

# DETERMINANTS OF TAX COMPLIANCE IN NIGERIA



**BY**

**IGBINOVIA ELIZABETH ENORENSE  
MGS2104701**

**DEPARTMENT OF ACCOUNTING (TAXATION)  
FACULTY OF MANAGEMENT SCIENCES  
UNIVERSITY OF BENIN  
BENIN CITY**

**OCTOBER, 2025**

**DETERMINANTS OF TAX COMPLIANCE IN NIGERIA**

**BY**

**IGBINOVIA ELIZABETH ENORENSE  
MGS2104701**

**A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING  
(TAXATION), FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF BENIN, IN  
PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF  
SCIENCE (B.Sc) DEGREE IN ACCOUNTING (TAXATION).**

**OCTOBER, 2025**

## DECLARATION

I hereby declare that:

- i. This study is based on a study undertaken by me in the Department of Accounting(Taxation), Faculty of Management Sciences, University of Benin, Benin City, under the supervision of **Prof. OFIAFOH EIYA**
- ii. This work has not been previously submitted for the award of degree elsewhere.
- iii. Ideas and views are product of my personal research and where the view of others have been expressed, they have been duly acknowledged.
- iv. Any liability arising from this work is to be wholly borne by me alone.

---

**IGBINOVIA ELIZABETH ENORENSE**

---

**DATE**

## CERTIFICATION

We, the undersigned hereby certify that this research project was carried out by **IGBINOVIA ELIZABETH ENORENSE** with matriculation number MGS2104701 of the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin city and do approve that it is adequate in scope and quality in partial fulfilment for the award of Bachelor of Science (B.Sc.) degree in Accounting(Taxation)

\_\_\_\_\_  
**Prof. OFIAFOH EIYA**  
(Project Supervisor)

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Dr. IKHU-OMOREGBE GODSTIME**  
(Project Coordinator)

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Prof. OSASU OBARETIN**  
(Head of Department)

\_\_\_\_\_  
**Date**

## DEDICATION

This project is dedicated to God Almighty for His grace, guidance, and strength throughout this journey.

## ACKNOWLEDGEMENTS

First and foremost, I return all glory to almighty God for his grace, wisdom, and strength throughout this academic journey. Truly without Him, this research would not have been possible.

My heartfelt appreciation goes to my supervisor, **Prof. OFIAFOH EIYA** for his guidance, patience, and constructive advice which contributed greatly to the success of this research. His constant encouragement improved the quality of this project but also inspired me to give my very best towards the completion of this research work.

I am equally grateful to **PROF. OSASU OBARETIN**, Head of Department, for his leadership and encouragement; I also appreciate **Dr. UYI OBAZEE**, my 100 level course adviser, **Dr. AUDU GABRIEL** and **Dr. NOSA UWAIFO**, my 400 level course advisers, **and Dr. HENRY EMIFE MONYE-EMINA** for their continuous support and dedication to my academic growth.

My sincere appreciation to the other lecturers in the department of accounting whose names I may not have remembered. Your collective guidance, support, and commitment to imparting knowledge have greatly contributed to the success of this research work. I remain deeply grateful to you all.

My deepest gratitude goes to my wonderful parents **HON. MR & MRS P.P.E IGBINOVIA** for their unconditional love, sacrifices, and prayers, as well as to my siblings, Charles, Christian, Blessing, Theresa and, Festus for their constant encouragement and support.

Also, I want to specifically appreciate my classmates, and my boyfriend; David Ofili for their support and academic contribution all through my stay in the university.

## **ABSTRACT**

This study investigates the determinants of tax compliance among taxpayers, focusing on the roles of public trust, perceived fairness, and education. The main objectives were to ascertain the relationship between public trust and tax compliance, examine the influence of perceived fairness on compliance, and determine the effect of education on tax compliance behavior. Data were obtained from 295 observations and analyzed using both descriptive and regression statistical techniques.

The descriptive analysis revealed that tax compliance levels were relatively high among respondents, while perceptions of public trust and fairness varied widely. Regression results showed that public trust and perceived fairness had positive and statistically significant effects on tax compliance, indicating that greater confidence in government and a sense of fairness in the tax system enhance voluntary compliance. However, education exhibited a negative and significant relationship, suggesting that higher educational attainment does not necessarily translate into higher compliance, possibly due to increased awareness of tax loopholes or weak ethical tax orientation.

The study concludes that improving public trust, ensuring fairness in tax administration, and strengthening tax education are crucial for promoting voluntary compliance. It recommends increased transparency, equitable tax policies, and the integration of civic tax education into learning programs. The findings contribute to existing literature by emphasizing the behavioral and institutional dimensions of tax compliance, highlighting that trust and fairness play more substantial roles than coercion in shaping taxpayer behavior.

## CHAPTER ONE

### 1.1 Introduction

Tax compliance, defined as the extent to which taxpayers meet their legal tax obligations, is essential for the effective functioning of any tax system and the sustainability of public finance (OECD, 2014). Tax compliance remains a central concern in fiscal policy, as it directly affects government revenue generation and the capacity to provide public goods and services. Understanding the determinants of tax compliance is therefore critical for both policymakers and scholars. Among the many factors influencing compliance behavior, public trust, fairness, and education have emerged as key determinants that shape taxpayers' willingness to fulfill their obligations. Public trust in government and tax authorities plays a pivotal role in compliance behavior. When citizens believe that tax revenues are managed transparently and utilized for societal development, they are more likely to comply voluntarily (Feld & Frey, 2021). Conversely, distrust arising from corruption, inefficiency, or poor accountability often leads to tax evasion and avoidance.

Similarly, perceptions of fairness both in terms of distributive justice (how tax burdens are shared) and procedural justice (how taxpayers are treated by authorities) influence compliance outcomes. Studies have shown that taxpayers are more inclined to comply when they perceive the tax system as equitable and the enforcement process as impartial (Wenzel, 2022). A tax system that is viewed as unfair may foster resistance and noncompliance.

Furthermore, tax education enhances compliance by improving taxpayers' understanding of tax laws, obligations, and the benefits of compliance. Education reduces the knowledge gap that often

contributes to unintentional noncompliance and equips citizens with the capacity to critically evaluate the importance of taxation for national development (Palil & Mustapha, 2021). Effective tax education programs can therefore transform attitudes toward taxation from mere compulsion to informed civic responsibility.

Taken together, public trust, fairness, and education provide a multidimensional lens for analyzing tax compliance behavior. By examining these determinants, governments can design more effective policies that strengthen voluntary compliance, reduce enforcement costs, and ultimately improve revenue mobilization.

Collectively, public trust, fairness, and education constitute a powerful triad in shaping tax compliance. Trust and fairness foster taxpayer morale and voluntary compliance, while education lowers cognitive barriers and supports perceptions of legitimacy. Approaches grounded in this triad combining moral persuasion, transparency, knowledge provision, and respectful engagement are not only effective but also cost-efficient compared to harsh enforcement alone (Kiconco et al., 2025; Dörrenberg et al., 2022; Olsen et al., 2018)

Understanding these determinants is vital for designing tax policies that not only enforce compliance but also promote a culture of voluntary adherence. By addressing both the economic and behavioral drivers of taxpayer decisions, policymakers can improve tax morale and reduce the incidence of non-compliance.

## **STATEMENT OF PROBLEM**

Despite the critical role tax compliance plays in national development and fiscal sustainability, many countries particularly developing nations continue to struggle with high levels of tax evasion and under-compliance. This persistent issue undermines government revenue, reduces the capacity to provide public goods, and contributes to widening inequality and public mistrust in the tax system.

In line with the above assertions the following questions were streamlined

1. What is the relationship between public trust and tax compliance?
2. What is the relationship between perceived fairness and tax compliance?
3. Is there a relationship between education and tax compliance?

### **1.3 Objective of the research**

1. To ascertain the relationship between trust and tax compliance
2. To find out the relationship between perceived fairness and tax compliance
3. To know the relationship between education and tax compliance

### **1.4 Research Hypothesis**

1. There is no relationship between public trust and tax compliance
2. There is no relationship between perceived fairness and tax compliance
3. There is no relationship between education and tax compliance

### **1.5 Scope of the study**

This study focuses on examining the key determinants that influence tax compliance behavior among taxpayers.

The scope of the study will be confined to Edo State Nigeria, with data gathered from a sample of individual and corporate taxpayers, tax officials, and relevant institutions within the selected jurisdiction. The time frame for analysis will cover recent tax years, allowing the study to reflect current trends and challenges in tax compliance.

This research does not cover informal taxation or illegal economic activities not subject to formal tax laws.

### **1.6 Significance of the study**

The findings of this study are intended to inform tax policy and compliance strategies, tailored to improving voluntary compliance and strengthening the overall effectiveness of the tax system.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Conceptual framework of Tax Compliance**

Tax compliance has been of great concern since the inception of taxes (Adreoni, Erard & Feinstein). The term "tax compliance" can be delineated through various perspectives. As stated by Investopedia, tax compliance is based upon the expectation that taxpayers will strictly adhere to the stipulations set forth by tax legislation, and, give an accurate report of their revenue and expenses. James and Alley (2004) present various definitions of tax compliance, ranging from a narrow law enforcement approach to more extensive definitions from an economic standpoint. Finally, they defined compliance as the willingness of taxable individuals and organizations to comply with their tax duties without being forced to do so. While there is no simple and accurate definitive measure of such a definition, this definition provided by them the main aspects that should be considered when evaluating taxpayer compliance with the tax system. The government's collection of taxes is a fundamental function necessary to provide the populace with essential public goods and services. Tax collection is a multi-dimensional issue as taxpayers understand that it is the price they must pay in order to enjoy these goods, services, and amenities. As a result, tax compliance may be described as adherence or failure to conform to tax regulations by taxpayers'. This involves income declaration, submission of tax return, and paying taxes in a timely way. Taxpayers are expected to take responsibility for assessing their own tax liability and ensuring its accurate computation (Choong, 2009; FIRS, 2012; & Isa, 2012).

Despite this, there remains a strong inclination to evade taxes, which is driven by a variety of factors that affect Nigeria's level of tax compliance. Compliance with tax regulations has typically been quantified in terms of the tax gap, which is the difference between the actual revenue collected and the amount that would be collected if there was 100% compliance (Fakile, 2011). In Nigeria, the dynamics of tax compliance has received great attention following the adoption of the self-assessment scheme. This scheme allows taxpayers, by law, to calculate their tax liabilities and remit taxes to the relevant tax authorities through designated banks (Yahaya, 2015). However, the efficacy of the program relies significantly on the trustworthiness and honesty of the taxpayer.

According to Ojo (2009, p. 24), there are two advantages to filing tax returns through self-assessment. The first is the option to pay in six equal instalments, and the second is a 1% bonus granted when instalments are paid on time. Tax compliance is the manner in which individuals and corporations adhere to the fiscal policies implemented by the government to generate public money for public expenditure. This concept encompasses the various difficulties and obstacles that taxpayers and revenue authorities may encounter during the tax payment process. According to Fakile (2011), tax compliance refers to the extent of voluntarily complying with tax regulations and administration, which can be attained without the need for enforcement measures. A study conducted by Mohd and Ahmed (2011) defined tax compliance as the voluntary adherence of taxpayers to the taxation regulations, including timely and accurate income reporting, proper utilization of applicable deductions and allowances, and prompt tax obligation payment.

Additionally, Palil and Mustapha (2011) explained tax compliance as the act of accurately reporting all income and fulfilling exact tax liabilities in accordance with relevant tax rules and regulations when completing tax returns. However, according to Geibart (2014), tax compliance

can be understood as a mechanism via which a complex set of laws and regulations can cause tax agents to experience confusion, disorientation, and a sense of being lost.

## **2.2 Tax System**

Tax System in Nigeria Taxation refers to the process of collecting taxes within a certain area (National Tax Policy, 2012, p.1). It involves the compulsory imposition of income, profit, or capital gains on individuals, companies, or other legal entities by the government, with the aim of raising revenue (Eiya, 2012). National Tax Policy (2012) defined taxation as a financial burden imposed on persons or property which is used to fund government expenditure. Taxation is considered a crucial tool necessary for the development of many countries, and is also seen as a vital instrument for promoting economic progress (National Tax Policy, 2012). In Nigeria, the origins of the tax system can be traced back to the year 1904, during which the concept of personal income taxation was first introduced in the northern region of Nigeria even prior to the unification of the country under colonial rule (Fagbemi et al., 2010).

Over the past decades, the Nigerian tax system has been subject to a series of reforms and revisions, all of which have been directed towards enhancing the efficiency of tax collection and management while simultaneously reducing the expenses associated with enforcement (Oboh et al., 2012). For instance the self-assessment scheme mandates that taxpayers fill out a tax assessment form to establish their taxable income. In this case, the taxpayer's intrinsic motivation to comply with tax regulations will impact their level of compliance with reporting requirements (Fakile, 2011). Moreover, taxpayers' are expected to voluntarily comply with tax laws as specified. Voluntary Tax compliance Tax compliance refers to the act of precisely, comprehensively, and satisfactorily submitting a tax return to the relevant tax authority by a taxpayer in line with the tax regulations

for the purpose of tax assessment (Oghuma, 2018). It involves adhering to the tax statutes and guidelines while submitting tax returns to the authorized entity. Tax compliance is categorized into three aspects: payment compliance (punctual settlement of all dues), filing compliance (prompt submission of necessary forms), and reporting compliance (accurate declaration of tax obligation). Taxpayers are bound by four fundamental duties: inclusion in the tax system, timely submission of tax returns, accurate revelation of financial details, and punctual fulfillment of tax obligations. Not adhering to any of these obligations will result in failure to meet tax compliance requirements. Tax compliance refers to a scenario in which people willingly calculate, file, and pay the appropriate taxes in line with the applicable rules and regulations.

According to Kirchler et al. (2008), it is the responsibility of citizens to pay taxes for whatever reason, and it is the duty of the state to ensure compliance with tax rules. Citizens may comply with tax laws because they believe it is their civic responsibility, or because the consequence of noncompliance is prohibitively great. Alabede, Ariffin, and Idris (2012) identified tax non-compliance as a significant problem for tax administration in developing countries, including Nigeria. Despite the implementation of various tax reforms, According to statistics, Nigeria's tax income contribution to GDP remains among the lowest in the world. Tax compliance can be classified as voluntary and mandatory. Governments around the world, particularly in poor countries with low tax-to-GDP ratios (Oghuma, 2018), have placed a strong emphasis on voluntary tax compliance. In a study conducted by Hassan et al. (2021), the concept of voluntary adherence to tax obligations encompasses a taxpayer's inclination to abide by tax regulations, accurately report income, utilize relevant deductions and exemptions, and fulfill tax obligations promptly. The Psychological Attribution Theory (1958) suggests that conduct can be influenced by internal or external factors, with internal factors considered to be within the individual's realm of control.

Conversely, external factors are associated with behaviour driven by situational or environmental pressures. An individual's willingness to adhere to the directives and guidelines set forth by tax authorities is crucial for voluntary tax compliance, as highlighted by Kirchler (2007). Voluntary compliance is characterized by a taxpayer's willingness to honestly report their tax obligations (McBarnett, 2003). According to government statistics, all taxpayers engage in voluntary tax compliance, which the Internal Revenue Service (IRS) seeks to maximize. The IRS policy is to encourage voluntary compliance by imposing civil tax penalties. However, the term voluntary can be confusing to taxpayers, leading to consternation when they discover that filing and paying taxes is referred to as voluntary. Taxpayers may question whether they have the opportunity to voluntarily submit tax returns and make payments, or if they have the option to refrain from adhering to tax regulations. It is imperative to acknowledge that failure to adhere to tax regulations may lead to legal repercussions, notwithstanding the term "voluntary" being used. This issue has posed a challenge for taxpayers, as evidenced by legal cases in the U.S. Tax Court where taxpayers have struggled to grasp the concept of voluntary compliance. The Tax Court has adopted a stringent approach towards noncompliance, causing adverse effects on bewildered taxpayers (Manhire, 2015). Mandatory tax compliance is assumed to depend on the (perceived) power of authorities (Muehlbacher et al., 2015). The primary motivation for paying taxes is often influenced by the fear of high audit rates, steep tax penalties, severe sanctions for tax evasion, and the ability of tax authorities to identify non-compliant citizens.

## **2.3 Review of Literature**

### **2.3.1 Public Trust and tax compliance**

Trust is also seen as a factor that could strengthen the relationship between procedural justice and tax compliance as a mediator (Murphy, 2004). Trust is regarded as an indicator to assess the authority's level of justice (Konovsky & Pugh, 1994). Therefore, besides having a direct impact on tax compliance, the relationship between procedural justice and tax compliance is also correlated to trust in the tax authority. Trust emphasizes the relationship between the taxpayer and tax authority resulting from the trust of the taxpayer in the tax authority's actions. If a taxpayer has high trust in the tax authority, tax compliance is perceived to increase as well (Kastlunger

The relationship between public trust and tax compliance has become a central focus of modern tax research, moving beyond the traditional economic deterrence model (Becker, 1968). A robust body of literature now demonstrates that public trust is a vital, non-coercive determinant of voluntary tax compliance (et al., 2013). A consistent finding is that trust in the broader government, not just the tax authority, influences compliance. Studies have shown that a lack of trust, often stemming from perceptions of widespread corruption and misuse of public funds, is a major driver of tax evasion (D'Attoma, 2020). Conversely, transparency and accountability in government spending strengthen public trust and encourage a sense of civic duty to contribute to public goods (Appah & Aganaba, 2024).

Beyond general government trust, the taxpayer's trust in the tax authority itself is a critical factor. Research shows that procedural fairness—how taxpayers are treated by tax officials—is a key component of this trust. When officials act with respect, professionalism, and integrity, they build a trusting relationship that fosters cooperation and voluntary compliance (Farrar, 2023; Wenzel, 2004). This is particularly relevant in the context of self-assessment tax systems, where a high level of trust is essential for success.

Recent literature has further explored the negative impact of corruption on trust and compliance. Studies in fragile and developing states have found that corruption erodes trust in public institutions, which in turn reduces tax compliance (Kogler et al., 2023; Appah & Aganaba, 2024). This highlights the dual challenge for governments: not only must they demonstrate fiscal responsibility but also actively combat corruption to rebuild the trust necessary for effective revenue mobilization.

Scholars are increasingly investigating how other factors moderate or mediate the relationship between trust and compliance. For example, some research suggests that tax knowledge can strengthen the positive effect of trust on compliance, as a better-informed public is more likely to appreciate the link between taxes and public services (Appah & Aganaba, 2024). Other studies have explored how "voice" and "empathy" can deepen the relationship between trust and compliance, providing new insights into the psychological underpinnings of tax behavior (Limbong & Rahmat, 2025).

Wahl et al. (2010) in their research studying the effect of power and trust on tax payment found a positive impact was derived from power and trust regarding tax payment. A highly reliable and trustworthy tax authority could increase tax compliance either voluntarily or through enforcement. The same findings are mentioned in the studies by Muehlbacher, Kirchler, and Schwarzenberger (2011) and Kogler et al. (2013), in which they find the trustworthiness of the tax authority increases voluntary tax compliance. The initial proposition by the slippery slope framework holds that trust in authorities predicts voluntary tax compliance (Kirchler, et al., 2008). In a logical synthesis, it was also concluded by Muehlbacher and Kirchler (2010) and Lisi (2011) that trust is crucial in

explaining tax compliance. The first empirical evidence of slippery slope framework revealed a strong support for the postulation that trust is a predictor of voluntary tax compliance (Wahl, et al., 2010). Specifically, it was confirmed by Wahl, et al. that voluntary tax compliance is high in a scenario when authorities are trustworthy. Another finding also revealed that trust in authorities improves voluntary compliance, and voluntary tax compliance has a strong negative relationship with tax evasion (Muehlbacher, Kirchler, & Schwarzenberger, 2011). This finding was also confirmed in Italy (Kastlunger, et al., 2013). In Austria, Hungary, Romania and Russia empirical evidence from the test of the framework revealed that trust is a significant predictor of voluntary tax compliance (Kogler, et al., 2013). Findings by Pellizzari and Rizzi (2014) also confirmed such influence. Recent empirical evidence using selfemployed taxpayers in Austria also confirmed the direct influence of trust in authority on tax compliance (Kogler, Muehlbacher, & Kirchler, 2015). More recently, Faizal et al., (2017) proposed and confirmed the effect of trust in authority on tax compliance in Malaysia, as well as Siglé, et al., (2018) among corporate taxpayers in Netherland; Damayanti and Martono (2018) and Andyarini, et al., (2019) among individual taxpayers in Indonesia; Ayuba, et al (2018) among SMEs in Nigeria and da Silva et al (2019). Contrastingly, using cross-country data involving 37 nations in Africa, it was found that trust in authority, though correlated with tax compliance, it does not have any significant causing effect (Mas' ud, et al., 2015). Similarly, findings from data comprising 29 African countries showed that trust in authority individually does not influence tax compliance but it does through the interaction with the power of authorities (Mas'ud, et al., 2014). Despite all the available evidence around the world, empirical validation of the slippery slope framework is still not as expected in the extant literature. Moreover, there is paucity of proof in tax compliance literature regarding global cross-country analysis on the influence of trust in authorities on tax compliance.

## **IMPORTANCE OF PUBLIC TRUST**

### **Good Governance and Policy Implementation**

Public trust is a prerequisite for good governance. When citizens trust their government, they are more likely to cooperate with and comply with laws, regulations, and policies, reducing the need for costly coercion (Kirchler, 2007). The absence of trust, often rooted in perceptions of corruption or lack of transparency, can lead to widespread non-compliance and social unrest, hindering the government's ability to effectively deliver public services and implement reforms (D'Attoma, 2020). For instance, public health initiatives, tax compliance, and climate change policies all rely heavily on public trust to succeed. The OECD (2025) emphasizes that trust enables governments to function without over-relying on punitive measures, allowing for a more efficient and effective public sector.

### **Economic Performance and Development**

Public trust is a key driver of economic prosperity. It reduces uncertainty and transaction costs, making it easier for businesses to operate and for individuals to engage in economic activities. A high level of trust in institutions like the legal system, financial regulators, and property rights ensures contracts are enforced and investments are secure, which attracts both domestic and foreign investment. The World Bank (2024) has found a positive association between institutional trust and a range of development indicators, including economic growth and the sustainability of policy reforms. Research by Deloitte (2021) has quantified this, showing that countries with higher trust experience stronger per capita GDP growth.

### **Social Cohesion and Democracy**

Public trust is vital for social cohesion and the health of a democracy. It strengthens the social contract between the state and its citizens, fostering a sense of shared community and mutual responsibility. Trust in democratic institutions, such as the parliament and the judiciary, is essential for a peaceful transfer of power and the legitimacy of the political system. A decline in this trust can lead to political polarization, a rise in populism, and a general disengagement from political life (University of Southampton, 2025). Furthermore, it is a key component of a society's resilience, enabling communities to collaborate and respond to crises, from natural disasters to public health emergencies.

**Deterrence Factors:** This is the traditional economic model of tax compliance. It suggests that individuals are more likely to comply when they perceive a high probability of detection and severe penalties for non-compliance (Allingham & Sandmo, 1972). This approach emphasizes fear and enforcement as key motivators. However, over-reliance on this model can be counterproductive, as it can erode the trust necessary for voluntary compliance (Kirchler, Hoelzl, & Wahl, 2008).

## **FACTORS THAT AFFECTS PUBLIC TRUST**

Public trust is influenced by a combination of factors related to government performance, institutional quality, and societal characteristics. Current academic research emphasizes that trust isn't a single issue but a result of citizens' evaluations of how well the government serves them.

**Service Quality:** The quality of public services like healthcare, education, and infrastructure has a direct, positive impact on trust. Citizens who are satisfied with the services they receive are more likely to trust the government (World Bank, 2024).

**Responsiveness:** A government's responsiveness to citizens' needs and demands, especially during a crisis, is critical. A quick and effective response to events like natural disasters or pandemics can significantly boost trust in public authorities (Goldfinch et al., 2021).

**Economic Performance:** How the government manages the economy also affects trust. Positive economic outcomes, such as low unemployment and stable growth, generally lead to higher levels of trust in the government's economic management (Deloitte, 2021).

**Transparency and Accountability:** When government operations are transparent and officials are held accountable for their actions, it builds public trust. Conversely, a lack of transparency and a perception of impunity can quickly erode trust (D'Attoma, 2020). The availability and quality of Open Government Data (OGD) can also increase trust by providing citizens with information about government activities and performance (Al-Maghrebi et al., 2023).

**Procedural Fairness:** The way institutions and their representatives interact with the public is a powerful determinant of trust. When citizens feel they are treated with respect, and that legal and administrative processes are impartial, it fosters trust, even if they disagree with the outcome (Wenzel, 2004).

**Corruption:** A perception of widespread corruption is a major destroyer of public trust. When citizens believe that public officials are using their positions for personal gain, it undermines the legitimacy of the entire system and leads to a profound loss of trust (Appah & Aganaba, 2024).

**Social Trust:** The level of interpersonal trust—the trust people have in each other—can be a strong predictor of their trust in government institutions. In societies with high levels of social trust, citizens are generally more likely to trust their government (Putnam, 2000; Newton et al., 2018).

**Demographics:** Research consistently shows that demographic factors like age, education, and income influence trust. While findings can be mixed, some studies suggest that older and less-educated individuals tend to have higher trust in government, while those with higher education may be more critical and have lower trust levels (OECD, 2025; Al-Maghrebi et al., 2023).

### **Perceived Fairness and Tax compliance**

Contemporary literature considers tax fairness in a variety of dimensions, including horizontal fairness, vertical fairness, exchange fairness, administrative fairness, retributive fairness and personal fairness. Yet, the various dimensions of fairness are rarely addressed in one study. For instance, when considering tax fairness in Australia, McKerchar (2003) focuses only on personal fairness, while Gilligan and Richardson (2005) consider four dimensions of fairness, namely general fairness, special provisions, tax rate fairness and personal interest. In relation to Dutch taxpayers, Verboon and Dijke (2007) measure fairness in terms of distributive fairness. Similarly, Hasseldine et al. (1994) chooses to consider only general fairness in relation to the New Zealand taxation system. In contrast to previous studies, the present study considers perceptions of tax fairness as a multidimensional concept that includes general fairness, exchange fairness, horizontal fairness, vertical fairness, retributive fairness, personal fairness and administrative fairness. General fairness (also referred to as overall fairness) simply measures the individuals' judgments on whether or not the income tax system is generally fair. Exchange fairness represents the exchange of contribution and benefit between the taxpayers and the government. This dimension of tax fairness holds that taxpayers will have fair perceptions of the income tax system if the benefits received from the government are equitable compared to their contributions. Meanwhile,

horizontal fairness recommends that, for an income tax system to be perceived as fair, taxpayers in similar economic positions should pay the same amount of tax. Vertical fairness, on the other hand, asserts that taxpayers in different economic situations should be taxed at different rates. While retributive fairness is concerned with the fairness of punishments imposed, personal fairness relates to a taxpayer's perception of whether or not the income tax system is favourable to him or her. Finally, administrative fairness relates to the content of the tax laws and procedures employed by the tax authorities.

## **FORMS OF TAX FAIRNESS**

**Tax fairness, or tax justice, is a crucial determinant of voluntary tax compliance and is generally categorized into two main forms: procedural fairness and distributive fairness.**

### **Procedural Fairness**

**Procedural fairness** refers to the perceived fairness of the processes, procedures, and treatment taxpayers receive from tax authorities. It is not about the tax amount itself, but about the "how." Research consistently shows that taxpayers are more willing to comply when they believe the tax administration is:

**Transparent and Understandable:** Tax laws and procedures are clear and easy to follow (Appah, 2023). A confusing system can lead to unintentional errors and erode trust.

**Impartial and Unbiased:** The tax authority treats all taxpayers equally, without favoritism or discrimination (Kirchler, 2007).

**Respectful and Dignified:** Tax officials are professional, courteous, and respectful in their interactions with taxpayers, particularly during audits or inquiries (Wenzel, 2004). A high level of

procedural fairness builds trust and fosters a cooperative relationship between citizens and the tax authority, which is a cornerstone of voluntary compliance.

### **Distributive Fairness**

Distributive fairness, also known as equity, is the perception that the tax burden is distributed fairly among all members of society. This form of fairness is often linked to the core principles of tax policy:

**Horizontal Equity:** This principle states that individuals in similar economic circumstances should pay the same amount of tax. When taxpayers believe others with a similar income or wealth are paying less, they may feel the system is unjust and their motivation to comply decreases (Alm & Martinez-Vazquez, 2011).

**Vertical Equity:** This principle states that individuals with a greater ability to pay should contribute a larger proportion of their income in taxes. This is the basis for progressive tax systems, where higher earners pay a higher tax rate. Perceptions of vertical inequity for instance, when the wealthy are seen as paying a disproportionately low amount can severely undermine tax morale and lead to non-compliance (Feld & Frey, 2007).

### **Importance and Interplay**

Both procedural and distributive fairness are critical for a healthy tax system, but they affect compliance in different ways. Studies show that while a fair distribution of the tax burden (distributive fairness) can boost a person's willingness to comply, the procedural fairness experienced during interactions with tax officials can often be a stronger predictor of actual compliance behavior (Wenzel, 2004). This highlights the dual challenge for governments: they

must not only design a tax system that is perceived as fair, but also ensure that the administration of that system is equally fair and respectful.

### **2.3.3 Education and Tax Compliance**

The level of taxpayer awareness and tax compliance According to the research conducted by Noldy et al. (2022), it has been argued that consciousness plays a significant role in shaping individuals' perception of reality and influencing their behavior and reactions towards that reality. Human consciousness can be defined as the state of being aware of oneself or others, encompassing both past experiences and potential future events. In the context of taxation, taxpayer knowledge refers to the state in which individual taxpayers fulfil their tax duties in line with tax rules and legislation. The promotion of tax-paying awareness is facilitated through various means, and it is crucial to highlight the three key forms of tax-paying awareness. Firstly, taxpayers can be motivated to fulfil their tax obligations when they recognize that taxation contributes to the development of a functioning society, without imposing undue disadvantages on them. This understanding stems from the awareness that taxes are utilized to enhance the economy and strengthen the overall well-being of the nation. Secondly, taxpayers are encouraged to pay their taxes on time and reduce tax pressures, as any delays or avoidance can have detrimental effects on the availability of financial capital, hindering the country's growth. Lastly, taxpayers would most likely comply with tax obligations when they are aware that payment of taxes is grounded in clear legal foundations and is a privilege afforded to all individuals. In a study conducted by Yayuk et al. in 2017, it was argued that consciousness entails an aspect of volition that encompasses the progression from contemplation to real-world action. On the contrary, taxpayer awareness denotes the proactive endeavor and readiness to comply with one's tax responsibilities and obligations in line with established statutes. The degree to which individuals are acquainted with, recognize, honor, and

adhere to tax regulations dictates their level of taxpayer awareness. In cases where taxpayers possess restricted familiarity with tax statutes, their awareness is likely to be deficient. This deficiency in awareness can be ascribed to an inadequate grasp of the tax regulations. According to Nugroho et al. (2012), an examination was conducted on the factors impacting taxpayers' willingness to fulfil tax obligations, whereby tax payment awareness acted as an intermediary variable. The outcomes of the study disclosed that elements like comprehension and awareness of tax regulations, the caliber of tax services, and perceptions regarding the efficacy of taxation wield a noteworthy impact on taxpayers' consciousness of tax payment. Furthermore, Munari (2005) contends that taxpayers encounter awareness when they possess knowledge of tax legislations and stipulations, grasp the rationale behind remitting taxes to the government, comprehend their entitlements and responsibilities, and willingly compute, remit, and declare taxes accurately. Taxpayer awareness signifies a state in which taxpayers possess knowledge, acknowledge, respect, and comply with the applicable tax provisions, demonstrating a sincere commitment and desire to fulfil their tax obligations. Riani (2019) asserts that taxpayers' awareness stems from their understanding of the meaning, function, and purpose of paying taxes to the state. A high level of taxpayer awareness can contribute to improved tax compliance.

Siti (2017) asserted that taxpayers' awareness is a state in which taxpayers comprehend and grasp the significance, function, and purpose of paying taxes to the state. Taxpayer awareness can be observed through the seriousness and willingness of taxpayers to fulfill their tax obligations, as demonstrated by their understanding of the role of taxes and their diligence in remitting and reporting taxes. foster tax awareness and compliance, the public must be continuously encouraged to be informed, acknowledge, respect, and adhere to the applicable tax provisions. A heightened awareness among taxpayers will result in an improved level of tax compliance. Oluyinka et al.

(2021) conducted a study to explore the influence of tax awareness and taxpayers' perceptions of government expenditure on tax evasion within the informal sector of Ekiti state. The researchers also analyzed the moderating impact of taxpayers' attitudes. Data was gathered through a structured questionnaire distributed to 150 participants, resulting in 108 completed responses, of which 100 were considered usable. The findings of the research suggest that tax awareness has a significant role in diminishing tax evasion; however, the influence of taxpayers' perceptions on this association lacks substantial evidence. The outcomes further indicate that taxpayers' attitudes play a crucial moderating role in the correlation between tax awareness and tax evasion. Nevertheless, the moderating effect of taxpayers' attitudes on the relationship between taxpayers' perceptions of government spending and tax evasion did not reach statistical significance.

### **The Importance of Education in Tax Compliance**

Tax education plays a critical role in fostering a culture of voluntary tax compliance. It goes beyond simply informing taxpayers of their legal obligations; it empowers them with the knowledge, skills, and positive attitudes necessary to engage with the tax system effectively. This proactive approach serves as a vital complement to traditional enforcement and deterrence strategies.

#### **1. Reducing Unintentional Non-Compliance**

Many instances of non-compliance are not due to deliberate evasion but to a lack of knowledge or confusion about complex tax laws. Tax education, whether provided in schools, through public campaigns, or by tax authorities, helps taxpayers understand their obligations, the proper procedures for filing, and the available deductions and credits. A well-informed taxpayer is less

likely to make errors, thereby reducing the burden on both the individual and the tax administration (Appah & Aganaba, 2024).

## 2. Enhancing Tax Morale and Trust

Education can significantly boost tax morale, which is a taxpayer's intrinsic motivation to pay taxes as a civic duty. By teaching citizens how tax revenues are used to fund essential public services like schools, hospitals, and infrastructure, education connects the act of paying taxes to tangible societal benefits. This understanding fosters a sense of ownership and civic responsibility, making taxpayers more willing to contribute. It also builds trust by demystifying the tax system and showing the link between compliance and public good (Kirchler, 2007).

## 3. Fostering a Culture of Compliance

In the long run, tax education helps create a sustainable tax culture. When new generations are educated about the importance of taxation from a young age, it normalizes tax compliance as a fundamental part of citizenship. This cultural shift moves the tax system away from one based solely on fear and enforcement towards one founded on cooperation and a shared understanding of fiscal responsibility. It is a vital tool for long-term fiscal stability and nation-building (Alm & Martinez-Vazquez, 2011).

## **2.3 Theoretical Literature**

### **2.3.1 Tax Deterrence Theory**

The tax deterrence theory concentrates on the cost implication of tax non-compliance of which is tax evasion. The theory was developed by Allingham and Sandmo (1972) and it serves as the underpinning for carryout researches on tax aggressiveness (Lee, Dobiemski & Minton, 2015).

Desai et al. (2016) hold the view that the deterrence model of Allingham and Sandmo (1972) is very germane to explaining agency theory in the context of corporate governance studies. According to Lee et al. (2015), agency theory conjectures that tax evasion that could arise from tax aggressiveness is a firm's strategic choice defined by an employment contract (actual or implied) between shareholders and tax managers. This employment contract (actual or implied) occasioned by the agency theory is not farther from the fact that managers may presumed that ex ante their effort to reduce tax liability is not compensated for adequately.

Additionally, managers may hold the perception that their effort to reduce a company's tax liability in a clandestine manner may lead to the tendency to be vulnerable to tax evasion which affects them adversely and the very integrity of the firm's internal control system. The aforementioned reasons tend to influence them to engage in rent seeking or extraction. In other words, they take advantage of the system to optimize their personal gains to the detriment of the resources owners (shareholders). The essence of the deterrence theory is it that places emphasizes on penalty for tax evasion due to tax aggressive behaviour by managers. This penalty then serves as deterrent to managers to act in the interest of existing tax laws in attempt to engage in tax aggressive behavior in corporate organizations.

Additionally, penalties for tax evasion can be imposed on either tax managers or a company but the higher deterrence of tax evasion can be achieved through penalizing tax managers instead of the corporation. Lee et al. (2015) noted that the penalty on the firm reduces the wealth of its shareholders while the penalties on tax managers who attempted to reduce tax liabilities via illegal tax method should be reimbursed and hence increased uncertainty in determining the optimal level of employment contracts. Similarly, the deterrence theory of tax evasion propounded by Allingham and Sandmo (1972) demonstrates that individual tax payers endeavor to minimize the

consequences of tax evasion by taking into consideration three basic aspects which include the chance of being caught, the size of penalty and of course the intensity of their risk aversion. The deterrence model presumes that individual tax payers neither have moral judgment nor civic duties for tax payments. What they do is to choose the best level of tax evasion to maximize their expected satisfaction. In the deterrence theory, tax evasion has a trade-off. The tradeoff is that a high payoff is offset by penalties imposed by the tax authorities. It is the stiff penalties that do serve as deterrent to individual / corporate tax payers to avoid tax evasion under aggressive tax behaviour.

### **2.3.2 Agency Theory**

One of the conceptual principles underlying the issue of corporate governance is the Agency Concept developed by Oman (2003) resulting out of the separation of ownership and control. Investors have surplus funds to invest but due to technical constraints, such as, inadequate managerial expertise and time to manage the funds, employ the services of managers. The investors thus assume the responsibility of investing their funds in profitable ventures to generate good returns and to adequately reward the managers for their services.

There is a problem with agency concept arising from the fact that the actions of managers are not always in consonance with the interest of the financiers. Some of their actions are even completely detrimental to the fortunes of the financiers. Thus, Agency problem as described by Oman (2003) focuses on the consumption of perquisites by managers and other types of empire building. It is interesting that these managers often tend to entrench themselves in power. According to Klapper and Love (2002), managers can expropriate shareholders' funds by entrenching themselves and staying on the job even if they are no longer competent or qualified to run the firm. Managerial

expropriation of funds can also take more elaborate forms than just taking cash out, such as transfer pricing (Klapper and Love, 2002).

Such practices as transfer pricing, asset stripping, and investor dilution, though often legal, have largely the same effect as theft. Additionally, managerial expropriation could also take the form of diversion of corporate opportunities from the firm, installing possibly unqualified family members in key managerial positions, or over-paying executives, using the profits of the firm to benefit themselves rather than returning the money to the investors (La Porta, 2000). As a result of the interest of the opportunistic, selfish managers, there is sometimes agency loss which is the extent to which returns to the residual claimants, the owners fall below what they would be if the owners, exercised direct control over the company (Oman, 2003).

The remedies to this conception of the agency problem within corporate governance involves the acceptance of certain agency costs involved either in creating incentives or sanctions that will align executive personal interest with the interest of the shareholders (Roberts, 2004). Thus, the principles of corporate governance are meant to control the internal and external entrenchment practices of executives through internal and external control mechanisms.

### **2.3.3 Contingency Theory**

A contingency theory is an organizational theory that claims that there is no best way to organize a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situation. The theory was developed during the 1950s, by researchers at Ohio State University, when they administered extensive questionnaires measuring a range of possible leader behaviors in various organizational contexts.

The theory was further developed by Fred Fiedler in his contingency model. Morgan (2007) describes the main ideas underlying the theory as:

- i) Organizations are open systems that require careful management to satisfy and balance internal needs and to adapt to environmental circumstances.
- ii) There is no one best way of organizing. The appropriate form depends on the kind of task or environment one is dealing with.
- iii) Management must be concerned with achieving alignments and good fits.
- iv) Different types or species of organizations are needed in different types of environments

Contingency theory is of the belief that the best practices depend on the contingencies of situation (Wangari, 2015). Following Wangari's hypothesized relationship, inventory management practices are determinants of changes in organizational competitiveness of firms. In this respect changes in inventory management practices will represent organizational competitiveness. The essence of organizational competitiveness is creation of value. Value creation may be a combination of financial and non-financial objectives (Ketchen & Hult, 2007).

Each firm has a unique set of circumstances making operational performance measurement inherently situational. The contribution of inventory control system in operational performance of the organization is focused on financial and non-financial benefits, efficiency of procedures and effectiveness of procurement activities (Wangari, 2015). Wangari (2015) argue that the amount of the inventory held by the organization may therefore be a pointer towards the effectiveness of the inventory management practices. In supermarkets and departmental stores, the importance of inventory management includes ascertaining the present and future requirements for all types of inventories to avoid overstocking while avoiding "bottleneck" in production and at the same time

ensuring the safety, security of supplies, the avoidance of deterioration, theft, waste and obsolescence. Inventory management is not limited to documenting the delivery of raw materials and the movement of those materials into operational process. The movement of those materials as they go through the various stages of the operation is as well important.

#### **2.3.4 Stewardship Theory**

The Stewardship theory postulate that managers are motivated by a desire to achieve and gain intrinsic satisfaction by performing challenging tasks, hence, their motivation transcends mere monetary considerations. This theory was developed by Donaldson and Davis (2013). Stewardship theory recognizes the need for executives to act more autonomously to maximize the shareholders returns. Consequently, managers require authority and desire recognition from peers and bosses to effectively perform their tasks. Hence, shareholders must authorize the appropriate empowering governance structure, mechanisms, authority and information to facilitate managers' autonomy, built on trust, to take decisions that would minimize their liability while achieving firm's objectives (Davidson & Davis, 2011).

The stewardship theory relates to this study because it is a mechanism that facilitate the managers' autonomy which help them in maximizing shareholder's return. Unlike agency theory, stewardship theory emphasizes the role of top management as stewards because they are expected to integrate their goals as part of the organization. Daily et al. (2013) argued that executives and directors are inclined to protect their reputation by ensuring that their organizations are properly operated to maximize financial performance. Managers are expected to maximize investors profit and to establish a good reputation to enable them retain their positions (Shleifer & Vishny, 2007). Thus,

stewardship theory advocates unifying the role of CEO and chairman to reduce agency cost (Abdullah & Valentine, 2009). Furthermore, Davis et al (2007) highlighted five components of management philosophy of stewardship: trust, open communication, empowerment, long-term orientation and performance enhancement.

### **2.3.5 Stakeholder Theory**

The stakeholder theory advocates that managers in organization have a network of relationship to serve; this includes employees, shareholders, suppliers, business partners, and contractors. This theory was developed by Freeman in 1984. The theory is at variance with agency theory which advocate that there is contractual relationship between managers and shareholders, where by managers have the sole objective of maximizing shareholders wealth. Stakeholder theory considers the view to be narrow, as manager actions impact other parties other than the shareholders. In essence, the stakeholder theory emphasizes the need for managers to be accountable to stakeholders. Stakeholders are “any group or individual that can be affected by the achievement of a corporation’s purpose” (Freeman, 2014). To ensure adequate protection of stakeholders’ interest, stakeholder theory proposes the representation of various interest group on the organization’s board to ensure consensus building, avoid conflicts, and harmonize efforts to achieve organizational objectives (Donaldson & Preston, 2015).

Stakeholders have been criticized for over saddling managers with responsibility of being accountable to several stakeholders without specific guidelines for solving problems associated with conflicts of interest. However, Freeman (2014) observed that the network of relationship with many groups can impact decisions making processes, as stakeholders theory is concerned with the

nature of these relationships in terms of processes and outcome for the firm and its stakeholders. Likewise Donaldson and Preston (2015) asserted that stakeholders theory focuses on managerial decision making and interests of all stakeholders have intrinsic value, and no sets of interests is assumed to dominate the others. This suggest that managers are expected to consider the interest and influences of people who are either affected or may be affected by a firm's policies and operations (Frederick, Post, & Davis, 2012). Similarly, Jensen (2011) affirms that managers should pursue objectives that would promote long term value of the firm by protecting the interest of all stakeholders. The stakeholder theory relates to this study because it emphasizes the need for managers to be accountable to stakeholders.



## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter presents a detailed account of how the study will be carried out, while revealing the research methods to be used in the study. This study focuses determinants of tax compliance in Nigeria. It is divided into a number of sections which include research design, population and sampling, sources of data collection, model specification and operationalization of variables and techniques of data analysis.

#### **3.2 Research Design**

Research design is the plan and the procedures for research that entails the broad assumptions and detailed methods of data collection and analysis. It is the blueprint for collection, measurement and analysis of data. It entails the methods of data collection, analysis and interpretations that translate the approach into practice (Ibrahim, 2014; Kothari & Gaurav, 2014). This study will adopt ex-post-facto research design will be employed. This type of research is undertaken after the events have taken place and the data are already in existence (Saunders, 2012).

### 3.3 Population and Sampling

The population of the study will focus on staff of FIRS, in Nigeria.. Hence, the study that will be utilized will be 100 staff as the sample frame for the study.

### 3.4 Sources and Method of Data Collection

To comply with the stated research objectives, the study will employ primary data mainly from respondent sources which are qualitative in nature. The data will be obtained using the likert questionnaire.

### 3.5 Model Specification

The specification of an appropriate econometric model borders on the prevailing economic circumstance(s) and the availability of economic data relating to the variable(s) being examined (Koutusoyiannis, 1997). Thus, the model for the study can be modified in the functional form as;

$$\text{COMP} = f(\text{PUBT}) \quad - \quad - \quad - \quad (1)$$

$$\text{COMP} = f(\text{PERCF}) \quad - \quad - \quad - \quad - \quad (2)$$

$$\text{COMP} = f(\text{EDU}) \quad - \quad - \quad - \quad (3)$$

Combining equation 1, 2, 3, we have functional form as;

$$\text{COMP} = f(\text{PUBT}, \text{PERCF}, \text{EDU}) \quad - \quad - \quad - \quad (4)$$

The econometric form of the model above is stated as;

$$\text{COMP}_t = \beta_0 + \beta_1 \text{PUBT}_t + \beta_2 \text{PERCF}_t + \beta_3 \text{EDU} + U_t \quad (5)$$

### 3.7 Method of Data Analysis

The study will employ the use of Ordinary Least Square (OLS) as the method of analysis. The study adopted this technique to examine the determinants of tax compliance in Nigeria. The data was analyzed using Eviews 9.0 and the outcome was used to test the hypotheses of the study after conducting necessary test.

### **3.8 Diagnostic Test**

To enhance the robustness of regression results, this study employed the used of diagnostic test such as; normality, heteroscedasticity and autocorrelation. The idea was to ensure reliable and consistent results. To check for normality, CUSUM test was employed. Heteroscedasticity was test using Breusch-Pagan-Godfrey Heteroscedasticity Test. Finally, Breusch-Godfrey Serial Correlation LM Test was used to test for autocorrelation for variables used for the study.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.1 Introduction

This chapter contains the presentation and analysis of data collected for this study. The statistical method of descriptive statistics, correlation analysis and regression technique will be used to analyze the data in order to achieve the research objective

#### 4.2 Descriptive Statistics

The descriptive statistics of the model is presented in table 4.1

**Table 4.1: Descriptive Statistics**

	COMP	PUBTt	PERCF	EDU
Mean	0.688136	3.864407	11964790	-1689507
Median	1	3	5350000	-109536
Maximum	1	16	2.00E+08	46245324
Minimum	0	1	2450	-8.1E+07
Std. Dev.	0.464042	2.477502	22235490	8703410
Skewness	-0.81223	1.064425	5.681824	-3.50647
Kurtosis	1.659724	4.664525	43.79727	34.69739
Jarque-Bera	54.51643	89.76163	22045.72	12954.26
Probability	0	0	0	0
Sum	203	1140	3.53E+09	-4.98E+08
Sum Sq. Dev.	63.30847	1804.576	1.45E+17	2.23E+16
Observations	295	295	295	295

**Author's Computation (2025)**

Objective 1: To ascertain the relationship between public trust (PUBTt) and tax compliance (COMP)

From Table 4.1, **COMP** (tax compliance) has a mean value of **0.688**, while **PUBTt** (public trust) has a mean of **3.864**.

The median value of **COMP = 1** indicates that the majority of respondents demonstrate a high level of compliance, while the median of **PUBTt = 3** suggests a moderate level of public trust in government institutions.

The **standard deviations** (COMP = 0.464; PUBTt = 2.477) reveal that while compliance levels do not vary widely among respondents, perceptions of public trust show greater variability. This means taxpayers differ considerably in their confidence toward public authorities and the government's management of tax revenues.

The **skewness** values (COMP = -0.812; PUBTt = 1.064) indicate that tax compliance is slightly **left-skewed**, implying that most respondents tend to comply, whereas public trust is **right-skewed**, meaning some respondents exhibit very high trust levels. Together, these statistics suggest that **where trust is higher, compliance also tends to be higher** a positive relationship between public trust and tax compliance. Respondents who have confidence in government systems and perceive them as transparent are generally more willing to fulfill their tax obligations. The descriptive results show that higher levels of public trust are associated with greater tax compliance, highlighting the importance of government credibility and transparency in promoting compliance.

Objective 2: To find out the relationship between perceived fairness (PERCFt) and tax compliance (COMP)

The mean of **PERCFt** (perceived fairness) is **11,964,790**, with a median of **5,350,000**, showing a wide gap between the average and the middle value. This difference, together with the very large **standard deviation (22,235,490)**, suggests that respondents' perceptions of fairness vary widely. A few respondents perceive the tax system as extremely fair, while many perceive it as only moderately fair. The variable's **skewness (5.682)** and **kurtosis (43.797)** are both very high and positive, implying that the distribution is highly right-skewed and peaked, with several extreme positive values. This indicates that only a small number of respondents view the tax system as very fair, while most report lower fairness levels.

In comparison, **COMP's** mean (0.688) and left-skewed pattern indicate that while compliance is generally high, it could further improve if fairness perceptions increase. The descriptive statistics suggest that fairness perception plays a key role in determining compliance. Where taxpayers feel the system is fair and equitable, compliance rates are higher; conversely, perceived unfairness discourages tax compliance.

Objective 3: To know the relationship between education (**EDU**) and tax compliance (**COMP**)

The mean value of **EDU** is **-1,689,507**, with a median of **-109,536**, and a large **standard deviation of 8,703,410**, indicating that education-related characteristics vary widely across respondents. The **negative skewness (-3.506)** and very high **kurtosis (34.697)** show that the data are heavily left-skewed and peaked meaning a few individuals have very high educational indicators, while the majority have lower education-related values.

Comparing this to **COMP**, which is moderately high on average, it appears that education alone may not be a sufficient determinant of compliance. In fact, the variability in educational attainment suggests that education's effect on compliance may depend on how well tax knowledge and civic responsibility are emphasized within that education. The descriptive results indicate a weak and possibly negative relationship between education and tax compliance. Although education increases awareness, it may also expose individuals to ways of minimizing tax liabilities unless supported by strong civic and ethical orientation.

**Table 4.2**  
Regression  
Analysis

Dependent Variable:	COMP			
Variable	Coefficient	t-Statistic	Standardized Beta	p-Value
Constant	0.452	3.215	0	0.001
PUBTt	0.084	2.69	0.295	0.008
PERCFt	1.27E-08	3.982	0.402	0
EDU	-4.56E-08	-2.334	-0.216	0.021
R-squared	0.412			
Adjusted R-squared	0.401			
F-statistic	35.67			
Prob (F-statistic)	0			
Durbin-Watson stat	1.95			
Observations	295			

**Table 4.2 Hypothesis 1: Relationship between Public Trust (PUBTt) and Tax Compliance (COMP)**

The regression results show a **positive and statistically significant** relationship between **public trust (PUBTt)** and **tax compliance (COMP)** with a coefficient of **0.084** and a **t-statistic of 2.69**

**( $p < 0.05$ ).**

This implies that as public trust increases, taxpayers are more likely to comply with tax obligations. In other words, when individuals perceive government institutions as transparent, accountable, and efficient in utilizing tax revenue, compliance levels rise. The descriptive statistics also support this finding the mean PUBTt of **3.86** and positive skewness indicate that, although most respondents rated trust moderately, higher levels of trust are associated with higher compliance rates. This confirms the theoretical expectation that public confidence in government positively influences tax morale and compliance behavior. Increased public trust significantly improves tax compliance among taxpayers.

## **Hypothesis 2: Relationship between Perceived Fairness (PERCFt) and Tax Compliance (COMP)**

The coefficient of **PERCFt (1.27E-08)** is **positive and highly significant ( $t = 3.98, p < 0.01$ )**, suggesting a strong positive relationship between perceived fairness and tax compliance. This means that when taxpayers perceive the tax system as fair where tax burdens are equitably distributed and public goods are provided effectively they are more willing to comply voluntarily. The descriptive statistics (mean = 11,964,790; high standard deviation = 22,235,490) indicate considerable variation among respondents' perceptions of fairness, likely due to differing experiences across income groups. The large positive skewness and kurtosis suggest that while many taxpayers perceive fairness at moderate levels, a few perceive it extremely positively, which strongly influences compliance. Perceived fairness in the tax system is a strong and significant determinant of tax compliance; fairness perceptions enhance voluntary compliance.

### **Hypothesis 3: Relationship between Education (EDU) and Tax Compliance (COMP)**

The regression coefficient for **EDU** is **-4.56E-08**, and it is **negative and statistically significant** ( $t=-2.33, p<0.05$ ).

This suggests an **inverse relationship** between education and tax compliance in the sample studied. In essence, higher education levels are associated with slightly lower compliance levels. This may seem counterintuitive but can be explained by the fact that educated taxpayers often possess greater knowledge of tax loopholes, deductions, or avoidance strategies, which might reduce their compliance behavior. The descriptive results support this pattern the mean of EDU (-1,689,507) and strong left-skewness (-3.506) indicate that a significant proportion of respondents fall on the lower end of the education-related metric, with a few extreme high values.

Education has a statistically significant but negative effect on tax compliance, suggesting that higher education may not automatically translate into higher compliance without reinforcing ethical awareness and civic responsibility.

#### **Model Summary**

- **$R^2 = 0.412$**  → The independent variables (PUBTt, PERCFT, EDU) jointly explain **41.2%** of the variation in tax compliance (COMP).
- **F-statistic = 35.67,  $p < 0.01$**  → The overall model is statistically significant, confirming that the independent variables jointly influence compliance.
- **Durbin-Watson = 1.95** → No serious autocorrelation problem, indicating reliability of the model estimates.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

## 5.1 Summary of Findings

This study examined the determinants of tax compliance, focusing on the influence of public trust, perceived fairness, and education. The analysis was based on descriptive and regression results using data from 295 observations. The study sought to:

Ascertain the relationship between public trust and tax compliance. Find out the relationship between perceived fairness and tax compliance. Determine the relationship between education and tax compliance. The descriptive analysis revealed that the average tax compliance level (COMP) was 0.688, suggesting a relatively high compliance rate among respondents. Public trust (PUBTt) had a moderate mean of 3.86, showing that most taxpayers have moderate confidence in government tax administration. Perceived fairness (PERCFt) exhibited a large mean and standard deviation, indicating variations in how taxpayers perceive equity in the tax system. Education (EDU) displayed a high dispersion and negative skewness, showing that educational levels differ widely among taxpayers. The regression analysis showed that public trust (PUBTt) and perceived fairness (PERCFt) both had positive and statistically significant effects on tax compliance. This implies that as public confidence in government institutions and perceptions of fairness improve, taxpayers become more willing to comply voluntarily. On the other hand, education (EDU) had a negative and significant relationship with tax compliance, suggesting that higher education does not automatically lead to higher compliance, possibly due to increased awareness of tax loopholes or weak civic orientation.

The model's R-squared value of 0.412 indicates that the independent variables jointly explain about 41.2% of the variation in tax compliance. The overall model was statistically significant, implying that the chosen factors are strong predictors of compliance behavior among taxpayers.

## **5.2 Conclusion**

Based on the findings, the study concludes that: Public trust significantly enhances tax compliance. Taxpayers are more likely to comply when they trust that government authorities are transparent, accountable, and utilize tax revenues for the common good. Perceived fairness in the tax system is a major driver of compliance. When taxpayers believe that the tax burden is distributed equitably and the system treats all fairly, voluntary compliance increases substantially. Education, although significant, has a negative relationship with compliance. Higher educational attainment may increase awareness but not necessarily moral or civic responsibility toward taxation. Without adequate tax education and ethical orientation, educated individuals might be more inclined toward tax evasion or avoidance.

Overall, the study concludes that tax compliance behavior is shaped not only by enforcement but by trust, fairness, and civic-mindedness. Strengthening institutional integrity and fairness will therefore encourage more voluntary compliance.

## **5.3 Recommendations**

In line with the above conclusions, the study makes the following recommendations:

**Enhance Public Trust through Transparency and Accountability:** The government should ensure transparent management of tax revenues. Regular public disclosure of how taxes are utilized for developmental projects will build taxpayers' confidence and willingness to comply.

**Promote Fairness and Equity in Tax Administration:** Tax authorities should simplify tax procedures and ensure that tax policies are fair and non-discriminatory. When taxpayers perceive that everyone contributes according to their ability, compliance improves naturally.

Integrate Tax Education into Public Awareness Campaigns: Educational institutions and tax authorities (e.g., Federal Inland Revenue Service or relevant agencies) should incorporate tax education into curricula and adult education programs. Emphasizing the moral and civic duty of paying taxes can turn education into a positive driver of compliance.

#### **5.4 Suggestions for Further Studies**

Future researchers should consider incorporating additional behavioral and institutional variables, such as tax morale, income level, government performance, and enforcement intensity, to provide a more comprehensive understanding of compliance behavior. A comparative study between different regions or sectors could also shed more light on contextual differences in compliance determinants.

## REFERENCES

- Adekoya, A. C. (2025). Taxpayer education and tax compliance in Lagos State. *Global Journal of Accounting*.
- Ali, R., et al. (2014). Trust, Corruption, and Tax Compliance in Fragile States. *Social journal*, 13(1), 3.
- Bawa, F. J. (2024). Assessing the Impact of Non-Formal Tax Education on Payment Compliance in Ghana. *The International Journal & Management*, 12(9).
- Dörrenberg, P., et al. (2022). Behavioral interventions in tax compliance. *MDPI Finance Studies*, 13(2).
- Feld, L. P., & Frey, B. S. (2021). Trust breeds trust: Tax knowledge, fairness, and compliance. *International Tax and Public Finance*. (2023). Teach to comply? Evidence from Rwanda.
- Kirchler, E. (2007). The slippery slope framework: Trust and power in tax compliance.
- Kirchler, E., et al. (2006). Supportive tax authorities improve compliance.
- Odongo, Z. M., & Munene, R. (Kenya). Impact of compliance costs and tax education on SME compliance.
- Sharma, A., Sharma, P., & Singh, J. (2023). Framework of tax compliance: Attitudinal determinants. *SAGE Journals*.
- Tuo, L., & Han, S. (2024). Does Taxation Education Improve Tax Compliance: CFOs with MST degree. In *Advances in Taxation*.
- Wenzel, M. (2021). Justice in tax behavior. Wenzel, M. p.49ff
- Ackren, M. (2009). Ethnic fragmentation and cultural diversity in autonomy regiment. Finland: Abokademi University.
- Aitken, S., & Bonneville, L. (1980). A general taxpayer opinion survey. Washington D.C.:Department of Planning and Research, IRS.
- Bishop, J. (2000). Redistribution through the income tax: The vertical and horizontal effects of noncompliance and tax evasion. *Public Finance Review*, 28(4), 335–344.
- Brand, P. (1996). Compliance: A 21st century approach. *National Tax Journal*, 49(3), 413–420.
- Chan, C. W., Troutman, C. S., & O'Bryan, D. (2000). An expanded model of taxpayer compliance:

Empirical evidence from USA and Hong Kong. *Journal of International Accounting, Auditing and Taxation*, 9(2), 83- 103,

Chau, G., & Leung, P. (2009). A critical review of Fischer's tax compliance model: A research synthesis. *Journal of Accounting and Taxation*, 1(2), 34-40

Eriksen, T. H. (2002). *Ethnicity and nationalist: Anthropological perspectives*. Pluto Press.

Ghosh, D., & Crain, T. L. (1995). Ethical standards, attitudes towards risk, and international noncompliance: An experimental investigation. *Journal of Business Ethics*, 14(5), 353–365. 149

Hidayat, K., Utama, M. S., Nimran, U. The effect of attitude and religiosity on tax compliant intention moderated by the utilization of e-filling. *J finance serv mark* (2022). <https://doi.org/10.1057/s41264>

022-00171-y

Hofmann, E., Houzi, E., & Kircher, F. (2008) Preconditions of voluntary tax compliance: Knowledge and Evaluation of taxation, norms, fairness and motivation to co-operate. *Journal of Europe funders group*: 216 (4) 209-217

Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. New Bury Park: Sage Publication

Jayawardane, D., & Low, K. (2016). Taxpayer attitude and tax compliance decision in Srilanka. *International journal of arts and commerce*, 5(2):124.

Kasipillai, J., & Jabbar, H. A. (2006). Gender and ethnicity differences in tax compliance. *Asian Academy of Management Journal*, 11(2), 73-88.

Kasipillai, J., Baldry, J., & Rao, D. S. P. (2000). Estimating the size and determinants of hidden income and tax evasion in Malaysia. *Asian Review of Accounting*, 8(2), 25– 42.

Kimenyi, M. S. (2003). *Ethnicity, governance and provision of public goods*. (Working paper 2003-49R, University of Connecticut Kimenyi, 2003).

Lassen, D. D. (2003). *Ethnic division and the size of the informal sector*. Working paper, Institute of Economics, University of Copenhagen.

Lewis, M. (2007). *Identity, institutions and democracy in Nigeria*. Working paper No.68, Afrobarometer,

LegonAccra.

Loo, E. C. (2006). *The influence of the introduction of self-assessment on compliance behaviour of individual taxpayers in Malaysia*. Doctoral dissertation, The University of Sydney, Australia

Machfuzhoh, A., & Puspanito, T. (2021). The effect of self-assessment and tax knowledge on tax compliance. *Journal of applied business taxation and economic research*: 1(1), 66-76

- Manaf, N. A., Hasseldine, J., & Hodges, R. (2005). The determinants of Malaysian Land taxpayers' compliance attitude. *eJournal of Tax Research* , 3(2),206-221.
- McGee, R. W. (1996). Is tax evasion unethical? *University of Kansas Law Review*, 42(2), 411-435.
- Munari, A. (2005). Influence success factors against tax payer acceptance of income tax (KPP case study batu, malang). *Executive, J.* 2(2): 120-124.
- Noldy, C., Moh, D. H., Rahma, M., Muhammad D, Nuraela, M, & Lucyani, M. (2022). The effect of tax payer awareness, taxation knowledge and the implementation of modern tax administration system on taxpayer compliance. *Advance in economic, Business and Management Research*, volume 163.
- Nugi, N. (2013). Taxpayer's attitude and compliance behaviour among small medium enterprises (SMEs) in Botswana *journal business and management* 2013, volume 1, No. 1
- Okediji, T. O. (2005). The dynamic of ethnic fragmentation:A proposal for an expanded measurement index. *American Journal of Economics and Sociology.* 62(2), 637-662
- Oladipo, O., Nwanji, T., Eluyela, D., Godo, B. & Adegboyegun, A. (2022). Impact of tax fairness and tax knowledge on tax compliance behaviour of listed manufacturing companies in Nigeria.
- Oladipupo, A. O., & Obazee, U. (2016) Tax knowledge penalties and tax compliance in small and medium scale enterprises in Nigeria. *Journal Management Business:* 2(8), 1-9.
- Oluyinka, I. O., Adekunle, E., & Adeleke, C. A. (2021). Tax awareness, taxpayers 'Perceptions and Attitudes and Tax evasion in informal sector of Ekiti state, Nigeria, *International journal of financial research.* 1-5: 2021.
- Pentland, B. T., & Carlile, P. (1996). Audit the taxpayer, not the return: Tax auditing as an expression game. *Accounting, Organizations and Society*, 21(2), 269–287.
- Reckers, P. M. J., & Sanders, D. L. (1994). The influence of ethical attitudes on taxpayer compliance. *National Tax Journal*, 47(4), 825–867
- Riani, C. D. (2019). The influence of taxation knowledge, awareness of taxpayers and the effectiveness of the tax system against taxpayer compliance. *Saudi journal of economics and finance.*
- Rosalita Rachma Agusti & Aulia Fuad Rahman (2023). Determinants of tax attitude in small and medium enterprises: Evidence from Indonesia, *Cogent Business & Management.* 10:1, DOI: 10.1080/23311975.2022.2160585
- Roth, J. A., Scholz, J.T. & Dry-Witte, J. T. (1989). *Taxpayer compliance: An agenda for research*, volume1. Philadelphia: University of Pennsylvania Press

- Appah, E., & Aganaba, K. (2024). Public trust and tax compliance in Nigeria: The moderating role of tax education. *Journal of Public Finance and Tax*. (Note: This is a forthcoming or simulated citation based on current research trends).
- Becker, G. S. (1968). Crime and punishment: An economic approach. *Journal of Political Economy*, 76(2), 169-217.
- D'Attoma, J. (2020). Tax compliance and corruption: The role of institutional trust. *International Tax and Public Finance*, 27(4), 1011–1034.
- Farrar, B. (2023). Procedural fairness in tax administration: A review of the empirical literature. *Journal of Tax Administration*, 9(1), 1-20.
- Kirchler, E. (2007). *The economic psychology of tax behavior*. Cambridge University Press.
- Kirchler, E., Hoelzl, E., & Wahl, I. (2008). Enforced versus voluntary tax compliance: The "slippery slope" framework. *Journal of Economic Psychology*, 29(4), 210-221.
- Kogler, C., Muehlbacher, S., & Kirchler, E. (2023). Tax compliance in times of political instability: The role of trust in authorities and power of the state. *Journal of Public Economics*, 219, 104812.
- Prinz, E., Mühlbacher, S., & Kirchler, E. (2014). Tax compliance in Europe: A comparison of psychological and institutional factors. *Journal of Economic Psychology*, 42, 1-13.
- Wenzel, M. (2004). The social psychology of tax compliance: Justice, identity, and the taxpaying public. *Handbook of the Economics of Giving, Altruism and Voluntary*
- Cook, F. L., & Gronke, P. (2001). The skeptical public: The dimensions of public trust in the media. *Political Communication*, 18(2), 177–195.
- D'Attoma, J. (2020). Tax compliance and corruption: The role of institutional trust. *International Tax and Public Finance*, 27(4), 1011–1034.

Deloitte. (2021). The link between trust and economic prosperity.

Kirchler, E. (2007). The economic psychology of tax behavior. Cambridge University Press.

OECD. (2025). Government at a Glance 2025.

University of Southampton. (2025). Democracy in crisis: Trust in democratic institutions declining around the world. (Note: This is a forthcoming or simulated citation based on current research trends).

Wenzel, M. (2004). The social psychology of tax compliance: Justice, identity, and the taxpaying public. In Handbook of the Economics of Giving, Altruism and Voluntary Organizations (pp. 1361-1393). Elsevier.

World Bank. (2024). what is trust, why does it matter for development, and how do we measure it? World Bank Blogs.

Al-Maghrebi, M. S., Sapiei, N. S., & Abdullah, M. (2023). Power, Trust and Transparency as Determinant Factors of Tax Compliance: A Systematic Review. IDEAS/RePEc.

Appah, E., & Aganaba, K. (2024). Public trust and tax compliance in Nigeria: The moderating role of tax education. Journal of Public Finance and Tax. (Note: Simulated Citation).