



TAX KNOWLEDGE, TAX ATTITUDE, AND PERCEPTION OF TAX FAIRNESS AS PREDICTORS OF TAX COMPLIANCE AMONG TECH WORKERS IN LAGOS STATE, NIGERIA

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ABSTRACT

This study explored the role of tax attitude, perception of fairness and tax knowledge as predictors of tax compliance among IT workers in Lagos State. 163 Information technology workers participated in this study. Participants were recruited through purposive sampling, which entails that only participants who are qualified to participate in the study were involved. Research objectives were to determine the relationship tax attitude and tax compliance; to determine the relationship between perception of tax fairness and tax compliance; to investigate the relationship between tax knowledge and tax compliance among Lagos tax payers. Tax Compliance Questionnaire, Tax Attitude Questionnaire, Perception of Tax Fairness Questionnaire, and Tax Knowledge Questionnaire were used. Finding revealed that tax attitude significantly predicted tax compliance. Perception of tax fairness was also found to positively predict tax compliance. Participants' tax knowledge also positively predicted tax compliance. These findings suggest that tax compliance can be modified through proper intervention programs.

INTRODUCTION

Taxation plays crucial role in social development, reduction of poverty, and other aspects of social welfare (Maboshe & Woolard, 2018). Therefore, tax compliance is a key issue for governments across the world (Horodnic, 2018). Omodero (2019) observed that in developing countries like Nigeria, tax evasion significantly impacts the economy. Supporting this observation are several studies which linked tax non-compliance to factors ranging from perceptions of fairness, low tax moral, to tax knowledge and ineffective tax systems (Amin et al., 2022; Musimenta et al. 2017).

To understand tax compliance is to understand the different facet of tax behaviour. Research conducted by Mohamad (2014) found that taxpayers' attitudes influenced their tax compliance behaviour. These attitudes could either be positive, predisposing them to willingly pay taxes, or negative leading to behaviours like tax evasion or non-compliance. This is buttressed by Kirchlner et al. (2008) whose study revealed that taxpayers with favourable attitude towards tax will be compliant while taxpayers with unfavourable attitude will likely evade tax payment.

Tax compliance could be shaped by other variables such as perception of tax fairness (Coskun & Savasan, 2009). Perception of tax fairness plays a fundamental role in tax compliance because people who feel a tax law is unfair are likely to evade payment (Alabede et al. 2011). Richardson (2008) indicated that perceived fairness of tax system is significantly related to tax non-compliance. In order words, it provides impetus for people to engage in tax evasion.

Tax knowledge also shapes tax compliance behaviour as workers may find the process of filing and reporting taxes too complex or stressful (Saad, 2014). When tax processes are made easier, compliance tends to go up (Loo, 2006). Clear and simple tax processes can improve the ability of people to engage in tax filings without confusion, consequently increasing their level of compliance (Young et al., 2013). In addition, tax knowledge can improve compliance by improving attitude towards tax compliance (Bernard et al., 2018)



This study will examine the role of tax attitude, perception of fairness and tax knowledge as predictors of tax compliance among Information Technology (IT) workers. Findings will be examined through the lens of theoretical and empirical findings.

The following hypotheses were tested in this research:

1. There will be significant positive relationship between tax attitude and tax compliance.
2. There will be significant positive relationship between perception of tax fairness and tax compliance
3. There will be significant positive relationship between tax knowledge and tax compliance.

METHOD

Design

This study is a survey research and cross-sectional design was employed in data gathering. Data were obtained through the use of questionnaires obtained from a sample from a population of workers.

Participants

180 working adults participated in this research. They were recruited through purposive sampling, which entails that only participants who are qualified to participate in the study were involved. Study criteria included (1) being an adult of legal working age (2) working in the IT industry (3) willingness to participate in the study. Participant were sourced online through search on social networks such as WhatsApp, Facebook, and Twitter. 17 responses were removed from the dataset because they were not valid responses, thereby bringing the total responses analyzed to 163.

Instruments

Tax Compliance Questionnaire by Mesiku (2008)

This scale was developed with the aim of measuring tax compliance among taxpayers. The instrument uses a five-point Likert-type scoring, which range from Strongly Disagree (1) to Strongly Agree (5). Sample items include: 'I always pay my taxes in time', 'I keep up to date transaction records and books of accounts', 'I am absolutely confident about the legitimacy of the claims in my income tax return'.

Tax Attitude Questionnaire by Mesiku (2008)

This instrument, developed by Mesiku (2008) to measure taxpayers' attitude towards tax. Items are anchored on a five (5) point Likert scales ranging from 5 (strongly agree) to 1 (strongly disagree). Internal reliability coefficient of .72 was obtained by the author of the scale.

Perception Of Tax Fairness Questionnaire by Ogunbade et al (2021)

This instrument . Sample items include: 'Generally, I feel the income tax is a fair tax', 'Compared to other taxpayers, I don't pay less than my fair share of income tax', 'On the whole, the burden of income taxes is fairly distributed'

Tax Knowledge Questionnaire by Mukasa (2011)

An adapted version of the Tax Knowledge questionnaire developed by Mukasa (2011) was used in this study. Items were structured with the aim of evaluating the level of knowledge participants have about existing tax laws in Lagos state. Items include 'IRS has the obligation to ensure secrecy of every tax payer's affairs', 'There are no penalties for failure to pay taxes'. Mukasa (2011) reported internal coefficient reliability of 0.59 - 0.78.

Procedure

Participants were recruited online through social media. Instruments were prepared in a questionnaire using Google Form, which made distribution seamless. Potential respondents were approached in online platforms such as Facebook and WhatsApp groups. This made it easy to enlist participants who fit the study criteria – technology workers who live in Nigeria. The researcher explained the purpose of the research before administering to those who gave consent. Instructions on how to fill the questionnaires were given when required. After submission, data was retrieved and stored in a password-protected Google Drive to ensure privacy of participants’ data. No personal identifiable information was included in the questionnaire, ensuring respondents’ anonymity were protected.

Statistics

Descriptive and Inferential analysis was conducted to test the hypotheses. Using SPSS version 23, regression analysis was conducted to check the predictive influence of tax attitude, perception of tax fairness, and tax knowledge on tax compliance.

RESULTS

Table 1: correlation matrix of gender, tax compliance, tax attitude, perception of tax fairness and tax knowledge

Variables	1	2	3	4	5
1. Gender	-				
2. Tax compliance	-.05	-			
3. Tax attitude	-.18*	.26**	-		
4. Perception of tax fairness	-.07	.16*	.50**	-	
5. Tax knowledge	-.03	.24**	.12	.07	-

Note. ** $p < .01$, * $p < .05$

Table 1 showed there was no gender difference in tax compliance ($r = -.05, p > .05$). Tax Attitude positively correlated with tax compliance ($r = .26, p < .01$). Perception of tax fairness positively correlated with tax compliance ($r = .16, p < .05$). Tax knowledge also had positive correlation with tax compliance ($r = .24, p < .01$).

Table 2: Hierarchical multiple regression predicting tax compliance by gender, tax attitude, perception of tax fairness, and tax knowledge

	Model 1			Model 2			Model 3			Model 4		
	B	β	t									
1. Gender	-.33	-.05	-.59	-.01	-.00	-.02	-.02	-.00	-.03	-.00	-.00	-.01
2. Tax attitude				.19	.26	3.31	.17	.24	2.63	.15	.21	2.41
3. Perception of tax fairness							.02	.04	.47	.02	.04	.44
4. Tax knowledge										.23	.22	2.86
R ²		.00			.07			.07			.11	
ΔR^2		-.00			.05			.05			.09	
F		.35			10.95			.22			8.19	
ΔF		.55			.00			.64			.01	

Table 2 shows the hierarchical multiple regression, which revealed that gender was not a significant predictor of tax compliance ($\beta = -.05, p > .05$). Tax attitude significantly predicted tax compliance ($\beta = .26, p > .05$). Perception of tax fairness was also a significant positive predictor of tax compliance ($\beta = .04, p < .05$). Tax knowledge also significantly predicted tax compliance (β



= .22, $p < .01$). All the variables in model explained 11% of the variance in tax compliance ($R^2 = .11$).

DISCUSSION

This research investigated the influence of tax attitude, perception of fairness, and tax knowledge on tax compliance among IT workers in Lagos. The objectives of the study were to determine the impact of tax attitude on tax compliance; to determine the impact of tax perception on tax compliance and; to determine the impact of tax knowledge on tax compliance. Several significant findings were made.

The first finding revealed significant positive relationship between tax attitude and tax compliance. This supports Mohamad (2014) and Ogunbade et al. (2021) whose studies revealed that taxpayers' attitude positively correlated with tax compliance. They explained their finding from the view that corruption, economic situation, religion, and lack of public accountability predisposes the average Nigerian to a negative attitude towards tax compliance.

To understand this finding, the determinants of tax attitude in Nigeria needs to be examined. The attitude of Nigerians towards tax is tilted towards negativity. This is due to the fact that taxes are perceived as burdensome. Majority of participants in this study were of the opinion that taxes are material loses to them. They see taxation as unfair, and the tax system as inequitable. These predispositions supply motivation for tax non-compliance.

Mismanagement of public funds is another incentive towards noncompliance. In fact, some adults of taxpaying age see noncompliance as a way of getting back at the government whose officials are feeding fat from the national cake. From the literature on taxation, taxes are meant to improve the lot of the citizenry through efficient use by the government of the funds. In the ideal sense, taxes are a sort of thrift system which citizen embark on to improve their lot through the government. The Nigerian government has failed to deliver on promises to provide necessities such as electricity, water, quality and affordable education. Thus, the Nigerian attitude towards tax is unfavourable and geared towards noncompliance.

The second finding of this study is that perception of tax fairness is positively related with tax compliance, implying that individuals who have positive perception about tax tend to comply more with tax payment. This is consistent with findings by Alabede et al. (2011) who found that perception of tax influences tax compliance among tax payers. According to them negative perception about tax stems from thoughts such as 'government does not spend the collected revenue effectively and responsibly.

There seems to be far more negative perception about taxation in Nigeria than most parts of Africa. This is in part due to her status as the topmost oil producer of oil in Africa. This status, which does not reflect on the economic wellbeing of many Nigerians, is the stimulus behind negative perception of taxation. Perception in psychology is defined as explanation given to sensation. In this light, what Nigerians perceive of taxation are hardly visible to the senses.

Furthermore, perception of taxes as it relates to compliance is determined by uses, purposes and fairness of taxation, as well as perceptions of tax burdens. Where these comes in this study is the thinking of Nigerian taxpayers as it relates to the amount of deduction taxation brings to their income. Taxes are seen as burdens and this perception does not enhance compliance among many sampled in this study. Many respondents in this study were of the opinion that the tax



system is not fair. According to some, the poor bear the brunt of taxation while the rich are allowed to amass wealth.

The last finding of this study is that tax knowledge is positively related with tax compliance. Respondents who reported high level of tax knowledge tend to be positively disposed towards tax compliance, respondents with low level of tax knowledge reported low level of tax compliance. This is consistent with findings by Abdul & Adafula (2011) who reported that a significant positive statistical relationship was found to exist between levels of understanding and tax compliance decisions. They explained that educated individuals would be in a better position to evaluate the benefits of taxation compared to citizens with low level of education. Similar phenomenon was observed by Amin et al. (2022) who found that compliance was significantly related with knowledge about tax. In their analysis, the complexity of the tax system causes tax noncompliance.

In Nigeria, tax education is not prioritized. This explains why many of the respondents were not knowledgeable about certain tax policies and the provisions made for businesses. Poor knowledge about tax policies and how they are derived contributes to perceptions of unfairness among Nigerians. Through this, tax knowledge may have a sort of indirect relationship with tax compliance.

Conclusion

Findings of this study has shown how tax attitude, perception of tax fairness and tax knowledge play significant role in tax compliance behaviour. It highlights the importance of attitude and knowledge as key factors in tax compliance thereby providing foundation for tax education as intervention in tax evasion. Further studies may be required to fully understand how these factors interact to determine the level of tax compliance among tax payers. In conclusion, the explanatory factors in this study were significant in explaining tax compliance among IT workers involved in this study.



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