

Sensitisation of Taxpayers Education and Tax Administrations in Enhancement of Tax Compliance

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Abstract: *This study reviewed relevant literatures on the sensitisation of taxpayers' education and tax administrations in enhancement of tax compliance. The library research was adopted in the study which entails a review of existing literature and forms the basis for the conclusion to be drawn. The study was supported by the fiscal exchange theory with the assumption that the behaviour of taxpayer's compliance can be influenced with the services and public goods provided by the government. Tax non-compliance is common in developing countries and has been linked to a number of issues, including ineffective tax administration, low taxpayer morale, a lack of institutional capacity for taxing the informal sector, lack of technological infrastructure and mismanagement of tax revenue. This study then bring to recommendation that government should be transparent, accountable and reduce perception of corruption when dealing with taxpayers, as this would create trust and influence tax compliance voluntarily.*

Keywords: fiscal exchange theory, sensitisation, tax administrations, tax compliance, taxpayers' education.

INTRODUCTION

A well organised tax administration is required for any country that wants to increase its tax revenues and run the economy smoothly. The prime purpose of tax administration in numerous

countries globally is basically to ensure revenue is generated to develop the economy and make provision for facilities as well as social welfare support to the citizens of the country. Revenue from taxes are relevant mechanisms use to expand the economy of both developed and developing countries, as the taxes generated from revenue aid the economy to provide social welfare support and other facilities. Taxes are important for mobilising revenue for public services, infrastructure and other development to be funded. Every government wants to increase the tax revenue of a country to enable it finance activities like building of hospitals, schools, markets, rehabilitation of roads and many others. For this to be achieved, tax administration must play a crucial role to ensure tax compliance. For tax compliance to be ensured voluntarily, tax information and support to taxpayers are expected to be provided by tax administrations so that their obligations can be met by them and then make claim of what they are entitled to legally (Oladipo et al., 2022). Tax information can be provided by educating the taxpayers on the need to have adequate understanding of how the system of tax works. The programmes that aim to teach taxpayers about: the importance of paying tax; their tax rights; legal requirements; responsibilities; and in terms of accountability, what taxpayers should expect of the government is referred to as taxpayer education (Mascagni & Santoro, 2018).

It has been indicated by several studies that the payers of taxes often have little understanding of the way the system of tax works (Kira, 2017), and despite the different tax reforms that have been undertaken to encourage the compliance of taxes; the efforts have not been encouraging as the revenue generated level has been increasingly low and only the minority pays their taxes in developing country like Nigeria. Opiel, McNabb and Chachu (2022) indicated that the mobilization of poor tax revenue has been a continuous challenge that is confronting the governments in developing economies, in spite of the taxable population of large size. Oronde (2016) revealed that in developing countries, the challenge of revenue stems from the low level of tax compliance, characterised by the failure of citizens to register as taxpayers, failure to file, underreporting of tax liabilities, non-payment of taxes and late filing. When it comes to the fulfillment of the obligations enacted on taxpayers by laws, they are not in most cases ready and willing to comply. This limit the vital objectives and tax administrator ambitions, whose responsibilities is to process tax collection and then give the procedures that are necessary to create awareness that will enable people make payment of their taxes.

The behaviour of non-tax compliance has been an issue that has affected the development and growth of economy of so many countries, developing countries in particular. The occurrence of non- tax compliance in developing countries has in most cases be attributed to different factors. Some factors that have contributed to the behaviour of non-tax compliance are weak tax administration, misappropriation of tax collected, political instability, corruption, multiplicity of taxes and heavy tax burden (Oluyombo & Olayinka, 2018). By using Nigeria as a case study from the developing country, Oyedele (2016) attributed the prevalence of tax non-compliance to be factors like inefficient tax administration, lack of institutional capacity for taxing the informal

sector, low taxpayers' morale, inadequate taxpayer education and public enlightenment, mismanagement of tax revenue, as well as lack of technological infrastructures. Regrettably, tax administration is usually weak and characterized by corruption, extensive evasion and coercion in many developing nations like Nigeria (Loveday & Eiya, 2016). Throughout the world, the behaviour of non-tax compliance issue has become a problem and may have an outcome that is not friendly to the economy (Lipatov, 2012). This study is therefore set aside to ensure tax administrations give proper support to the taxpayers by educating and providing them with useful information that would enhance their compliance. It is therefore against this backdrop that this study stands to examine sensitivity of taxpayers education and tax administrations in enhancement of tax compliance.

REVIEW OF LITERATURE

Tax Compliance

Tax compliance is the willingness of taxpayer to abide by the tax laws of their country and pay any tax that is owed to them on time. It shows the taxpayers intensity of responsiveness to obligation of tax, and it is the peoples' ability to abide by the tax administration principles in a country. Hassan et al. (2021) sees tax compliance to be the ability of taxpayer and willingness to follow the regulations of tax, make declaration of correct amount of income every year, and make the payment of correct amount of taxes on time. In view of Oladipo et al. (2022), the process as well as the procedure use to persuade the taxpayers to comply with the relevant tax laws, though they are not always accurate in filing appropriate tax returns is referred to as tax compliance. Olaniyan (2020) sees tax compliance as the magnitude to which the obligation of tax is ensured by taxpayers through payment of tax promptly according to the appropriate regulations or tax laws. An act of tax evasion may be committed by a taxpayer with the non-compliance of tax laws, and the resulting loss of tax revenue from such an act may have effect on the effective functioning of government (Fathi & Esmailian, 2012). The reason for tax compliance is that when individuals and businesses pay up their taxes, it would bring about funding of government's tax revenue to develop the economy and provide facilities as well as social welfare support to the citizens. Government may not function effectively and efficiently except people make payment of taxes that they are obliged to pay by law (Alabede et al., 2011). Tax compliance has become relevant to both the tax authority as well as the taxpayers making the payment. Tax compliance is paramount to the tax authority (government) because when the citizens pay their taxes, the government will have enough revenue (tax) to carry out infrastructural activities and develop the economy for the wellbeing of the citizens. Olaniyan (2020) stated in his study that an economic system that is well-structured would boost the citizens' standard of living as well as the social wellbeing for a meaningful development of a country. When the economy is well developed, the citizen in return will benefit by having enabling environment to carry out their businesses activities and enjoy other good amenities from the government.

Taxpayers Education

Education is very essential to the various taxpayers because it climaxes the taxpayer's ability to basically have good knowledge of the tax information. Tax can be complex to those that don't have good knowledge of tax information, especially those with little or no existing knowledge of the system of tax. Tax information can be provided by educating the taxpayers on the need to properly understand the way the tax system works. Taxpayers education is the method employed to educate people concerning the whole process of taxation and why the people should make payment of their taxes (Ndirangu, 2014). Mascagni and Santoro (2018) see taxpayer education as the programmes that aim to teach taxpayers about: the importance of paying tax; their tax rights; legal requirements; responsibilities; and the expectation of taxpayers from the government, in terms of accountability.

The aim of taxpayer education is to assist the revenue service to achieve the objectives of their collective business; to optimize the use of educational resources to build a culture of compliance, service, awareness and responsible taxpayer empowerment; and provide the key interface between taxpayers and revenue service by means of information access and education (Misra, 2004). The education of taxpayer has become a vital tool used to encourage tax compliance voluntarily among the taxpayers. Taxpayer education is of paramount importance to tax administration in various developing nations, as it contributes to a more effective, efficient, and equitable tax system. Educated taxpayers are likely to have good knowledge of tax information and derive benefit from tax compliance. Those with good knowledge of tax education are likely not to engage in tax evasion but comply with the payment of taxes and pay up their taxes appropriately as at when due and increased tax revenues for the government to carry out infrastructural activities and develop the economy.

Tax Administrations

Tax administration is the process as well as the procedure that is involved in a country tax management. Tax administration encompasses various activities which include the enforcement and implementation of tax laws, processing of tax returns, registration of taxpayers, imposing sanctions on offenders, provision of quality services to taxpayers, collection of taxes, and verifying the correctness of tax returns (Onoja & Odoma, 2020). According to Appah (2014), tax administration consists of the principles, procedures and strategies that any government adopt in order to achieve tax planning that is effective, easy collection and proper accounting, compulsory levying of tax and utilization of the revenue collected. The major aim and duties of tax administrator is to process tax collection and give the required procedure to create necessary information that will make individuals comply with the payment of their taxes. Oseni and Ehimi (2019) indicated in their study that an essential objective of the administration of tax is to ensure the maximum possible compliance by taxpayers in their respective tax responsibilities.

A good tax Administration deals with processing, gathering and using the information that are gathered in most effective and efficient manner (Bird, 2015). It performs an essential role in a country revenue generation and assists the tax authority (government) to adequately raise revenue (tax) to finance public goods and services. It is crucial for the tax administration to adequately provide the taxpayers with sufficient education by providing them with useful information that would enhance their compliance.

Theoretical Review

The fiscal exchange theory propounded by Allingham and Sandmo (1972) lends support to this study. The assumption of this very theory is that the delivery of public goods and services by the government can influence taxpayer compliance behavior. Meaning, when the traditional functions and obligation of the government is discharged to the citizens, it therefore have influences on their behaviour toward the compliance of tax payment as the taxpayer primary concern is what they receive in exchange of the taxes they paid (Ogbonna & Appah, 2016). According to Roukiatou and Pam (2017), taxes are paid by individuals when they perceive that it actually serves to finance public goods. When public goods are financed by the government, the tax payers will on their own comply by making payment of taxes because of the benefits that would be derived from it. According to Bodea and LeBas (2013), the existence of positive benefits may increase the probability that taxpayers will voluntarily comply without direct coercion. The benefits of paying taxes can be seen in the government's provision of public goods and services, such as basic healthcare, meeting citizens' needs for education, building infrastructure such as water systems, supplying a steady supply of electricity, maintaining roads and bridges, and managing crime, corruption, conflict, and terrorism. This theory is based on psychological, social or relational contract between the citizens and government. It is anticipated that taxpayer behavior would be favorably correlated with the enjoyment that comes from paying taxes. This builds a cordial relationship of transparency, accountability, efficiency and mutual trust between the government and the citizens.

Review of Empirical Studies

Oyedekun, Kupoluyi and Oloyede (2022) investigated tax administration and taxpayers' compliance in Nigeria. The study is qualitative and has used secondary data sources with the expectancy theory of motivation as its theoretical framework. The findings of the study indicated that if tax administration is appropriately carried out, it will bring about tax compliance in Nigeria which will discourage tax evasion, increase tax revenues, bring about sound public administration and good governance. The paper recommends that tax administration and compliance should both be pursued for virile public finance and national development in Nigeria

Adekoya (2019) investigated taxpayer education and tax compliance in Lagos State. A five-point Likert scale questionnaire was used to gather primary data. The gathered data were presented using descriptive statistics, and the regression models created for the study were estimated using both

basic linear regression and multiple regressions. Analysis of the results showed that taxpayer education significantly and politely affects tax compliance.

Oladele et al. (2020) examined e-tax administration and tax compliance among corporate taxpayers in Nigeria. The quantitative research design was employed by making use of relevant data sourced from the Federal Inland Revenue Service (FIRS). To determine if there is a difference or link between pre-and post-e-tax revenue, descriptive statistics and the paired t-test were used to evaluate the data. A strong connection was found between the electronic tax system and tax revenue (tax compliance).

Obal and Udofia (2021) determined effect of tax administration and taxpayer education on tax compliance behaviour. The design of survey research was employed and the means of data gathering was self-reported questionnaire from 213 registered SMEs. Analysis of multiple regressions was conducted to aid in hypotheses testing. Result of the findings revealed that electronic taxpayer education has a relationship that is significant with tax compliance while the print media education had a relationship that is negatively significant with tax compliance behaviour of SMEs. Also, sensitization programmes of stake holders and tax administration has non-significant effect on SMEs tax compliance behaviour.

Olaniyi (2023) examined tax administration and personal income tax compliance in Nigeria. Survey design was employed to get data by way of a structured questionnaire which was randomly administered to select taxpayers from the three (3) States of Nigeria, resulting in a usable data set of three hundred and sixty five (365) responses. The study's hypotheses were tested through the use of partial least square structural equation modeling (PLS-SEM). The results indicated that tax penalty, tax education as well as tax administrative efficiency positively and significantly influence personal income tax compliance. Also, tax support services have an insignificant influence on personal income tax compliance.

Hassan et al. (2021) investigated voluntary tax compliance behavior of individual taxpayers in Pakistan. Making use of survey method, the quantitative design was used to collect data from four hundred and thirty five (435) people paying taxes through questionnaire. Structural equation modeling technique was employed to test linkage between constructs, through mediation and moderation tests. Findings of the results shows that tax compliance simplicity has a larger impact on tax filing than perception about Government Spending and tax morale. Likewise, perception of fairness significantly mediates the strengths between morale, simplicity, government spending and compliance behaviour.

METHODOLOGY

The library research method was adopted in this study, which entails a review of existing literature and forms the basis for drawing the conclusion of the study. The library research is a data collection method that involves studying and analyzing information from books, theories and documents that are directly relevant to the study being carried out. Scholarly articles as well as academic journals were reviewed to gather theoretical frameworks, previous research findings and insights into the global trend on the issues relating to the sensitisation of taxpayers education and tax administrations in enhancement of tax compliance

CONCLUSION AND RECOMMENDATION

This study reviewed relevant literatures on the sensitization of taxpayers education and tax administrations in enhancement of tax compliance. Issues relating to the conception of tax compliance, taxpayers education and tax administrations in developing countries, theoretical foundations as well as empirical studies were appropriately examined in this study. Tax administration encompasses various activities, which include the enforcement and implementation of tax laws, registration of taxpayers, verifying the correctness of tax returns, processing of tax returns, collection of taxes, imposing sanctions on offenders provision of quality services to taxpayers. Information must be gathered, processed, and used as effectively and efficiently as possible in order for tax administration to be good. It is therefore, crucial for tax administration to adequately provide taxpayers with sufficient education by providing them with useful information that would enhance their compliance. Education is very essential to the various taxpayers because it climaxes the taxpayer's ability to basically have good knowledge of the tax information. Tax information can be provided by educating the taxpayers on the need to properly understand the way the tax system works. Taxpayers with higher levels of education are probably more aware of their responsibilities and benefit from paying their taxes on time. The reason for tax compliance is that when individuals and businesses pay up their taxes, it would bring about funding of government's tax revenue to develop the economy and provide facilities as well as social welfare support to the citizens. Government may not function effectively and efficiently except individuals make payment of taxes they are obliged to pay by law. The study was supported by the fiscal exchange theory, which postulates that the provision of public goods and services by the government can influence taxpayer compliance behaviour. Issues of non-tax compliance behaviour that has become a problem all over the globe and could have negative effect on the economy was critically examined. Inefficient tax administration, low taxpayer morale, insufficient taxpayer education and public enlightenment, institutional capacity issues for taxing the informal sector, a lack of technological infrastructure, and mismanagement of tax revenue have all been linked to the prevalence of tax non-compliance in developing countries. This study then bring to recommendation that government should be transparent, accountable and reduce perception of corruption when dealing with taxpayers, as this would create trust and influence tax compliance

voluntarily. In accordance with fiscal exchange theories, the government should also make sure that tax revenues are allocated to public goods and services like roads, hospitals, electricity, schools, railroads, and industrialization. This will encourage citizens to pay more in taxes.

Suggestions for Future Research

To researchers that seek to further examine the issues relating to sensitisation of taxpayers education and tax administrations in enhancement of tax compliance, it is important for future researchers to expand the study area by carrying out empirical studies to investigate other variables and sectors that were not considered in this study.

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