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## Taxpayer's Knowledge and Tax Compliance in Kwara State

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### Abstract

Tax collected constitutes one of the major revenue sources for any government to discharge its obligation to its citizens. However, loss of revenue resulting from non-compliance especially in a self-assessment system has been a major problem in Kwara State, Nigeria. Using proportional stratified random sampling technique, sample size of 558 members of the Kwara State Artisans Congress were chosen from the population of 68,338 registered members. Data was collected through the use of a structured questionnaire; the study applies both descriptive and inferential statistics. Simple linear regression and One-way repeated-measures Analysis of Variance were used in testing the hypotheses of the study. Results indicate that taxpayers' knowledge have statistically significant effect on tax compliance in a self-assessment tax system in Kwara State; and that there are statistically significant differences in taxpayers' general knowledge, legal knowledge and technical knowledge. The study concludes that tax compliance in a self-assessment system is influenced by taxpayers' knowledge. The study recommended that Kwara State Government through the Kwara State Internal Revenue Service should develop new tax education programmes that would accommodate the different and diverse needs of the taxpayers.

**Keywords:** self-assessment tax system, tax compliance, tax knowledge, tax revenue.

### 1. Introduction

Tax compliance is one of the major problems confronting tax collection in Nigeria and it has negatively affected the tax revenue performance. Obi-Chukwu (2015) observes the significant drop in actual tax revenue collected from year 2012 to 2014. In the year 2012, the actual tax revenue collected was ₦5008 billion, for the years 2013 and 2014 the total amount of ₦4806 billion and ₦4715 billion respectively were collected representing a drop of 5.85% in the actual tax revenue generated between 2012 and 2014. Alabede (2012) observes that, tax revenue has been dropping significantly, in relative term. For instance, at the national level, the proportion of tax collected from individual relative to the aggregate of Federal and State revenue in 1977 was 10.53% but went down in 1997 to 5.19% and dropped further to 4.67% in 2010. In 2013, Nigeria's tax to Gross Domestic Product (GDP) ratio dropped from 20% to 12% and non-oil taxes accounted for 4% of the 12%. In 2017, Nigeria's tax to GDP ratio further dropped to 6% which is far lower than average for developed tax systems (25-35%), developing countries (18-25%). The picture is not very different at the state level. For instance, a look at the report of the account of the Government of Kwara State of Nigeria for the year ended 31<sup>st</sup> December, 2015 indicated that a sum of ₦117, 678,807,606 was expected as total revenue. This included ₦10, 247,497,903 total revenue generated internally and ₦41, 553,360,367 statutory allocations from Federation Allocation Accounts Committee (FAAC) (Kwara State Government Annual Report, 2015). This indicates that about 36% of the revenue for the state was from the federal allocation. In addition, the report also revealed that, of the estimated direct taxes in the year 2015, out of ₦4,538,707,000 only ₦4,172,899,030.97 was collected; resulting in about 92% performance leaving a huge sum of over ₦365,807,969.30 representing approximately 8.1% tax gap. Although, 92% performance might be seen as a good performance; but in respect to tax compliance, 100% is expected because every individual taxpayer is under obligation to comply.

Tax authorities in the developed countries such as United Kingdom, Australia and United States have reasonable control of tax compliance of their residents. This is owing to the fact that these countries have been able to establish over time the causes of taxpayers' non-compliance. Developing nations such as Nigeria and Ghana are still battling with the issue of tax non-compliance among the residents because they are characterized by large informal sectors and inadequate tax knowledge among the residents (Bird, 2004). Adequate knowledge of the operation of Nigerian tax system is needed by individual taxpayers in a self-assessment environment. It is expected of individuals residing in a country to have adequate knowledge of taxes that are paid in the country where they reside. Taxpayers are expected to understand the purpose and the structure of tax systems (general tax knowledge; the legal implication of non-compliance (legal tax knowledge and ability to determine accurately their tax liabilities (technical tax knowledge). Taxpayers' knowledge is fundamental to the successful implementation of self-assessment regime as this would enable taxpayers to understand the tax system. Similarly, Braithwaite (2007) observes that taxpayers' knowledge reveals the connection between the taxpayers' understanding of the tax regulation and their willingness to comply. Therefore, taxpayers are expected to have requisite knowledge about personal income taxation (Funham, 2005; Kasipillai & Hanefah, 2000). Tax knowledge of taxpayer has a direct impact on reducing the tendency to evade (OECD, 2004). Therefore, understanding taxpayers' knowledge is a key factor to be considered by any revenue authority in a self-assessment system. Tax compliance is described as timely submission of tax returns that accurately report the tax liability of the taxpayers in line with the applicable tax law in force as at the time of submission



of the tax returns (Roth, Scholtz & Witte, 1989). Self-assessment tax regime is a system of tax administration where the taxpayer is granted the right, by law, to compute his own tax liability, make payment for the tax due at the designated banks and attach the evidence of tax paid at the time of filing his tax return at the tax office, on due date.

However, the studies conducted by CITN (2002), Nzotta (2007) and Olufemi (2016) observe that, tax knowledge of residents in Nigeria is low. Moreover, inconsistencies have been found in studies conducted on tax knowledge and tax compliance. The studies of Eriksen and Fallan (1996), Mukasa (2011), Devos (2012); Redae and Sekhon (2016) and Gitaru (2017) found a positive connection of tax compliance and tax knowledge. Meanwhile, the studies carried out by Collins, Milliron and Toy (1992), Murphy (2003), Alm and Gomez (2008); Torgler (2012), Olowookere and Fasina (2013) and Fauziati, Minovia, Muslim and Nasrah (2016) established a negative relationship between taxpayers' compliance and taxpayers' knowledge. Studies of Torgler and Murphy (2004), McGee and Bose (2009), Ho, Ho and Young (2013) and Ibrahim, Musah and Abdul-Hanan (2015) established no relationship between taxpayers' compliance and tax knowledge of taxpayers.

This study has two specific objectives. The first objective is to assess the effects of taxpayers' knowledge on tax compliance in a self-assessment tax system in Kwara State and the second one is to examine if there are differences in the level of taxpayers' general tax knowledge, legal tax knowledge and technical tax knowledge. To achieve these objectives, the following hypotheses were formulated and tested:

H<sub>1</sub>: Taxpayers' knowledge does not have significant effect on tax compliance in a self-assessment tax system in Kwara State.

H<sub>2</sub>: There are no differences in taxpayers' general knowledge, legal knowledge and technical knowledge.

This study focuses mainly on the taxation of individual taxpayers which falls within the jurisdiction of the Personal Income Tax Act, Cap. P8, LFN 2004 and Personal Income Tax (Amendment) Act, 2011. The Act empowers all state governments in Nigeria to generate tax revenue by assessing and collecting taxes on taxable incomes under the Act. The reason for choosing personal income tax is based on the fact that, it is the major tax collected at the state level in Nigeria. In addition, personal income has been identified as the income tax that records the highest rate of noncompliance (Odusola, 2006; Asada, 2005; Nzotta, 2007; Kiabel & Nwokah, 2009). The reason adduced to this is that, it involves individuals who are self-employed that do not have record with the relevant tax authorities.

Furthermore, Kwara State has been chosen as the study area based on the fact that in recent time, there has been a revolution in the revenue collection system in the state. Therefore, research into the factors that determine tax compliance at this point in time would go a long way in assisting the Kwara State Internal Revenue Service in formulating policies that would enable it to realize the objective of increasing the internally generated revenue from tax. The remaining parts of this study are organized as follows: section two reviews the conceptual, theoretical and empirical issues in the study. Section three presents the methodology for the study; section four presents the findings and discussion. Section five focuses on conclusion and recommendations.

## 2. Literature Review

Tax knowledge is the extent to which taxpayers are familiar with tax legislations. Fallan (1999) described tax knowledge as the combination of information about tax legislations, tax policies and tax administration with financial skills required in the determination of economic results for taxpayers. Tax knowledge is considered to be a prerequisite in a voluntary compliance tax system. Possessing adequate tax knowledge will enable a taxpayer to determine accurately his tax liability. The studies of Jackson and Milliron (1986), Richardson and Sawyer (2001) and Lewis (1982) identified four measures of tax knowledge as: the general degree of fiscal knowledge, knowledge involving evasion opportunities, general educational attainment and specific tax knowledge. Saad (2011) in his study identified three aspects of tax knowledge, namely general knowledge, technical knowledge and knowledge of legal sanctions. The study conducted by Spilker (1995) also, identified the types of knowledge required in taxation to include declarative knowledge and procedural knowledge. However, this study adopted the classification of Saad (2011).

Palil (2010) observed that, tax compliance issues can be looked at from different perspectives such as law, economics, accounting, psychology and public finance. For example, James and Alley (2004) defined tax compliance as the readiness of taxpayers to behave according to the tax law without being forced to do so. Franzoni (2000) and Chattopadhyay and Das-Gupta (2002) stated that compliance with tax laws involves reporting of tax-base correctly, raising of accurate assessment, timely completion of tax returns forms and timely payment of amount due. From the foregoing, tax compliance has been defined by different scholars in the field of taxation. However, the definition of tax compliance of Franzoni (2000) and Chattopadhyay and Das-Gupta (2002) is adopted to explain tax compliance in this study.

FIRS (2011) emphasized that self-assessment tax regime involves a series of activities beginning with taxpayer enablement, computation of tax due, payment and filing, tax return processing, debt management and compliance enforcement. The underlying objective is to promote voluntary compliance and ensure that the taxpayer takes responsibility for his assessment. Malik (2010) submitted that self-assessment scheme is based on key assumptions which include: the taxpayer is a stakeholder and a partner and should be treated courteously; the taxpayer is honest and indeed demonstrates this by signing a declaration as the correctness of



the tax returns; the taxpayer runs the business and knows the right amount of profits and taxes payable; on the part of the revenue, should accept returns as filed and later subject the returns to risk assessment.

The TPB model describes that behavioural intention determines the actual behaviour. Behavioural intention is, in turn, determined by attitudes towards behaviour, subjective norm and perceived behavioural control (Saad, 2010). Attitude towards behaviour is defined as an individual's evaluation of performing the behaviour (Manstead, 2004) which often contains two independent components, namely affective and instrumental attitudes (Ajzen, 2006). Subjective norms refer to a person's perceptions of the expectations of the people who are important to him or her, whether he or she should or should not perform a certain behaviour (Ajzen, 2006; Fishbein & Ajzen, 1975; Manstead, 2004). Perceived behavioural control reflects an individual's perception on the ease or difficulty in performing a particular behaviour (Saad, 2010). The construct stipulates that a behaviour that is easy to perform is high in perceived behavioural control, while one that is difficult to perform is low in perceived behavioural control (Manstead, 2004). Saad (2011) summarized that TPB suggests that one's motivation to perform a particular behaviour is also influenced by the individual's perception of how easy or difficult it is to perform such behaviour. According to Saad (2010) when a taxpayer believes that he or she can successfully complete and file the tax return forms with Inland Revenue without any mistakes, the person seems to have a high perceived behavioural control and is more likely to comply with tax obligations. In applying the TPB to this study, perceived behavioural control reflects an individual's perception on the ease or difficulty in performing a particular task. Adequate tax knowledge of taxpayers will encourage them to comply in a self-assessment system. Therefore, the taxpayers' knowledge may influence perceived behavioural control of the taxpayers, which in turn affects their decision whether to comply or not.

Tax knowledge is the most important factor that influences taxpayers' compliance in a self-assessment system. (Eriksen & Fallan 1996; Kirchler *et al*, 2008; Kasipillai & Jabbar, 2003; Singh & Bhupalan, 2001). Craner and Lymer (1999) opined that more compliance would be achieved with adequate tax knowledge of people. Barjoyai (1992) argued that taxation knowledge is more essential than geometry or geography knowledge in the sense that taxation knowledge is a universal knowledge required by all individuals with potential liability of paying tax one day. Eriksen and Fallan (1996) also concluded that better tax knowledge is associated, at least in part, for the improved perception of fairness and attitude to others' tax evasion. Halim, Ahmad, Katmum and Jaafar (2015) conducted a study to determine the basic knowledge of non-accounting students in Universities in Malaysia. The study used a structured questionnaire administered to four Universities in Malaysia. The results found that close to 40% of the respondents possess low basic tax knowledge. Adimassu and Jerene (2015) examined factors that influence taxpayer's voluntary compliance in a self-assessment system in Southern Nation Nationalities and People's Regional State (SNNPRS), Ethiopia. The study used a cross-sectional survey method of research design. Pearson correlation matrix and logistic regression model were employed. The results of the study revealed that tax knowledge has influence on tax compliance. Beesoon, Hemavadi and Jugurnath (2016) assessed the factors that influence income tax compliance in Mauritius for individual taxpayers. The study adopted primary survey design to obtain data which was analyzed with the aid of thematic statistical analysis. The result revealed that tax knowledge impact significantly on tax compliance.

Diamini (2017) conducted a research to examine the factors that influence tax non-compliance of SMEs in Zimbabwe. A survey research was used to obtain data for analysis with the aid of regression statistical technique. The result revealed that poor follow-up strategy and lack of a tax audit, high tax rates, financial constraints, abuse of public funds by government and tax education were factors contributing to non-compliance. A study on tax knowledge, perceived tax fairness and tax compliance in Uganda using a case study of small and medium income taxpayers in Kampala central division was carried out by Mukasa (2011). The study adopted a cross-section research design, combined with qualitative (analytical and explanatory) and quantitative (descriptive and inferential) research designs. The sample size of the study was 330 respondents and self-administered questionnaire were used to collect data from the SMEs's owners or managers. The study found out that, tax knowledge had a positive and significant relationship with tax compliance. This finding implies that positive improvement of tax payers' knowledge will lead to improved tax compliance.

Similarly, Palil and Mustapha (2011) conducted a study on factors affecting tax compliance behaviour in self-assessment system in Malaysia. The study examined the level of Malaysian individual taxpayers' knowledge and how tax knowledge level influence tax compliance in self-assessment system. The data for the study was collected through a survey method of research design and 1073 responses were obtained. Stepwise multiple regressions were used to analyse the relationship between tax knowledge and tax compliance. Results suggested that tax knowledge significantly affects tax compliance. Palil, Akir and Ahmad (2013) studied the role of religiosity in the relationship between tax education and tax knowledge towards tax compliance. The researchers surveyed 70 working adults pursuing MBA program in one Malaysian public University and used 50 responses. The variables used were: tax awareness (education, knowledge), tax compliance and religiosity. Person collection and hierarchical regression were adopted to test the hypotheses. The results found that there is a significant relationship between tax knowledge and tax compliance. A study on the taxpayers' knowledge and tax compliance behaviour in Tigray State, Ethiopia was conducted by Redae and Sekhon (2015). The objective of the study was to obtain a comprehensive overview of business income taxpayers.



knowledge towards the tax law in the state. The study used mixed methods approach both quantitative and qualitative techniques. The results showed that tax compliance behaviour of taxpayers is influenced by taxpayers' tax knowledge in the state.

A study on the determinants of tax compliance and their influence on the level of tax compliance in the real estate sector in Eldoret town, Kenya; was conducted by Jemaiyo and Mutai (2016). The data for the study were collected using a structured questionnaire which was administered to a sample size of 68 respondents who are real estate investors. The study used Chi-Square test to analyses the data collected. The study found that tax knowledge had significant effect on level of tax compliance. Gitaru (2017) conducted a study to assess the effect of taxpayer education on tax compliance among small and medium enterprises in Nairobi central business District. Using inferential statistics. The results revealed that there is a positive relationship between tax knowledge and tax compliance. The study examined the tax compliance of small and medium-sized enterprises in the Tamaile Metropolis. The study adopted the descriptive survey and cross-sectional study design. Stratified sampling and simple random sampling techniques were used to select a sample size. The data was analyzed using descriptive statistics and multiple regression. The result revealed that tax knowledge and tax compliance. Olwokere and Fasina (2013) examined taxpayers' education as a key strategy in achieving voluntary compliance in Lagos State. The study adopted a quasi-experimental survey research design. Analysis of Variance (ANOVA) statistical technique was used to analyses the data. The result revealed that tax education programmes for the taxpayers had influence on self-assessment compliance in Lagos State. Ibadin and Eiya (2013) carried out a study that examined the relationship between level of education attained by the self-employed and their decision on tax evasion. The study was carried out using a sample size of six hundred respondents spread among the six geo-political zones in Nigeria. ANOVA and Ordinary Least Square (OLS) method of regression were used to estimate the data collected. The study revealed a positive significant relationship between educational level of taxpayers and tax compliance.

Empirical studies conducted by Oladiipo and Obazee (2016) and Olaoye, Ayeni-Agbafe and Alaran-Ajefule (2017) in Nigeria, investigated the relationship between taxpayers' knowledge and tax compliance amongst small and medium enterprises in Nigeria. The study used survey research method using a structured questionnaire administered to obtain data from the respondents. Ordinary Least Square regression was used to analyses the data. The study found that tax knowledge had positive significant relationship with tax compliance. Contradictory evidence, however, is documented in Malaysia where an increase in taxpayers' knowledge has impacted negatively on fairness perceptions (Loo et al., 2008). In particular, their findings suggest that taxpayers who have adequate knowledge of government expenditure for public benefits view the income tax system to be unfair as they are not receiving sufficient benefits in return for their tax paid. Ching (2013) conducted a study to examine factors influencing taxpayers' non-compliance in Malaysia. The study used purposive sampling method. Pearson's correlation analysis was employed in the data analysis. The results showed that taxpayers' level of education may influence their non-compliance. Collins, Milliron and Toy (1992) also produced a counter result in their study conducted in United States using random mail survey of 700 households from telephone directories. They found that knowledge and level of education were negatively correlated with compliance behaviour. Fauziati, Minovia, Muslim and Nasrah (2016) examined the impact of tax knowledge on tax compliance in Kota Padang, Indonesia. Simple linear regression using survey research design. The data for the study was obtained through self-administered questionnaire. Simple linear regression statistical models were used to estimate the relationship between tax knowledge and tax compliance. The result revealed that tax knowledge has no impact on tax compliance.

### 3. Methodology

A cross sectional research design was adopted for this study. The approach was purely quantitative which involved descriptive and inferential analysis of the effects of taxpayers' knowledge on tax compliance in Kwara State. The population for this study consisted of all the 68,338 registered members of Kwara State Artisans Congress (KWACO) as contained in the data bank of Congress as at September 30, 2018. This study population was stratified and simple random sampling method was used to select respondents. Stratified random method was used to group the Artisans in various strata based on the associations that make up the Congress. This was done to ensure that all associations in KWACO were included in the sample and this gave each respondent a chance of being selected. The selection of samples from each stratum was based on the proportion of each stratum to the population. A total of 558 copies of questionnaire were distributed to the respondents across the 16 local governments in Kwara State. This study used primary data. A self-administered, structured questionnaire was a closed ended type. In this study, variables were measured using a five-point Likert scale of strongly disagree, disagree, not certain, agree and strongly agree with score from 1 to 5 respectively. A pre-test of the research instrument to establish its validity was done. Reliability of the questionnaire items was tested using the Cronbach's alpha coefficients. The reliability of the questions used to assess tax compliance and taxpayers' knowledge had reliability values of 0.808 for general tax knowledge, 0.781 for legal tax knowledge, 0.888 for technical tax knowledge, 0.952 for tax



compliance while total tax knowledge had 0.729. These values are higher than 0.7 which is recommended by Nunnally and Bernstein (1994). This indicated that the instrument used to collect data from the respondents was dependable and reliable.

$$TC = f(TK) \dots\dots\dots (1)$$

Therefore, the empirical model of equation (1) is given as:

$$Y_i = (\beta_0 + \beta_1 TK_i) + \varepsilon_i \dots\dots\dots (2)$$

A priori expectation:  $\beta_0 > 0$ ;  $\beta_1 < 0$

Whereas:  $TC_i$  = Tax Compliance (Dependent Variable),  $TK_i$  = Taxpayers' Knowledge (Independent Variable),  $\beta_0$  = the intercept of the model,  $\beta_1$  = the coefficient or estimate of the parameter of the independent variable,  $\varepsilon_i$  = Error term

For the purpose of this study, both the descriptive and inferential statistics were used. The descriptive statistics was employed in this study to provide insight into the perception of the respondents and these include the percentage, mean and standard deviation. The mean score and standard deviation were computed for individual items as well as weighted items of the entire metric latent variable in relation to 540 valid cases of the study. For the purpose of the interpretation of the mean scores, the 50<sup>th</sup> percentile of the range of five-point Likert scale was calculated as 3. The mean score below 3 was treated as low and above 3 was regarded as high. This same method was used in the study of Alabede (2012) for the interpretation of the mean score. The inferential statistics used in this study were simple regression and one-way repeated-measure ANOVA.

#### 4. Results and Discussion

Table 1

Response Rate of the Questionnaire

| Response                                       | Frequency |
|------------------------------------------------|-----------|
| Number of copies of questionnaire distributed  | 558       |
| Returned copies of questionnaire               | 548       |
| Returned and usable copies of questionnaire    | 540       |
| Returned and unusable copies of questionnaire  | 8         |
| Number of copies of questionnaire not returned | 10        |
| Response rate                                  | 98.2      |
| Valid response rate                            | 96.7      |

Sources: Field survey (2018)

The questionnaire used for this study was administered on the members of KWACO. Out of five hundred and fifty-eight (558) copies of questionnaire distributed to respondents, five hundred and forty-eight (548) copies of the questionnaire were returned, ten (10) copies of the questionnaire were not returned while eight (8) copies of the returned questionnaire were unusable because the respondents selected multiple responses for most the questionnaire items. Consequently, only five hundred and forty (540) copies of the questionnaire were completely and properly filled, making a total of 96.7 percent and were considered to be adequate for the analysis. The descriptive statistics are presented in the Table 2.

Table 2

Descriptive statistics for Tax Compliance

| Code    | Items                                                                                                                                                                      | Mean | Std D | SA/Agree  | NotCert   | SD/Disagr |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-------|-----------|-----------|-----------|
| TC1     | I would declare in my tax return the total income I receive from all sources.                                                                                              | 2.86 | 1.227 | 155(28.7) | 213(39.4) | 172(31.9) |
| TC2     | I would declare in my tax return the total amount of expenses including my maintenance cost.                                                                               | 2.97 | 1.254 | 195(36.2) | 205(38.0) | 140(25.1) |
| TC3     | I would file my income tax return with tax authority within 90 days from commencement of the year (i.e. from January)                                                      | 2.76 | 1.254 | 155(28.7) | 163(30.2) | 222(41.1) |
| TC4     | I would not pay my income tax liability within 60 days from the date of assessment notice as deadline is only a guideline and does not result in payment of any penalties. | 2.65 | 1.341 | 154(28.5) | 0(0)      | 386(71.5) |
| Overall |                                                                                                                                                                            | 2.81 | 1.187 |           |           |           |

Sources: Field survey (2018)



Note: Std D = Standard Deviation, SA = Strongly Agree, SD = Strongly Disagree, % in parenthesis rounded to nearest whole number.

Table 2 reveals that only about 29% of the respondents expressed their agreement in relation to declaring their total income received from all sources in their tax return for the purpose of tax assessment while about 32% of the respondents disagreed. However, 39% of the respondents were not certain of what to do. A similar result was also obtained in the case of filing of tax return with the tax authority within the 90 days stipulated in the tax law as 41% percent disagreed. More than 30% of the respondents were not certain and about 29% of the respondents were in the agreement region. In respect of the respondents' view on declaring the total amount of expenses including maintenance cost in their tax returns for the purpose of tax assessment, more than 36% agreed, 38% were not certain while more than 25% of the respondents disagreed. Similarly, more than 71% of the respondents disagreed. Not certain was 0% and more than 28% agreed with timely payment of the amount due as tax. An overall, average of 61.5% of respondents disagreed while 38.5% of the respondents agreed with the true reporting of the tax base, correct computation of the tax liabilities; timely filing of tax returns and timely payment of the amount due. The result shows that tax noncompliance is a serious problem in personal income tax administration in self-assessment system in Kwara State. The mean score and standard deviation of tax compliance, declaring tax return the total amount of expenses including the maintenance cost has the highest mean score of 2.97 while tax claim reporting has the lowest mean score of 2.65 with a standard deviation of 1.341 respectively. The mean score and standard deviation for the four of components of tax compliance is 2.81 and 1.187 respectively.

Table 3  
Descriptive Statistics for Tax Knowledge

| Items                                                                                                                                                                                                                                      | Mean | Std D | SA/Agree  | Not Certain | SD/Disagree |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-------|-----------|-------------|-------------|
| Corporate bodies and individual citizens are liable to tax on income, property and consumption.                                                                                                                                            | 3.58 | 0.886 | 348(64.5) | 118(21.9)   | 74(13.7)    |
| The income tax system is a legitimate way for the government to collect revenue to manage an economy.                                                                                                                                      | 3.46 | 0.846 | 283(52.5) | 200(37.0)   | 57(10.6)    |
| The taxpayers are supposed to keep records/ documents pertaining to income and expenditure in order to determine the correct tax payable.                                                                                                  | 3.45 | 0.895 | 277(51.3) | 190(35.2)   | 73(13.5)    |
| The taxpayers are supposed to inform and declare actual income received from all sources to the Internal Revenue Service.                                                                                                                  | 3.42 | 0.899 | 272(50.4) | 187(34.6)   | 81(15.0)    |
| As far as I am aware, non-compliant taxpayers can be imprisoned, if found guilty of evading tax.                                                                                                                                           | 1.81 | 0.586 | 0(0)      | 51(9.4)     | 489(90.6)   |
| Similar to other criminal offences, I believe that individuals can also be prosecuted for not complying with the Income Tax Act.                                                                                                           | 1.91 | 0.611 | 0(0)      | 78(14.4)    | 462(85.6)   |
| I believe that I do not have to abide by the deadline for the submission of tax return form (s) (in case of having other income such as rental and business income), as the deadline is only a guideline and does not result in penalties. | 1.76 | 0.610 | 0(0)      | 51(9.4)     | 489(90.6)   |
| As far as I am aware, everyone who earns income sourced in this country is taxable, regardless of whether that person is resident or not.                                                                                                  | 1.99 | 1.016 | 65(12.0)  | 79(14.6)    | 396(73.3)   |
| I have little idea about the deductions that I can claim as a taxpayer in the computation of my tax liability                                                                                                                              | 1.90 | 1.037 | 78(14.4)  | 31(5.7)     | 431(79.8)   |
| To my knowledge, the tax liability of an individual is determined by applying the graduated tax rates on the taxable income.                                                                                                               | 1.79 | 1.022 | 79(14.6)  | 0(0)        | 461(85.4)   |
| Overall                                                                                                                                                                                                                                    |      | 2.51  | 0.463     |             |             |



Sources: Field survey (2018)

Note: Std D = Standard Deviation, SA = Strongly Agree, SD = Strongly Disagree, % in parenthesis rounded to nearest whole number.

These descriptive statistics suggest that compliance among individual taxpayers in Kwara State is low. The descriptive statistics of the respondents in relation to tax knowledge is shown Table 3. The measure of tax knowledge is based on the acquisition of general knowledge, legal knowledge and technical knowledge of tax system. With respect to the acquisition of general knowledge, the respondents indicated their knowledge and understanding on items TK1, TK2, TK3 and TK4. Each of these items has a mean score of above 3 with standard deviation ranging from 0.846 to 0.899. This suggests that the respondents had high general knowledge of taxation as represented by items TK1 to TK4 in the questionnaire. Items TK5 to TK7 measured the legal knowledge of the respondents, the mean score of the items is 1.83 and the standard deviation is 0.445. This is an indication that the legal knowledge of respondents about the personal income tax is low. Items TK8 to TK10 also measured the technical knowledge of respondents. The mean score of the items representing the technical knowledge of the respondents is 1.89 and the standard deviation is 0.926. This suggests that the technical knowledge of the respondents is also low. Generally, the overall mean score and standard deviation of 2.51 and 0.463 respectively, on all the items used to measure tax knowledge show that the respondents had low tax knowledge. In order to achieve the objectives of this study, the two hypotheses formulated were tested in this subsection. Regression analysis was performed using simple regression method to explain the variability of the effect of taxpayers' knowledge as independent variables on tax compliance as a dependent variable among the taxpayers in Kwara State. The results of simple regression are presented in Table 4 and Table 5.

Table 4

Model Summary

| Model | R    | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|------|----------|-------------------|----------------------------|
| 1     | .342 | .117     | .115              | 1.026                      |

Sources: Field survey (2018)

Table 5

Coefficients

| Model 1    | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|------------|-----------------------------|------------|---------------------------|--------|------|
|            | B                           | Std. Error | Beta                      |        |      |
| (constant) | 1.803                       | .171       |                           | 10.547 | .000 |
| ATK        | .458                        | .054       | .342                      | 8.434  | .000 |

Sources: Field survey (2018)

The first hypothesis of this study which states that taxpayers' knowledge does not have significant effect on tax compliance in a self-assessment tax system in Kwara State is now tested using simple linear regression and the results are shown in Table 5. The simple linear regression results revealed that the coefficient of taxpayers' knowledge is significant at 1% significant level (coefficient = 0.342, standard error = 0.054, and  $p < 0.01$ ). This suggests that taxpayers' knowledge have statistically significant effect on tax compliance in a self-assessment tax system in Kwara State. Therefore, the null hypothesis was rejected. One-way repeated-measures ANOVA method was used to explain the level differences in taxpayers' general knowledge, legal knowledge and technical knowledge.

Table 6

Descriptive Statistics

|                         | Mean | Std. Deviation |
|-------------------------|------|----------------|
| General Tax Knowledge   | 3.48 | .702           |
| Legal Tax Knowledge     | 1.83 | .445           |
| Technical Tax Knowledge | 1.89 | .926           |

Table 7

Multivariate Tests

| Effect                      | Value | F        | Hypothesis df | Error df | Sig.  | Partial Eta Squared |
|-----------------------------|-------|----------|---------------|----------|-------|---------------------|
| Pillai's Trace              | 0.825 | 1265.507 | 2.000         | 538.000  | 0.000 | 0.825               |
| Tax Knowledge Wilks' Lambda | 0.175 | 1265.507 | 2.000         | 538.000  | 0.000 | 0.825               |
| Hotelling's Trace           | 4.704 | 1265.507 | 2.000         | 538.000  | 0.000 | 0.825               |
| Roy's Largest Root          | 4.704 | 1265.507 | 2.000         | 538.000  | 0.000 | 0.825               |



Table 8

## Mauchly's Test of Sphericity

| Subjects  | Mauchly's W | Approx. Chi-Square | df | Sig.  | Epsilon            |             |             |
|-----------|-------------|--------------------|----|-------|--------------------|-------------|-------------|
| cts       |             |                    |    |       | Greenhouse-Geisser | Huynh-Feldt | Lower-bound |
| Knowledge | 0.929       | 39.559             |    | 0.000 | 0.934              | 0.937       | 0.500       |

Table 9

## Tests of Within-Subjects Effects

|                       |                    | Type III Sum of Squares | df       | Mean Square | F        | Sig.  |
|-----------------------|--------------------|-------------------------|----------|-------------|----------|-------|
| Assumed<br>edge       | Greenhouse-Geisser | 943.897                 | 2        | 471.949     | 1026.338 | 0.000 |
|                       | Huynh-Feldt        | 943.897                 | 1.868    | 505.406     | 1026.338 | 0.000 |
|                       |                    | 943.897                 | 1.874    | 503.721     | 1026.338 | 0.000 |
|                       | Lower-bound        | 943.897                 | 1.000    | 943.897     | 1026.338 | 0.000 |
| Assumed<br>Knowledge) | Greenhouse-Geisser | 495.705                 | 1078     | .460        |          |       |
|                       | Huynh-Feldt        | 495.705                 | 1006.638 | .492        |          |       |
|                       |                    | 495.705                 | 1010.005 | .491        |          |       |
|                       | Lower-bound        | 495.705                 | 539.000  | .920        |          |       |

Table 10

## Estimates

| Tax<br>knowledge | Mean  | Std. Error | 95% Confidence Interval |             |
|------------------|-------|------------|-------------------------|-------------|
|                  |       |            | Lower Bound             | Upper Bound |
| 1                | 3.477 | .030       | 3.417                   | 3.536       |
| 2                | 1.825 | .019       | 1.788                   | 1.863       |
| 3                | 1.892 | .040       | 1.814                   | 1.970       |

Table 11

## Pairwise Comparisons

| (I) Taxknowledge1 | (J)<br>Taxknowledge1 | Mean Difference<br>(I-J) | Std. Error | Sig. <sup>b</sup> | 95% Confidence Interval<br>for Difference <sup>b</sup> |             |
|-------------------|----------------------|--------------------------|------------|-------------------|--------------------------------------------------------|-------------|
|                   |                      |                          |            |                   | Lower Bound                                            | Upper Bound |
| 1                 | 2                    | 1.652 <sup>*</sup>       | .035       | .000              | 1.567                                                  | 1.736       |
|                   | 3                    | 1.585 <sup>*</sup>       | .044       | .000              | 1.479                                                  | 1.690       |
| 2                 | 1                    | -1.652 <sup>*</sup>      | .035       | .000              | -1.736                                                 | -1.567      |
|                   | 3                    | -.067                    | .044       | .388              | -.172                                                  | .039        |
| 3                 | 1                    | -1.585 <sup>*</sup>      | .044       | .000              | -1.690                                                 | -1.479      |
|                   | 2                    | .067                     | .044       | .388              | -.039                                                  | .172        |

The second hypothesis of this study which states there are no differences in taxpayers' general knowledge, legal Knowledge and technical knowledge is now tested using one-way repeated-measures ANOVA and the results are shown in Tables 6 to 11 The one-way repeated-measures ANOVA results revealed that tax knowledge was significantly affected by the dimension of tax knowledge, ( $F = 1026.338$ ,  $p < 0.01$ ). This suggests that there are statistically significant differences in taxpayers' general



knowledge, legal Knowledge and technical knowledge. Therefore, the null hypothesis was rejected. Mauchly's test indicated that the assumption of sphericity had been violated,  $X^2(2) = 39.56$ ,  $p < 0.01$  and therefore, a Greenhouse-Geisser correction was used. The results show that the tax knowledge was significantly affected by the dimension of tax knowledge,  $V = 0.82$ ,  $F = 1265.51$ ,  $p < 0.001$ ,  $\eta^2 = 0.83$ . Bonferroni post hoc tests showed that on average, taxpayers' general knowledge has the highest taxpayers' knowledge (mean = 3.48; SD = 0.702), followed by technical of taxpayers (mean = 1.89; SD = 0.926), legal knowledge of taxpayer has the lowest taxpayers' knowledge (mean = 1.83; SD = 0.445).

The test performed on hypothesis provides evidence in relation to the relationship between tax knowledge and tax compliance in a self-assessment system in Kwara State. Tax knowledge was found to have a significant positive effect on tax compliance. This implies that, it is most likely that taxpayers' possession of better understanding of general tax knowledge, legal tax knowledge and technical tax knowledge will encourage them to fulfill their tax obligations and thus, do away with non-compliance temptations. This finding is in accord with the observation of CITN (2002), Nzotta (2007) and Olufemi (2016) about the low level of taxpayer knowledge in Nigeria. The descriptive statistics of the respondents in relation to tax knowledge revealed that on the average, the respondents had low tax knowledge. The low tax knowledge might have been one of the factors responsible for the unsuccessful implementation of self-assessment tax system in Nigeria. Under the self-assessment tax system, adequate tax knowledge of taxpayers is required for its successful implementation. This would enable the taxpayers to understand the tax system and tax policies which are required by taxpayers to effectively discharge their tax obligations.

Inadequate knowledge of taxpayers will put them in the darkness in respect of the assessment of the fairness of the tax system and the principles, objectives and purposes of taxation in the society. In addition, low tax knowledge would encourage non-compliance in a self-assessment system. This finding is consistent with prediction of one of the components of the theory of planned behaviour – Perceived behavioural control. Perceived behavioural control reflects an individual's perception on the ease or difficulty in performing a particular behaviour. In a self-assessment tax system, tax knowledge is considered to be a prerequisite in ensuring voluntary compliance. Possessing adequate tax knowledge and understanding of tax system will enable a taxpayer to determine accurately his tax liability. Therefore, individual taxpayer knowledge may influence perceived behavioural control of taxpayers, which in turn affects their decision whether to comply or not. However, the finding of this study is consistent with the studies of Eriksen and Fallan, 1996, Mukasa, 2011, Devos, 2012, Redae & Sekhon, 2016 and Gitaru, 2017 that found positive significant relationship between tax knowledge and tax compliance.

## 5. Conclusion and Recommendations

Overall, the results indicate that tax compliance in a self-assessment system is influenced by taxpayers' knowledge. Self-assessment places the responsibility on taxpayers to correctly determine their own tax liabilities. Consequently, taxpayers' knowledge would play a crucial role in ensuring compliance. There is a need for KWIRS to develop new tax education programmes that would further enhance taxpayers' tax knowledge. These education programmes should contain information on public awareness about tax payment and its importance in the economy. The tax education programmes should be extended to all categories of taxpayers residing in all geographical locations in the state instead of the current practice of concentrating in the vicinity of the urban areas. There is also a need to implement effective tax education and tax compliance programmes that would accommodate the different and diverse needs of the taxpayers. To further enhance the simplicity of tax system, tax laws should be codified in simple, non-technical languages and be translated to three major languages in Nigeria.

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