The Level of the Effectiveness and Efficiency of Tax Administration and Voluntary Tax Compliance in Nigeria: (A Case Study of the Federal Inland Revenue Service)

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Abstract
Taxation, in virtually all countries of the world is a major source of revenue to their Government. Taxation is a dynamic subject which grows with the constant in the economic environment in which it operates, that is the most reason the policy guiding it need to be reviewed constantly. Taxes are paid by taxpayers not only because of the feedback they get in terms of provision of social amenities by the Government who happens to be the custodian and administrator of taxes but because they are forced to do so. The Nigerian Government is to be held accountable for the taxes and other revenues received from the populace but in the contrary, the Nigerian tax system is faced with the issue of non-accountability as regards the provision of fundamental infrastructures and basic amenities for the taxpayers who have to pay through their noses most of the time because of the difficult survival terrain in the country. Nigeria is governed by federal system so, its fiscal operation is also in line with the same principle constituting a serious implication on the form of the management of the system. This study examines how tax is being administered in Nigeria and attempts to look the level of voluntary tax compliance based on the theory that there is a mutual relationship and fiscal as well as social contract between the country and its citizens and how effective is the enforcement strategy responsibility in tax administration in Nigeria.

Keywords:
Tax administration, tax policy, tax system, voluntary compliance, enforcing compliance, challenges, problems and way forward.

1 Introduction
A country’s consideration of best administration of its tax system is based on the possession of clear picture of the scope of its tax system. The quantity and quality of resources required by tax administrators are to a large extent determined by the type of tax system which is introduced. (Leyira et la 2012). According to Leyira (2012) and Abiola (2012), taxation in Nigeria is administered by the three (3) tiers of government, i.e. federal, state, and local government with each having its sphere clearly spelt out in the levies. The major tax laws in existence in Nigeria include the following:

(i) Personal Income Tax Act (PITA) CAP P8 Law of Federations of Nigeria (LFN) 2004
(ii) Company Income Tax Act (CITA) CAP.60. LFN 2004
(iii) Petroleum Profits Tax Act (PPTA) 2007
(iv) Value Added Tax (VAT) Act No 102 LFN 2004
(v) Capital gain tax Act CAP 42 LFN 2004
(vi) Stamp Duties Act CAP 411 LFN 2004
(vii) Education Tax Act No 7 LFN 2004
(viii) Information technology Development Act 2007
(ix) 1999 Constitution of the Federal Republic of Nigeria
(x) Customs and Excise Management Act of 1990
(xi) Minerals and Mining Act of 1999

In an attempt to attain desired goal or objective, policies, rules and regulation are formulated and has to be implemented. The National Tax Policy provides a set of rules, mode of operation and guidance to
which all stakeholders in the tax system must subscribe. Tax policy formulation in Nigeria is the responsibility of the Federal inland Revenue Services (FIRS), Customs, Nigerian National Petroleum Corporation (NNPC), National Population Commission (NPC), and other agencies but under the guidance of the National Assembly i.e. the law making body in Nigeria (Presidential committee on National tax policy, 2008). Suffice it to say that if there must be any effective implementation of the Nigerian tax system or attainment of its goal, the use of the national tax policy document is essential.

The administration of tax in Nigeria, somehow, is not satisfactory despite the recent tax reform which has been an important aspect in economic reform in Nigeria. Therefore, taxation in Nigeria need a strong and uncompromising administrator to ensure that taxable population does not evade tax. An effective tax system, aside from maximising revenue for development, ought to, if well structured and managed, elicit a feeling of common purpose joint responsibility or obligation amongst the taxable persons in a country. Through taxation, government ensures that resources are channelled towards important projects in the society. The role of taxation in promoting economic activity and growth is not felt primarily because of its poor administration.

The level of tax compliance is a serious challenge facing income tax administration in Nigeria. It is a factor to tax revenue performance. It is necessary to understanding factors influencing individual's decision to comply with provision of tax laws. Preventing tax evasion has to start by investigating why people does not want to comply with the tax laws. Deducing from the Forum of Tax Administration (2004), social scientists have have identified some basic theories of tax compliance which include. among others, Economic theories, Psychological theories and Sociological theories. The early researchers based their work on economic perspective of tax compliance and they identified tax rate, penalty and detection probability as factors influencing taxpayers’ behaviour (Alabede J. O. 2001). This study is based on the tax service quality, tax compliance behaviour in Nigeria and financial condition as moderator for tax service and tax compliance.

2 Literature Review

2.1 Tax System and Administration In Nigeria

The tax system in Nigeria is made up of the tax policy, the tax laws and the tax administration (Adesola 2004). They are expected to work together in order to achieve the economic goal of the nation. Improving the well being of all Nigerians is the central objective of the Nigerian tax system, directly through improved policy formulation and indirectly through appropriate utilization of tax revenue generated for the benefit of the people. Other expectations of the Nigerian tax system according to the Presidential Committee on National tax policy (2008) include; encouraging economic growth and development, generating stable revenue or resources needed by government to accomplish loadable projects and or investment for the benefit of the people, and provide economic stabilization. In an attempt to fulfill the above expectation, the national tax policy is expected to be in compliance with the principle of taxation, the lubricant to effective tax system. Historically, the formation of accountable and effective revenue service has been closely bound up with the emergence of taxation systems (Kennedy Modugu et la 2012). According to him, the Nigeria tax system is basically structured as a tool for revenue generation. This is a legacy from the pre independence government based on 1948 British tax laws and have been mainly static since enhancement. Tax administration in Nigeria cuts across the three-tiers of government. An effective tax policy document should, therefore, be one that establishes clear guidelines on crucial tax administration issues. Tax policy not only has an impact on the costs of administration, but also on the organization of the administration. On the other hand, the level of administrative capacity in the tax and customs administration should be a key factor to consider when designing a tax system. The following noticeable issues in tax administration which are related to the Nigerian Tax Policy include the following:
Information gathering

As a first step in the tax administration process, tax authorities require adequate and correct information to carry out their duties of assessment and collection of taxes. Ideally, such information should be provided voluntarily by taxpayers. However, this is not always the case and in a large number of instances, tax authorities have to source for and obtain information other than voluntarily from the taxpayer. In addition, even in instances, where taxpayers voluntarily provide information, such information, may either not be complete or accurate. It is in this respect, that authorities would be required to develop workable and secure structures for information gathering. Such structures shall complement the normal administrative structures in place for obtaining information from taxpayers. The tax authorities would, therefore, be required to develop internal competencies for such purposes and also partner with relevant government organs, such as the various law enforcement agencies, data gathering agencies and other agencies which have custody or access to information relevant to the activities of tax authorities.

In addition to the above, there will be close collaboration with these agencies to facilitate information gathering and in this regard, tax authorities shall consider short and long term measures, such as secondment of personnel, human capacity development programmes (training and provision of tools), proper use of information technology and creation of permanent inter-agency structures, towards realising these objectives. Reliance shall also be placed on the introduction and use of the unique taxpayer identification number to facilitate easier identification and monitoring of taxpayers.

Taxpayers shall be properly educated on the intelligence and information gathering methods of the tax authorities and all actions carried out by the tax authorities in this regard shall be done in line with statutory and constitutional provisions, which safeguard the right to privacy of taxpayers. This is without prejudice to the rights of tax authorities (in appropriate cases), to use the instrumentality of the law to ensure full and complete access to information and data required for the effective and efficient administration of taxes in Nigeria.

Registration of taxable persons

In order to have an effective tax system in which all tax payers are covered, every taxable person (which includes companies, enterprises, partnerships and other business entities) must be registered for tax purposes. Registration is a fundamental step in the tax administration process and tax authorities at federal and state levels shall be required to register all taxpayers and issue a unique Tax Identification Number (TIN) along prescribed and standard formats, upon registration by taxpayers. No taxpayer should have more than one TIN irrespective of place of registration. In addition, every TIN shall be unique to a taxpayer. The TIN will provide a uniform mode of identification for all taxpayers in Nigeria. This will provide easy and complete access to taxpayer information and data required for the effective and efficient administration of taxes in Nigeria.

Filing and returns processing

Filing and returns processing is a core process in the tax administration system. It encompasses all the processes commencing from preparation of returns and filing of self assessment by the taxpayer, to the issuance of assessments by the tax authority and the acceptance of returns filed by the taxpayer. It also includes the review and amendment of tax returns by taxpayers and tax authorities, examination of accounts and the determination of the tax liability of the taxpayer. The process terminates where a final liability has been agreed between the tax authority and the taxpayer and only payment is outstanding. Given that payment of tax is based on either self assessment or assessments issued by the tax authority, it is necessary that tax authorities accord this particular function priority. In this regard, taxpayers shall be encouraged to file returns on a self assessment basis in compliance with tax laws, as it saves
significant time and resources required by tax authorities in ensuring compliance by taxpayers. This can be done, by developing structures that will enhance and simplify compliance, such as the creation of a reliable taxpayer database, electronic compliance system, automation and standardisation of the filing and returns process and regular publication of tax compliance manuals. Tax authorities shall also carry out widespread and regular tax payer enlightenment on the filing and returns process.

There should be effective and efficient tax administration if Nigerian government must achieve its objective. Tax administration, which is concerned with the composition and functions of the Joint Tax Board, the Federal Inland Revenue Services, the State Board of Inland Revenue, Local Government Revenue Committee and Joint State Revenue Committee, has not been able to achieve its set objectives. Over the years, there have been problems affecting the efficiency of tax administration in Nigeria which include lack of equity, certainty, convenience and poor motivation of tax officials. Other factors responsible are: improper planning, ineffective monitoring, weak control, fraudulent practices, unqualified and ill-equipped manpower, administrative inefficiency, public discouragement due to misuse of tax revenue by government and perennial bottle neck in the administration of tax. (Ogbonna G. N., 2011). These problems are reflected in the groupings of paragraph 2.5 of this study.

**Functions Of Federal Inland Revenue Service**
The FIRS Establishment Act 2007 has replaced The Federal Board of Inland Revenue with The Federal Inland Revenue Service. The FIRSEACT 2007 summarized its function in Part II. These include:

- Assessment of persons including companies, enterprises chargeable to tax.
- Assessment, collection of account and enforcement of payment of taxes as may be due to the Government or any of its agencies.
- Collection, recovery and payment to the designated account any tax under this provision.
- Revision of the tax regimes and promotion of application of tax revenues to stimulate economic activities and development.
- Carrying out the examination and investigation with a view to enforcing compliance with the provisions of the Act.
- Determination of the extent of financial loss, and other losses by the Government arising from tax fraud or evasion and losses arising from tax waivers and other related matters.
- Adoption of measures to identify, trace, freeze, confiscate or seize proceeds derived from tax fraud or evasion.
- Adoption of measures which include compliance and regulatory actions, introduction and maintenance of investigative and control technique on the detection and prevention of non-compliance.
- Collaboration and facilitating rapid exchange of information with relevant national or international agencies or bodies of tax matters.
- Establishment and maintenance of a system for monitoring international dynamics of taxation in order to identify suspicious transaction and the perpetrators and other persons involved.
- Provision and maintenance of access up to date, adequate data and information on all taxable persons, individuals, corporate bodies or all government agencies involved in the collection of revenue for the purpose of efficient, effective and correct tax administration and to prevent tax evasion or fraud.
- Maintenance of database, statistics, records and reports on persons, organisation, proceeds, properties documents or other items or assets relating to tax administration including matters relating to waivers, fraud and evasion.
- Collating and continually reviewing all policies of the Federal Government relating to taxation and revenue generation and undertake and systematic and progressive implementation of such policies.
- Issuance of Taxpayer identification number to every taxable person in Nigeria in collaboration with State’s Board of Internal Revenue and Local government Councils.
- Carrying out and sustaining rigorous public awareness and enlightenment campaign on the benefits of tax compliance within and outside Nigeria.

The Challenges Of Effective And Efficient Tax Administration In Nigeria

According to Mckerchar M. and Chris Evans (2009), the need to review the performance of the Nigerian tax system has been attributed to the negative economic impact of persistent fiscal deficits that have occurred primarily because of the inadequacy of the revenue base to cope with the targeted level of economic activities. It is important to recognise that the tax system needs to reflect the goals of the economy and that these will change over time. The objectives of the Nigerian Tax System are identified as:

- to enable economic growth and development;
- to provide the government with stable resources that it shall invest in well-judged expenditures;
- to provide economic stabilization;
- to pursue fairness and distributive equity; and
- to correct market failures or imperfections.

Further, the fundamental features to be exhibited by all taxes within the Nigerian Tax system include:

- simplicity, certainty and clarity;
- high compliance and the imposition of minimum compliance costs;
- low cost of administration;
- fairness (including both horizontal and vertical equity);
- flexibility; and
- economic efficiency.

These challenges are very significant as the National Tax Policy notes directly that Nigeria’s past experience with respect to the administration of taxes has been typified by sub-optimal administration, multiplicity of taxes, uncertainty, low levels of compliance and high costs of collection. The theme of low levels of compliance is confirmed by Anyaduba, who notes, in 2006, that “the lukewarm and nonchalant attitude of most taxpayers towards voluntary compliance is widespread and pervasive”.

Other major challenges identified by Anyaduba also point to the sub-optimal administration and include:

- high levels of bribery and corruption in the tax administration;
- a shortage of qualified and experienced staff, and a lack of staff training programs;
- inadequate funding for the revenue authorities and poor tax collection mechanisms;
- a lack of taxpayer education, including awareness of their rights and obligations and of the performance of the revenue authorities; and
- poor systems and processes for recording, filing and monitoring taxpayers, and for internal control of revenue collections.

- Tax evasion and avoidance;
- Limited or lack of independence of revenue services;
- The lack of the VAT tribunal, as recommended under VAT Act Decree No. 102 of 1993
- Proposals by some state governments (e.g. Lagos) to re-introduce sales tax;
- Practical problems related to the implementation of VAT’s dual elements (input and output).
Voluntary Compliance In Tax Payment

The need to examine the issue of voluntary tax compliance as a subset of the broader body of knowledge on tax compliance as emerged, motivated by the inadequacies of the prevailing orthodoxies on tax compliance to capture the proportion of total compliance not accounted for by economic models. (Kennedy Modugu et la, 2012). According to Larisa-Margareta Batrancea (2012), it can be deduced also that the Nigerian Governments have simply tried to increase the level of tax compliance by adopting an intransigent attitude towards all taxpayers and by applying laws and regulations to sanction and fine evaders which proved to be without a significant success. Of recent times, the governments have realized that a change is needed in order to increase the amount of taxes collected. Thus, using adequate strategies based on understanding the reasons which drive compliance decisions is of greater help than strictly applying laws and regulations which shape taxpayers’ behavior and to underline the idea that tax authorities have to be aware of and understand these determinants if their aim is increasing the level of tax compliance. Allingham and Sandmo (1972) seminar paper based on economic perspective of tax compliance which provided a considerable basis for enforcement strategies to ensure compliance argued that tax rate, penalty and detection probability are the factors influencing taxpayers’ behaviour. Kirchler (2007) submitted that compliance might be voluntary or enforced compliance. Voluntary compliance is made possible by the trust and cooperation ensuing between tax authority and taxpayer and it is the willingness of the taxpayer on his own to comply with tax authority’s directives and regulations. Also, Voluntary Tax Compliance is a tax system based on taxpayers complying with the tax laws without being compelled by the tax authority to do so. Under this system taxpayers are expected to report their income, calculate their tax liability and file a tax return (Quadri, 2010). Lubian and Zarri (2011) argue that several empirical studies have shown that taxpayers are more honest and may respond voluntarily in the fulfillment of their tax obligation than classic deterrence models inspired by the economics of crime approach would predict. They argued further that citizens may be driven by a positive moral attitude towards taxation thus it may not be appropriate to specify compliance behaviour as a purely economic decision under uncertainty or simply a function of enforcements. Researchers have attributed the response of voluntary compliance to a set of intrinsic motivation or attitude often referred to as tax morale (Kennedy Modugu et la, 2012). Tax morale emphasizes that taxpayer’ internal motivations, social norms, personal values, cognitive processes and sense of moral obligation to pay taxes can help to explain the motivation for voluntary tax compliance. Thus positive morale may signal higher voluntary compliance while negative morale will signal lower voluntary compliance. Several studies have identified the factors that may elicit and maintain tax morale and stimulate voluntary tax compliance. It is also perceived by the taxpayers that the rate of transformation from tax to public goods is low then the taxpayers will feel that the government has not kept its obligation of the contract, as a result, the tax morale will be affected negatively which would result in deteriorating voluntary compliance. The OECD (2007) equally submitted that delivery of quality of service to taxpayers will strengthen their willingness to comply with tax rules and regulation voluntarily as result will contribute to overall level of tax compliance.

Determinants Of Tax Compliance Behaviour

The efforts and strategies used by the tax authority to minimize or prevent tax evasion should examine the reasons why an individual citizen who is entitled to pay tax would not want to pay. According to Larissa-Margareta Batrancea (2012), four motivational compliance model of commitment, capitulation, resistance and disengagement were used to express the attitude of taxpayers to compliance. This had assisted researchers to formulate compliance strategies as depicted in the table below:

<table>
<thead>
<tr>
<th>Motivational Postures</th>
<th>Pressure on Compliance</th>
<th>Regulatory Strategies</th>
<th>Compliance cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disengagement</td>
<td>has decided not to comply</td>
<td>Command regulation</td>
<td>non-discretionary; use full force of the law</td>
</tr>
<tr>
<td>Resistance</td>
<td>doesn’t want to</td>
<td>Command</td>
<td>discretionary; deter by detection</td>
</tr>
</tbody>
</table>
It was also stated that as the social distance between the taxpayer and authorities increases, so does the severity of actions against non-compliance. Hence, tax authorities have at their disposal a wide range of strategies from making compliance easy and offering assistance, in the case of honest taxpayers, to using full force of the law, in the case of tax evaders.

### Factors Affecting Tax Compliance In Nigeria

Taxation imposes a burden on both the economy and society. Nonetheless, the following factors have been found to affect tax compliance in Nigeria.

- Tax complexity which influences non-compliance by causing misinterpretation of rules, omissions and unintentional errors besides deliberate under-reporting.
- The extent to which a taxpayer perceives that the government uses taxes efficiently to provide a desirable mix of public goods has also been found to affect taxpayer compliance.
- The effect of higher compliance costs in promoting non-compliance and improved taxpayer services in promoting compliance has also been confirmed.
- The ease with which evasion can be detected is linked with the number of separate transactions that have to be detected to verify a taxpayer’s taxable income. If development is associated with scale economies in the size of transactions, this will tend to reduce noncompliance.
- A key determinant of tax evasion, is the tax burden, particularly tax rates or, more precisely, effective tax rates taking into account tax concessions and exemptions.
- Financial development, particularly the extent of use of banking channels for making payments, leads to income generating transactions being easy to observe, reducing the scope for transactions “off the books”. However, sophisticated financial systems coupled with openness can make it easy for funds to cross international borders to escape taxes.
- Similarly, high industrial concentration implies fewer large taxpayers in the economy allowing for better monitoring by the tax authorities.
- High effective tax rates have an impact on tax compliance.
- The existence of a well-developed accounting profession and of tax preparers will also help tax avoidance.
- Research suggests that what may be termed "cultural" factors may significantly influence taxpayer attitudes. Included in this are such things as fiscal knowledge, income and social class, risk aversion, race, age, sex, occupation, peer attitudes to tax evasion and bribe payment, deference to authority, and acquaintance with tax offenders.

### Voluntary Tax Compliance Through Self Assessment

According to the contribution by Mr. Malik Tukur on behalf of Mr. Chris N. Onyegbule, a seasoned tax official and the Team Lead, Self Assessment Project of the Federal Inland Revenue Service, Nigeria. It was stated that “The self-assessment tax regime is a system of tax administration whereby the taxpayer is granted the right, by law, to compute his own tax liability, pays the tax due (at the designated bank) and produces evidence of tax paid at the time of filing his tax return at the tax office, on due date. On the other hand, the tax authority has the responsibilities of enablement and to check on the taxpayer to ensure compliance with tax administration process. In other words, self-assessment tax regime is characterised by partnership and shared roles and responsibilities between the taxpayer and the tax authority. The paradigm shift in the regime is that having left the taxpayer with the burden of
filing tax returns, the tax authority ensures through enablement, compliance and compliance enforcement activities that the right (correct) amount of tax due is paid and at the right time, and if otherwise to strictly apply sanctions as provided by the tax laws. It is emphasised that this tax regime is complete with a continuum of activities; from taxpayer enablement, filing of tax returns, and payments, tax returns processing, payment/debt management, and compliance/enforcement. Self-assessment applies to employees, self employed, limited liability companies including oil companies; agents/taxable persons, in the case of value added tax (VAT). The Self-assessment tax regime is based on key assumptions as stated below:

i. the taxpayer is a stakeholder and a partner and should be treated courteously;
ii. the taxpayer is honest and indeed demonstrates this by signing a declaration as to the correctness of the tax returns;
iii. the taxpayer runs the business and knows the right amount of profits and taxes payable;
iv. as a consequence of (i) and (iii) above should be allowed to self assess; and
v. on the part of the Revenue Authority, it should accept returns as filed and later subject the returns to risk assessment.

It is important to note that this tax regime is a response to a challenge in the application of a tax rule, under government assessment tax regime, that “no tax lien should arise until the revenue makes a demand for it.” The application of this rule brought about delays in the payment of taxes consequent on time lag between the time of issuance of notices of assessment and effective service of the notice on the taxpayer. In between, disputes were common with the attendant increase in the costs of tax administration and compliance. In addition, the regime was introduced to elicit voluntary compliance. Voluntary compliance, as we know, engenders more efficient and cost effective tax administration. Therefore, it can be said that self-assessment tax regime is a vehicle for voluntary compliance”.

Research Objectives

Broadly, the purpose of this study is to identify the effectiveness and efficiency in tax administration and the level of compliance in Nigeria. In view of the above, the study intended to find out the following:

- The policy objective of the Federal Inland Revenue Service in Nigeria
- The level of the effectiveness and efficiency of tax administration in Nigeria
- The problems inhibiting the effectiveness and efficiency of tax administration
- The level of tax compliance
- The cost of compliance and
- Government Accountability

The growing tax consciousness among various governments in Nigeria can be seen as a lead to the study into the voluntary compliance of taxpayers to the tax laws and tax administration by the three (3) tiers of government. This study looked into the tax administration and compliance in Nigeria with the view of identifying the critical challenges that are confronting the tax system so that appropriate measures could be taken.

Research Questions

The focus of this study is within the range of stated objectives and the research question that will be addressed could be as follows:

- What is the management structure of the Federal Inland Revenue Service in Nigeria and how does it affects its functions?
- What factors influence the relationship between tax administrators and taxpayers that could produce a high level of tax evasion?
What factors influence taxpayers to avoid their tax obligation?
How can tax administration in Nigeria be evaluated?
What are the critical tax administration challenges in Nigeria?
What are the measures required by tax authorities and practitioners to meet these challenges?

Research Hypothesis

$H_0$: That the level of effectiveness and efficiency of tax administration in Nigeria does not affect the taxpayers voluntarily compliance with the relevant tax laws.

$H_1$: That the level of effectiveness and efficiency of tax administration in Nigeria affects the taxpayers voluntarily compliance with the relevant tax laws.

Methodology

The scope of the study covers some members of staff of the Federal Inland Revenue Service at the six geopolitical zone of Nigeria, some selected individuals tax payers and corporate bodies. 720 questionnaires were administered consisting of 120 each from the geopolitical zones. The simple random sampling technique was employed in the random selection. Primary data was elicited using questionnaire as the research instrument. The primary data collected were analyzed using both descriptive and inferential statistics. The hypotheses formulated for this study are tested with the use of statistical test for population means and level of significance tests. The methodology adopted in this study is consistent with other related studies like McGee and Maranjyan (2006) and Nasadyuk and McGee (2006), Fagbemi, Uadiale and Noah (2010).

Data Analysis

The results are presented in two sections. Section A provides data on the characteristics of respondents while Section B presents information on the tested hypotheses.

<table>
<thead>
<tr>
<th>Variable</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>511</td>
<td>71.0</td>
</tr>
<tr>
<td>Female</td>
<td>209</td>
<td>29.0</td>
</tr>
<tr>
<td>Position in the Office</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Junior (Below GL08)</td>
<td>468</td>
<td>65.0</td>
</tr>
<tr>
<td>Senior (Above GL08)</td>
<td>252</td>
<td>35.0</td>
</tr>
<tr>
<td>Areas of Specialisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Related</td>
<td>432</td>
<td>60.0</td>
</tr>
<tr>
<td>Non-tax Related</td>
<td>288</td>
<td>40.0</td>
</tr>
<tr>
<td>Work Experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 5 years</td>
<td>144</td>
<td>20.0</td>
</tr>
<tr>
<td>5 years and above</td>
<td>576</td>
<td>80.0</td>
</tr>
</tbody>
</table>

Table 1 presents the characteristics of respondents. The table shows that 511 (71.0%) of the total respondents are males while 209 (29.0%) are females. Also 468 (65.0%) of the total respondents are junior tax officials while 252 (35.0%) are senior tax officials. On the areas of specialisation, 432 (60%) of the total respondents specialized in tax related disciplines while 288 (40%) did not specialize in tax related disciplines. Also, 144 (20%) of the total respondents had less than five years job experience while 576 (80.0%) had five years and above job experience. The data revealed that the respondents comprised more males than females more junior than senior staff, more qualified staff in


Table 2
Responses on key issues relating to the relationship between the tax administration in Nigeria and the taxpayers voluntary compliance.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Variables</th>
<th>Specialisation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Tax Related</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>1</td>
<td>The tax administration in Nigeria is efficient and effective.</td>
<td>130</td>
</tr>
<tr>
<td>2</td>
<td>Nigeria’s tax system is very complex</td>
<td>201</td>
</tr>
<tr>
<td>3</td>
<td>The conduct of relevant tax authority in Nigeria is poor</td>
<td>387</td>
</tr>
<tr>
<td>4</td>
<td>My tax payment notice is reasonable</td>
<td>52</td>
</tr>
<tr>
<td>5</td>
<td>Tax laws in Nigeria accommodate fairness and equity</td>
<td>225</td>
</tr>
<tr>
<td>6</td>
<td>Assessment and interpretation of tax under the direct tax system is very poor</td>
<td>62</td>
</tr>
<tr>
<td>7</td>
<td>PAYE is a very effective tax process</td>
<td>312</td>
</tr>
<tr>
<td>8</td>
<td>Nigeria tax administrative structure lack autonomy</td>
<td>34</td>
</tr>
<tr>
<td>9</td>
<td>Income generated from tax revenue has been impressive</td>
<td>45</td>
</tr>
<tr>
<td>10</td>
<td>Politicians interferes too much with the Nigerian tax system</td>
<td>167</td>
</tr>
<tr>
<td>11</td>
<td>Taxpayers need to comply with the tax laws without being compelled by the tax authority to do so.</td>
<td>320</td>
</tr>
<tr>
<td>12</td>
<td>Am satisfied with tax collection process</td>
<td>343</td>
</tr>
<tr>
<td>13</td>
<td>I have enough opportunity to complain about my assessment</td>
<td>322</td>
</tr>
<tr>
<td>14</td>
<td>Enforcing tax compliance by the tax authority had improved tax revenue in Nigeria</td>
<td>298</td>
</tr>
<tr>
<td>15</td>
<td>Corporate Profit tax rate is too high</td>
<td>25</td>
</tr>
<tr>
<td>16</td>
<td>I would neither pay tax nor encourage its payment if I had the option</td>
<td>0</td>
</tr>
<tr>
<td>17</td>
<td>I am satisfied with provision, maintenance and performance of social infrastructures in my area</td>
<td>43</td>
</tr>
<tr>
<td>18</td>
<td>Enlightenment and adequate utilisation of tax revenue on public goods will encourage tax payment.</td>
<td>432</td>
</tr>
<tr>
<td>19</td>
<td>People in the informal sector pay their tax regularly</td>
<td>0</td>
</tr>
<tr>
<td>20</td>
<td>Hindrances to tax collection include poor tools, access roads, ignorance, inadequate staff, training, communication and physical resistance</td>
<td>364</td>
</tr>
</tbody>
</table>
From the above table, variables 1 to 10 represent the independent variable X which constitute questions on tax administration while variable 11 to 20 represent dependent variable Y which comprises of question relating to voluntary compliance. These variables will be used in table 3 to deduce the total YES responses for both specialisation.

Table 3:

Collation of the Yes responses for the independent X and dependent variable Y

<table>
<thead>
<tr>
<th>S/N</th>
<th>Independent Variable X</th>
<th>Dependent Variable Y</th>
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<tr>
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Key: TR – Tax Related    NTR – Non-Tax Related

Table 4:

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<tr>
<th>S/N</th>
<th>X</th>
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<th>Y^2</th>
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<td>3254</td>
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<td>1104065</td>
<td>1676494</td>
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Using the stated model \( Y_i = \alpha + \beta X_i + U_i \) for \( i=1,2,3,\ldots,n \), it is assumed that the residual \( U_i \) are normally distributed. Hence, the line of two set of variables could be denoted by \( Y_i = \alpha + \beta X_i \) where the stochastic term \( U_i \) is 0.

Therefore, regressing the level of voluntary compliance (Y) on the effectiveness of tax administration (X), the following has to be determined.

\[
\beta = \frac{\sum XY - n\bar{X}\bar{Y}}{\sum X^2 - n\bar{X}^2}
\]

The number of observations.

Hence, \( \beta = \frac{860954-10(271.5)(325.4)}{1104065-10(271.5^2)} \)
\( = -22507 \)
\( 366942.5 = -0.0613 \)
\[ \alpha = \bar{Y} - \beta X \]
\[ = 325.4 - (-0.0613)(271.5) = 342.04 \]

Therefore, the regression will be as follows:

\[ Y = \alpha + \beta X \]

Hence, \[ Y = 342.04 - 0.0613X \]

This means that a unit change in level of the effectiveness and efficiency of tax administration in Nigeria will affect taxpayers voluntary compliance by just -0.0613 which is not significant.

The extent to which these observations deviate from the mean can be deduced as follows:

\[ \sum x^2 = \sum X^2 - \frac{1}{n} (\sum X)^2 \]
\[ = 1104065 - \frac{1}{10} (2715)^2 = 366942.5 \]

\[ \sum y^2 = \sum Y^2 - \frac{1}{n} (\sum Y)^2 \]
\[ = 1676494 - \frac{1}{10} (3254)^2 = 617624.4 \]

\[ \sum xy = \sum XY - \frac{1}{n} (\sum X)(\sum Y) \]
\[ = 860954 - \frac{1}{10} (2715)(3254) = -22507 \]

With the aid of the above deviation, the co-efficient of determination \( R^2 \) can be evaluated thus:

\[ R^2 = \frac{\beta \sum xy}{\sum y^2} = \frac{-0.0613(-22507)}{617642.4} = 0.002234 \text{ or } 0.22\% \]

Which means that only 0.22% of the variation in variable \( Y \) (Taxpayers voluntary compliance) is accounted for by the linear influence of the explanatory variable \( X \) (The level of the effectiveness and efficiency of tax administration in Nigeria).

**Findings**

In addressing the research questions, the following observations were made from Table 2 above:

i. **What is the management structure of the Federal Inland Revenue Service in Nigeria and how does it affects its functions?**
   This question is addressed by items 1 and 2 where it is deduced that the complexity of the management structure of FIRS affected the effectiveness of its operations.

ii. **What factors influence the relationship between tax administrators and taxpayers that could produce a high level of tax evasion?**
   This question is addressed by items 3, 12, 13 and 18 and can conclude that the positive response in this aspects that taxpayers are satisfied with the human relations of tax officials with the exception that their willingness to pay depends on the government utilisation of public funds.

iii. **What factors influence taxpayers to avoid their tax obligation?**
    This question is addressed by items 4, 5, 10, and 17. The fact that their disposable income is seriously affected by taxation, high tax rate, epileptic services of social amenities in the country, especially power supply has to a large extent discouraged tax payment.

iv. **How can tax administration in Nigeria be evaluated?**
   This question is addressed by items 4, 5, 9, and 20 where the high percentage of negative response purported poor administration.

v. **What are the critical tax administration challenges in Nigeria?**
   Items 6, 8, 10, 16, 19 and 20 addressed this question. The issues of assessment, interpretations, autonomy, political interference, tax evasion and avoidance and administrative hindrances form parts of the critical challenges faced by tax administration in Nigeria.
vi. What are the measures required by tax authorities and practitioners to meet these challenges?

Measures include enlightenment, adequate utilisation of tax revenue on public goods, provisions of adequate collection tools, staff training, and enforcement as deduced from the responses to items 14, 18 and 20.

Test of Hypothesis

In testing the hypothesis that the level of effectiveness and efficiency of tax administration in Nigeria affects the taxpayers voluntarily compliance with the relevant tax laws, items 1 to 20 are utilized as seen from Table 2 and the subsequent analysis of result the computed. The results on showed that a unit change in level of the effectiveness and efficiency of tax administration in Nigeria will affect taxpayers voluntary compliance by just -0.0613 and that 0.22% of the variation in taxpayers voluntary compliance is accounted for by the linear influence of the explanatory variable. (The level of the effectiveness and efficiency of tax administration in Nigeria). Therefore, we reject the null hypothesis and accept the research hypothesis that the level of effectiveness and efficiency of tax administration in Nigeria affects the taxpayers voluntarily compliance with the relevant tax laws.

Recommendation and Conclusion

From the analysis in paragraph 4 above, it can be concluded that people pay tax at will based on the level of effective and efficient the tax administration system in Nigeria. Revenue generation by the system is mostly through enforcement of compliance by the tax authority using the tax laws and court proceedings. Therefore, the following recommendations can be of help to the Federal Inland Revenue Service:

- If the Nigerian Government could be advised to use the tax collected from the taxpayers such as companies and individuals to stimulate economic development, create enabling environment for commerce and provide good infrastructure and social amenities, taxpayers would comply voluntarily to payment of taxes.
- The tax laws needs to be reviewed constantly as situation warrants. This, also, should be communicated to the understanding of all people in the country in the form that it will be appreciated by them taking note of the level of their literacy.
- The tax authority should create a good relationship with the taxpayers with curtsy and good human relation to enhance compliance.
- The government needs to be advised not to rely on revenue from tax only but to research into alternative source of revenue which could include agriculture, and electronic productions for internal use.
- Human Capital Development should be embarked upon by the government and the tax authority to enhance taxpayers voluntary compliance.
- Qualified officials can be co-opted into the Tax Service to strengthen tax administration.
- New technologies should be viewed as tools to enhance enforcement and reduce the size of the illicit market. In order to reduce tax evasion, governments still need to implement other effective measures including employing more enforcement officers supported by strong laws.
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