources while ignoring the needs of the underprivileged (Klaus, 2015).

In the context of tax disputes, this integrated view explains why taxpayers may resist payment while authorities seek revenue, highlighting the interplay between personal interests, power asymmetries, and structural inequalities in generating conflict. Critics argue that the theory overemphasises change while neglecting social stability (Horries, 2014) and underestimates the cooperative functions of institutions (Robinhood, 2020). Despite these criticisms, conflict theory remains relevant in explaining disputes between parties with incompatible goals. In this study, tax administrators aim to generate revenue for government while some taxpayers seek to evade taxes, creating inevitable conflict. Understanding these causes is crucial for addressing tax disputes in Kwara State.

METHODOLOGY

This study employed a qualitative research design using a case study approach, which allows an in-depth exploration of the specific context of Kwara State's tax system and dispute resolution mechanisms. The study utilised Key Informant Interviews (KII) and In-Depth Interviews (IDI) to collect primary data. Secondary data were also gathered from relevant articles, journals, and publications to complement and support the primary data. The KII targeted individuals directly involved in dispute resolution and revenue collection, such as officials handling tax liabilities, tax consultants/mediators, and tax administrators. The IDI focused on taxpayers and major stakeholders affected by tax disputes, including business owners, accountants, and tax consultants.

Sample Size and Sampling Technique

The study population comprised all individuals with direct and professional involvement in tax dispute resolution towards revenue collection in Kwara State. Specifically, the population included:

i. KW-IRS officials engaged in dispute handling, assessment, and revenue collection;

ii. Tax mediators and arbitrators registered with or recognised by KW-IRS;

iii. Private tax consultants with active cases involving KW-IRS;

iv. Business owners who had been parties to a tax dispute within the preceding five years; and

v. Company accountants or financial officers with experience in tax liabilities reconciliation with the State revenue authorities.

Purposive sampling was adopted to ensure that selected participants possessed direct and relevant experience with this phenomenon under study.

KW-IRS officials were identified through referral by the HOD, Tax Audit Department. Tax mediators were identified through Kwara State Ministry of Justice. Business owners and Accountants were identified through the Kwara State Chapter of the Manufacturers Association of Nigeria (MAN) and the Institute of Chartered Accountants of Nigeria (ICAN) Ilorin District Society.

Key Informant Interviews (KII), five (5) Tax administrators and five (5) Tax mediators were purposively selected based on their official responsibility for managing or facilitating dispute resolution. For the In-Depth Interviews (IDI), ten (10) participants including Business owners, Private tax consultants, and Company accountants were purposively chosen based on their direct experience as parties in tax disputes with KW-IRS.

Data were collected using semi-structured interview guides developed separately for KII and IDI sessions, each containing questions organised around three thematic domains corresponding to the study objectives: (i) types of tax disputes encountered, (ii) perceived effects of ADR on revenue generation, and (iii) challenges affecting dispute resolution efficiency. The guides were pre-tested with two KW-IRS officials not included in the final sample and refined based on feedback to ensure clarity and relevance. Participants were contacted by phone through their respective institutional gatekeepers, the study purpose was explained, and written informed consent was obtained prior to each interview. All 17 interviews were audio-recorded with participants' permission and supplemented with handwritten field notes capturing non-verbal cues and contextual observations. Sessions lasted between 35 and 60 minutes each and were conducted at participants' offices or preferred meeting points. Credibility was

enhanced through member-checking, whereby preliminary themes were shared with three participants for verification before final analysis. The use of multiple respondent categories officials, mediators, consultants, and taxpayers constituted methodological triangulation, strengthening the trustworthiness of the findings.

Interview recordings were transcribed verbatim. Data were then organised thematically to facilitate analysis of patterns, experiences, and insights relevant to the research objectives.

RESULTS AND DISCUSSION OF FINDINGS

Types of Tax Disputes Commonly Encountered in Kwara State

To answer this question, informants' opinions were obtained through Key Informant and In-Depth interview sessions. According to a senior staff of KW-IRS, taxpayers frequently contest the accuracy or fairness of tax assessments. Issues often stem from perceived over-assessment, lack of proper evaluation, or insufficient supporting documents.

> *"We receive complaints about assessment and evaluation of what taxpayers are expected to pay. Many informal sector operators, particularly private business owners who have no idea of how tax assessment is carried out, always reject whatever we offer them to pay. This becomes a serious issue when an increment occurs compared to previous years" (KII/Interviewee/2025).*

Corroborating this, a business owner complained about indiscriminate tax charges:

"Two to three years ago, my tax payment was moderate and affordable. Suddenly, they brought a double increment for me to pay this year. I was wondering why I should pay such an amount when there was a sharp reduction in my profit" (IDI/Interviewee/2025).

The findings indicate that tax assessment-related disputes are among the most frequently encountered conflicts between taxpayers and KW-IRS. Such perceptions of over-assessment frequently result in resistance, non-compliance, or outright refusal to pay. These results are consistent with the empirical work of Adebisi and Gbegi (2020), whose study of 212 registered taxpayers in Nigeria found that perceived unfairness in tax assessment was the strongest predictor of tax non-compliance ($\beta = 0.58$, $p < 0.01$), with taxpayers who considered their assessments arbitrary being 2.4 times more likely to default or dispute their liabilities than those who perceived assessments as equitable. The authors further demonstrated that unresolved assessment disputes disrupted revenue forecasting, created loopholes that taxpayers exploited through prolonged negotiation or legal challenge, and contributed to administrative bottlenecks in revenue agency operations all of which are consistent with the present study's findings from Kwara State. The recurrent pattern of informal sector operators rejecting assessment increments as evidenced in the interviews reflects the broader dynamic of the issue.

Adebisi and Gbegi (2020) identify taxpayers lack information about assessment criteria, any upward review of liability is interpreted as arbitrary, fuelling conflict that delays revenue collection and increases the administrative cost of compliance enforcement for KW-IRS.

Beyond assessment-related issues, the study identified multiple taxation as another prevalent dispute. A private tax consultant stated:

> *"Businesses operating across local governments or sectors often face overlapping taxes and levies. Some taxes belong to the State while others belong to LGAs. This creates confusion for taxpayers. Disagreements emerge when taxpayers believe they are being subjected to double taxation or levied for taxes outside KW-IRS jurisdiction" (IDI/Interviewee/2025).*

Multiple taxation remains a persistent challenge within Nigeria's fiscal architecture, where federal, state, and local governments impose numerous levies that often overlap (Azubike, 2019). This situation is a serious impediment to tax revenue generation, as many taxpayers refuse to pay promptly, leading to prolonged dispute. The findings are consistent with the position of Aguolu (2016) that ambiguous enforcement practices and weak communication heighten disagreements over penalties and interest charges.

Withholding tax remittance disputes also emerged as a significant source of conflict. An assistant director with KW-IRS noted:

> *"Many of these contractors are also politicians and are not always willing to pay required taxes. A lot of disputes occur over what is expected of them to pay or not. Many have challenged our action in court, claiming we over-deduct tax from their payments" (IDI/Interviewee/2025).*

These findings align with the broader literature showing that contractors often delay or circumvent statutory remittances when enforcement mechanisms are weak or inconsistent (Ariyo & Akeni, 2020). Administrative inaccuracies, poor record-keeping, and limited

coordination between agencies further fuel disputes on withholding tax systems (Fagbemi, 2019).

Relationship between Tax Dispute Resolution and Revenue Generation in Kwara State

To answer this question, informants' opinions were obtained through Key Informant and In-Depth interview sessions and analysed using content analysis. According to a participant who serves as a tax dispute arbitrator, the adopted ADR mechanism in Kwara State has assisted in reducing outstanding tax liabilities:

> *"Contrary to the court process, the established ADR mechanism in KW-IRS provides a window to quickly resolve tax liabilities. In some difficult instances, taxpayers are permitted to bring independent tax experts who meet with KW-IRS officials to resolve grey areas" (KII/Interviewee/2025).*

A senior director added:

> *"Since the inception of the administrative panel for resolving tax disputes, several matters have been resolved, leading to gradual payment of long-standing tax liabilities. Some were given waivers to pay in instalments based on mutual agreement" (KII/Interviewee/2025).*

Based on the above findings, resolving tax disputes through ADR has a substantial relationship with increased tax revenue generation in Kwara State. One of the central advantages of ADR in tax disputes is speed and cost-effectiveness compared to traditional litigation. Umenweke and Amadi (2022) noted that ADR offers a more expeditious route, reducing time and procedural burdens for both taxpayers and tax authorities. By shortening dispute resolution timelines, ADR allows tax authorities in Kwara State to recover funds more quickly, limiting the accumulation of outstanding liabilities.

Informants also submitted that when disputes are resolved amicably through administrative channels rather than through aggressive enforcement or litigation, the government reduces costs associated with enforcement actions. A tax administrator corroborated this:

> *"With the introduction of tax audit reconciliation committee meetings, expenses associated with enforcement have reduced, leading to an increment in revenue savings for the government" (KII/Interviewee/2025).*

This finding aligns with Olaseeni (2023), who noted that enforcement-heavy tax regimes tend to spend substantial amounts on routine field monitoring and legal enforcement. Money saved from litigation and enforcement can be redirected toward more productive activities such as taxpayer education, digitalisation of processes, and improved service delivery.

Challenges Affecting Efficient Tax Dispute Resolution in Kwara State

To answer this question, informants' opinions were obtained through Key Informant and In-Depth interview sessions. A major challenge identified was the non-availability of an independent neutral ADR platform. A seasoned tax consultant stated:

> *"Out of the various mechanisms available for tax dispute resolution in Kwara State, ADR is not functioning independently. KW-IRS uses a tax audit reconciliation committee made up of their own staff, which ordinary disputed taxpayers consider a one-sided forum. That is why many of these disputes end up in court" (KII/Arbitrator/2025).*

Political interference also emerged as a significant challenge. A senior staff of KW-IRS noted:

> *"When we are in a prominent tax dispute, resolving it has not been easy. Such taxpayers approach politicians or top government officials to get favour and escape payment. Meanwhile, uneducated taxpayers' inability to keep financial records and tax receipts becomes a problematic issue to resolve" (KII/KW-IRS/2025).*

The results from the above findings align with Abraham (2020), who contended that Nigeria's tax system is confronted with challenges such as multiplicity of taxes, bad administration, non-availability of databases, tax touting, and complex tax laws. This current research further observes that KW-IRS is heavily confronted with the challenge of an acceptable ADR mechanism that would neutrally and independently intervene and resolve tax disputes, instead relying on non-independent administrative ADR or revenue courts.

Political interference negates the procedural justice theory, which suggests that tax authorities like KW-IRS should employ transparent and fair procedures to ensure voluntary compliance. Once unfair resolution dominates tax dispute procedure, tax collection becomes difficult. On the issue of poor tax record-keeping, many taxpayers lack adequate records to substantiate their claims during resolution procedures, which has been a recurring challenge for KW-IRS (Baurer, 2020).

CONCLUSION

Different types of tax disputes in Kwara State arise largely from perceived unfair tax assessments, multiple taxations, interest and penalty charges on delayed payments and issues surrounding withholding tax remittances. These challenges continue to strain the

relationship between taxpayers and the state revenue agency, KW-IRS thereby diminishing taxpayer confidence, disrupting revenue forecasting, and delaying the inflow of internally generated revenue. Within this environment, the internal non-independent administrative ADR platform introduced by the agency has proven to be valuable in addressing tax-related conflicts. This has helped in reducing the substantial financial burden associated with litigation and enforcement, enabling quicker recovery of outstanding tax liabilities and allowing revenue authorities to redirect resources toward other core administrative functions.

Despite the above benefits, the non-independent administrative ADR platform has not sufficiently stimulated voluntary tax compliance, as taxpayers who resolve disputes through this method do not necessarily demonstrate improved willingness to comply afterward. This was attributed to perceived bias of tax authority, unprofessional behaviour of some tax consultants, undue external interference, and poor record-keeping practices among taxpayers. This study therefore concludes that while the non-independent administrative ADR platform has contributed significantly to revenue generation for KW-IRS, several challenges remain that require deliberate and targeted interventions.

RECOMMENDATIONS

In order to improve tax dispute resolution efficiency that will support revenue generation in Kwara State, KW-IRS should strengthen transparency and fairness in its dispute resolution process. This can be achieved by strengthening their internal disputes resolution mechanism where taxpayers can confidently present complaints without fear of bias.

Also, the process of tax assessment should be digitalized to reduce human intervention and free of manipulations.

Clear tax guidelines and proper communication with taxpayers should also be prioritised to reduce misunderstandings, especially in areas relating to tax assessment and multiple taxation.

There is also a need for stronger collaboration between state and federal tax authorities to minimise instances of multiple taxes and demands arising from jurisdictional conflicts. Central system for handling disputes and sharing taxpayers' information would help reduce delays, improve accountability, and encourage quicker resolution of tax-related issues. This will not only increase taxpayers' trust but also improve the efficiency of revenue collection in the state.

Finally, KW-IRS should intensify taxpayer education and record-keeping awareness, particularly among informal sector operators and small business owners. Many disputes arise because taxpayers lack proper financial records or do not fully understand tax procedures. Regular sensitisation programmes, practical workshops, and simplified record-keeping templates will help taxpayers comply more easily and reduce the frequency of avoidable disputes.

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