

# Institutional Factors and Personal Income Tax Compliance in Kaduna State-Nigeria

Lateef Olumide Mustapha, Saheed Zakaree S (Phd) and Onipe Adabenege Yahaya  
Department of Accounting , Nigerian Defence Academy, P.M.B. 2109, Kaduna- Nigeria

## Abstract

This study investigates the Institutional factors and Personal income tax compliance in Kaduna State- Nigeria. The population consist of all 991 registered self-employed business men and women that registered with the Directorate of Poverty Alleviation and lives in Kaduna, kafanchan and Zaria cities of the State. Stratified random sampling was used to select the 285 respondents that form the sample size. Data were collected through administering of questionnaire while the techniques for data analysis are the descriptive statistics and multiple regressions. The study finds among others that good governance and taxpayers' awareness have a positive significant relationship with the level of taxpayers' compliance in the State. The study, therefore recommends that effective communication is necessary in order to publicize tax activities, mainly on compliance issues to the general public. Also, transparency and accountability should be the guiding principles in thought and action of government as the basis for good governance in the State. This can be achieved through aggressive human capital development, as this will go a long way in encouraging taxpayers to be more compliant in the state.

**Keywords:** Institutional Factors. Personal Income Tax, Tax Compliance

## 1.0 Introduction

For many reasons, mainly economic reason, greater attention is being focused on achieving high level of voluntary tax compliance and maintaining the current rates in most countries, especially developed countries like Australia (Razak and Adafula,2013). This is because taxes are major part of the means through which monetary resources are mobilized by governments for the prosecution of projects and programmes. These projects and programmes are usually undertaken with the view to providing various services such as road infrastructure, internal security and protection against external aggression to the citizenry

Tax compliance, according to Alm (1991) is the reporting of all incomes by taxpayer and paying of all taxes by fulfilling the provisions of tax laws, regulations and court judgments. Similarly, Roth, Cholz and Willan (1989) describe tax compliance as a situation in which the taxpayer files all required tax returns at the proper time and that the returns accurately report tax liability in accordance with revenue laws, regulations and courts decisions applicable at the time the return is filed.

In the light of the importance of taxation as a source of revenue in Kaduna state and negative attitude of the citizens toward tax laws and regulations, one can argue that unless people pay taxes they are obliged to pay, government may not function properly. This is because tax revenue loss due to non-compliance may negatively affect the proper functioning of the state, thereby threatening its capacity to finance its programmes. In view of this, taxpayers perceptions on the institutions put in place by tax authority and the government may play an important role toward taxpayers' compliance. Institutional factors are the conventional standards put in place by a tax authority and Government in motivating taxpayers towards complying with relevant tax laws and also pay their tax liabilities promptly. The perception of taxpayers here on these factors which include tax fairness, level of awareness of taxpayers, quality of tax services and role of tax officials may influence tax compliance (Palil 2010); (Alabede, 2012) ;(Fakile, 2011) and (Gach,2014).

Taxpayers' behaviour toward tax system in terms of tax compliance has evoked great attention among many Revenue Authorities in the world especially in developed countries ( Razak and Adafula, 2013). This is because a system with effective compliance of taxpayer with tax laws and provision will boost revenue generation into the government purse. For developing countries like Nigeria, who concentrate more in studies which would increase their budget revenue base in terms of huge revenue collection and enforcement efforts at the expense of studies on taxpayers compliance which would increase the tax revenue to be realized and also make enforcement efforts work (Lummba, *et al.*,2010). This position may have contributed to developing countries like Nigeria, being ranked among the lowest nations in tax compliance (Asabor, 2012). Whereas some developed countries such as Australia and Ireland were recording and celebrating 98% and 95% respectively, voluntary compliance in Nigeria in the same period only amounted to 30% (Emmanuel,2010).

In Nigeria, apart from numerous studies such as Bojuwon (2010), Salam (2010), Fakile (2011), Alabede Anffin and Idris (2011) Anyaduba Eagbhe and Kennedy (2012) and Alabede (2012) conducted outside Kaduna state on tax compliance, Mohammad (2007) conducted her study on evaluation of direct assessment performance on internal generated revenue in Kaduna state. Her study overlooked the aspect of income tax compliance which this study intends to address. The researcher was not also aware of any other study that has been carried out to establish how institutional factors influence personal income tax compliance in the state. The extent of the impact of institutional factors on tax compliance is not well understood and studies in this area have not been carried out in Kaduna state. Therefore, addressing this knowledge gap is the primary purpose of this study. It is for this reason that this study attempt to find out the effect of institutional factors on personal income tax compliance in Kaduna state. In order to achieve this, the following hypothesis is formulated for testing;

**H<sub>0</sub>:** Institutional factors do not have significant effect on personal income tax compliance in Kaduna state.

This paper is divided into five parts. The first part is the introduction as above; the second part sets the conceptual framework and literature review. Part three presents the methodology of the study, part four addresses data analysis and interpretation of results and the final part concludes the paper and offers recommendations based on the main findings.

## 2.1 Tax Compliance and its Determinants

Tax compliance is defined by several tax authorities as the ability and willingness of taxpayers to comply with tax laws, declare the correct income in each year and pay the right amount of taxes on time (Palil, 2010). Also, Alm (1991) and Jackson and Million (1986) defined tax compliance as the reporting of all incomes and payment of all taxes by fulfilling the provisions of the tax laws, regulations and court judgments. It could be seen here that failure to declare all incomes and payment of taxes according to the provisions of the laws, obey the court judgments and payment of the tax at the right time will amount to non-compliance.

Tax compliance determinants are the factors that influence taxpayers to or not to comply with the provisions of tax laws. The determinants, according to previous studies, were analyzed and grouped into Social, Economical, Individual, Behavioral, Demographical and Institutional factors (Kirchlar,2007);(Loo,2006); (Palil, 2010) and (Palil and Mustapha,2011)

## 2.2 Institutional Factors and Tax Compliance

Institutional factors, according to Palil (2010), Alabede (2012) and (2014) have played an important role in taxpayers' compliance decisions. These factors are the conventional principles established by the tax authority and the government for promoting administration of tax system. The institutional factors include Quality of tax authority, Quality of tax service, Level of awareness among taxpayers Tax fairness and Good governance. The effects of these factors as established in the extant literature are discussed as follows:

### 2.2.1 Quality of tax Authority and Tax Compliance

There is a widespread opinion among the public that tax officials are inefficient, incapable, rude, abusive and unhelpful, which directly influences their willingness to pay taxes (Job and Honaker, 2003; Job, Stout and Smith, 2007). For this reason, tax officials are increasingly becoming aware of the necessity to accord the taxpayers the status of customer as many tax authorities, such as those of Australia, France, Sweeden, the UK and the US, have reconstructed their approaches towards taxpayers by giving more consideration to their tax service needs and treating them as client (Korchler, 2007). However, Stuart and Tax (1996) stated that quality in service environment like tax office should incorporate three components: the physical evidence of the service environment, which includes the impact of the client presence and use of the physical environment like buildings. Secondly, the action of the participants, such as the client and employees in the exchange. These include the feeling and emotion of all involved in the exchange and lastly the processes required to facilitate serious delivery which will depend on the skill, knowledge, professionalism, integrity and competency of the tax officials.

The effectiveness of operation of the tax system cannot be undermined in taxpayer's compliance behavior. This particular determinant has generated mixed reactions as researchers from different countries have been unable to achieve agreement about this issue. In view of this, different countries have proposed and developed different solutions to the relationship between taxpayers' compliance and their perspectives on operation of the tax system through quality and well trained officials (Alabede, 2012).

### 2.2.2 Level of Awareness of Taxpayers and Tax Compliance

It has been established by previous studies such as Singh (2003); Eriksen and Fallen, (1996) and Harris (1989) that general tax awareness has a close relationship with taxpayers' ability to understand the laws and regulation of taxation and their ability to comply with them. For instance, Eriksen and Fallen (1996) examine the relationship between level of taxpayers' awareness and their attitude towards tax compliance. The study was conducted through quasi-experiment with pre-testing and post testing of two student groups in Norway. Their result shows a strong relationship between awareness and the level of compliance of the taxpayers. Also, Vadde and Gundarapu (2012) who conducted their research in Makille city –Ethiopia, using questionnaire as instrument of data collection and descriptive statistics analysis, attributed lack of awareness of taxpayers and their inability to understand tax laws and regulations as the major factors for low compliance of taxpayers. Similarly, Rasak and Adafula (2013) who conducted their study on some selected SMSs in Temale –Ghana, through administering of questionnaire found that a significant relationship exist between level of understanding and tax compliance decision.

Lewis (1982) examine whether there is a correlation between specific tax awareness and positive attitude of the taxpayers during the tax return. His aim was to determine any changes in the attitude of the taxpayers' towards tax compliance as a result from increase in taxpayers' awareness. Lewis established that there is insufficient awareness on tax regulation and this situation leads to negative economic effects, an indication of low level of tax compliance. In a survey by Kasum, Abu-Kasum and Osemen (2013), they find that in Nigeria that tax awareness was low because the authorities are not promoting awareness which lead to low-level of compliance. It is on this ground that Gasch (2014) suggested that steps such as continuous education programmes and effective monitoring mechanism must be taken into account by tax authorities to ensure that taxpayers have a good and reasonable knowledge and understanding of tax matters. It can be argued that lack of motivation of tax officials in Nigeria could be the responsible factor effectiveness of the tax authority in discharging their responsibilities. From the foregoing, it could be seen that awareness play an important role in enhancing the level of tax compliance.

### 2.2.3 Quality of Tax Service and Tax Compliance

Service quality in regard to taxation is considered as the difference between what the customers are expecting from service performance before the service encounter and their perceptions of the services they received (Alabede, 2012). As any other public sector organizations, the issue of service quality is also critical to tax offices since they provide numerous tax services to taxpayers. Jenkin and Forlemu (1993) defined tax service as a set of measures undertaken by the tax administration that are designed to assist the taxpayers in complying with tax laws. Ott (1998) argued that tax administrators in the modern societies should offer good tax services to citizens and in the process become more and more specialized on the job. Ott posited that the goal of any tax administrator is to offer a better service to taxpayers.

In his view, Toyler (2007) argued that taxpayers' willingness to cooperate with the tax authority will increase, if the authority sees itself as a service institution and provides a quality service and treats the taxpayers as partners. Similarly, OECD (2007) submitted that the delivery of quality of service to taxpayers will strengthen their willingness to comply with tax rules and regulations voluntarily; and as a result, they will contribute to the overall level of tax compliance. Along this line, Jenkin and Forlemu (1993) opined that for an improvement in the quality of tax service delivery, there must be a simplification of the tax system and provision of taxpayers' assistance centre that must be placed in revenue offices as well as the logistics to facilitate tax collection and enforcement.

Alabede, Affrin and Idris (2011) investigated the influence of perceived tax service quality on taxpayer's compliance behaviour in Nigeria. The study concluded that perceived tax service quality has a significant positive relationship with tax compliance behaviour. Another study conducted in 2011 by

the same author proposes an extension to Fisher's model of compliance. This is in order to gain an in-depth understanding of the factors influencing individual taxpayer's compliance behaviour in Nigeria and also to bring to the knowledge of government in developing countries and Nigeria in particular the impact of perception of the taxpayers about the quality of tax service effect of the taxpayer's compliance. This study suggested the need for policy to be directed towards influencing these factors positively for improvement in tax compliance level.

#### 2.2.4 Tax Fairness and Tax Compliance

It is widely believed by tax administrators and the taxpayers that growing dissatisfaction with the fairness of the tax system is the major cause for increasing non-compliance (Chau and Leing, 2009). This position has been argued by different scholars in different dimensions. For instance, Porcano (1984) found that taxpayers' need and ability to pay are the most significant variables related to perceptions of fairness of the tax system. Other surveys conducted by Spicer and Lindstedt (1976) and Scott and Grasmick (1982) indicate that respondents who believe that the tax system is unfair are more likely to commit non-compliance behaviour.

Bojuwon (2010) investigated the impact of tax fairness on tax compliance in Nigeria. He used general fairness, exchange with government, tax structure special provisions and self interest as a measure of tax fairness. The study revealed that only two (Exchange with government and special provision) out of the five fairness dimension are accepted. Similarly, Palil and Mustapha (2011) examined the perception of tax equity and fairness from a survey of 1073 respondents. The results suggested that tax fairness has a significant impact on tax compliance. Also, Tehulu and Dinbem (2014) focused their study on determinants of tax compliance behavior in Ethiopia. They collected their data through administering of questionnaire and find that the perception of tax equity and fair tax system significantly affect tax compliance behaviour. In the same vein, Mukhlis, Utoro and Yuli (2014) argued that tax compliance can be built on the operation of tax fairness in the society. Similarly, Halil and Ahmed (2014) stress that unfair tax system discourages compliance. .

#### 2.2.5 Good governance and Tax Compliance

Public good governance according to Alabede (2012) is concerned with authority in the public sector as well as how the society organizes its affairs and manages its resources. Similarly, World Bank (2006) viewed good governance as the capacity of the government of a country to manage its resources effectively and implement sound policies for the benefit of everyone as well as respect for the citizens and the government for the institutions that regulate economic and social interaction in the country.

Expressing the relationship between good governance and tax compliance, Everest Philips and Sandall (2009) confirmed that there is a linkage between good governance and taxation. They stressed further that the quality of governance delivers a good tax system, vis-à-vis. Thus a better tax system with good governance enhances compliance and that failure of government to provide public amenities and infrastructure to the citizens in exchange for tax payment, may trigger the citizen not to comply with tax provisions. It is reasonable that taxpayers always develop keen interest in what government executes in term of meaningful projects (Alabede, 2012). They examine the activities of the government, especially, those who pay high amount of tax. This encourages them not to comply with tax laws if they perceive that government spends tax money unwisely. Non-compliance behavior is however quite difficult in PAYE system than the self-employed which according to Lewis (1988) have a larger opportunity to under report their income and therefore pay less tax.

Kim (2008) in his study of tax non-compliance good governance in 50 selected countries, concluded that tax non-compliance is influenced positively by price control, public service, collected corporate tax, GDP per capital, tax system which are the composition of government spending on the welfare of citizens. Also, study conducted by Richardson (2008) to examine the determinants of tax compliance across 47 countries including the USA, the UK, Argentina, Thailand, Canada, Chile and Brazil, found that the role of government has a significant positive impact on determining attitudes toward tax compliance. Richardson also suggest that government should increase their reputation and credibility in order to obtain trust and confidence from the taxpayers. This position of Richardson could be accepted because the taxpayers always perceive the role of government in providing social amenities before complying with legal provisions. This is also paramount in developing countries like Nigeria because the taxpayers perceived that government does not utilize the revenue collected from tax judiciously.

In addition, the study of Alm and Gomeg (2008) established a significant positive relationship between the perception of the benefit to be derived from good governance and the willingness of taxpayers to comply with tax laws. In the same view, Egwaikhide (2010) noted that there is a high correlation

between tax compliance and good governance. This is an indication that good governance encourages compliance. It could be argued here that provision of social amenities and other essential services by the government will motivate citizens to comply with the provisions of tax laws. Furthermore, Kasum, Abu- kasum and Osemen (2013) confirm in their study that corruption and bad governance discourages tax compliance. It is important to note here, that the role of government in inducing tax compliance is important and relevant in self assessment system ( Richardson 2008 and Haseledne 1993).

### 3.0 Methodology

This study is on Institutional Factors and Personal income tax compliance in Kaduna state, Nigeria. The basic research method used is descriptive. For this study, the target population consists of 991 registered self employed businessmen and women with the comprehensive address in the Directorate of Poverty alleviation in Kaduna State who live in the three cities of Zaria, Kafanchan and Kaduna as at December 2013. The choice of these cities was based on the fact that they are the most commercialized, industrialized and populous cities where all traits required in this work could be found. The sample size is determined through Yaro Yamane’s formula as cited in the work of (Fakile ,2011). The formula according to Yamane (1964) is

$$S = \frac{N}{1 + N(e)^2}$$

Where S = is the sample size  
 N = is the population  
 e = is the error limit (0.05 on the basis of 95% confidence level)

$$\therefore S = \frac{N}{1 + N(e)^2}$$

$$S = \frac{991}{1 + 991(0.05)^2}$$

≈ 285 respondents

Moreover, in order to adequately reflect this method in the sample, the proportionate stratified random sampling method was used. The justification for the choice of the method was that it allowed the heterogeneous population to be sub-divided into its homogeneous groups (strata) and guaranteed that each stratum of the population was adequately represented in the sample. Under this sampling method, the entire population was divided into three strata (Kaduna, Zaria and Kanfanchan). This is done with a view to ensure that the sample estimate serves as an accurate representative of the population from which it was drawn. Data were collected through administering of 285 copies of questionnaire. The questionnaire was designed using a 5-points likert scale, ranging from (5) to (1). The questionnaire is divided into two sections. The first section contains questions on demographic and background information of the respondents. The second focuses on questions Institutional Factors influencing tax compliance, while the last section is on parameters of tax compliance. In order to ascertain the content validity of the instrument used for data collection in this study, the questionnaire was given to some experts at the researchers department and professionals in this area for vetting. In addition to ensure the reliability of the instrument, the questionnaire passed through a pre-test of random sampled taxpayers. Descriptive analysis and multiple regressions were used as the statistical tools to analyze the data.

The Regression model is as follows:

$$TCDIR_i = \alpha + \beta_1QTA + \beta_2AWARENESS + \beta_3DATBA + \beta_4QTS + \beta_5FAIRNESS + \beta GOGOV + e$$

Where

TCDIR <sub>i</sub>	= Tax compliance score	}	Institutional Factor
α	= the intercept		
β <sub>1</sub> QTA	= Quality of Tax Authority		
β <sub>2</sub> AWARE	= Taxpayers level of awareness		
β <sub>3</sub> QTS	= Quality of tax service		
β <sub>4</sub> FAIR	= Tax Fairness		
β <sub>5</sub> GOGOV	= Good Governance	}	Institutional Factor
e	= Error term of random disturbance		

The dependent variable is the tax compliance which is measured by the ability of taxpayer to voluntarily register with tax authority as required, file the required return promptly, report correct tax liabilities, pay outstanding taxes timely and promptly and keep all records as required. The coding was done through the use of the five options used in the questionnaire. Each of the independent variables is measured through the statement raised about each in the questionnaire. The composite index of dependent variable was regressed against each of the independent variables through the use of SSPS package version 19.

#### 4.0 Results and discussion

##### 4.1 Descriptive Analysis

The presentation and discussion of results will be based on the primary data obtained for this study. Data were generated from the 285 copies of questionnaires administered and 260 copies were duly returned. The results of data analysis are presented and discussed in this section.

Table 1 presents results on the quality of Tax Authority (Administrators).The table focus on the presentation of some yardsticks used to measure the quality of tax administrators as explained below.

Table 1:Information on Quality of Tax Authority

Statement	SA&A (%)	UD(%)	SD&D(%)	Mean	SD
The staff of SBIR are well trained	186(71.6)	39(15)	35(13.5)	3.90	1.171
The staff of SBIR are motivated towards quality service	189(72.8)	36(13.8)	35(13.4)	3.81	1.044
Tax officials are occasionally involved in tax collection	200(77)	35(13.4)	25(9.0)	4.02	1.039
Tax officials chances of involvement in corruption are high	188(72.3)	32(12.3)	40(15.4)	3.85	1.236
Modern technology facilitated tax assessment and computation	160(61.5)	38(14.6)	62(23.8)	3.58	1.369
Tax designed system encourages easy payment of tax	159(61.2)	45(17.3)	56(21.5)	3.58	1.329

Source: Field Survey, 2014

From Table 1, more than 70% of the respondents agree that staff of SBIR are well trained and motivated towards quality services and are also involved in tax collection process. Furthermore, over 60% of the respondents agree that the deployment of modern technology and the current tax system designed in the State facilitate assessment, computation and easy payment of the tax in the state. The mean scores of these variables which are more than 3.0 confirm the strength of respondents' position while the standard deviation shows there is no great divergence in the opinion of the respondents as the scores are not considerably greater than 1. The respondents, however, pointed out that the chances of tax official's involvement in corruption are high, considering as mean score of 3.85.

Level of information received by the taxpayer on tax issue is an important factor to reckon with in studying tax compliance. Table 2 presents the results on the level of information received on tax issue by taxpayers

Table 2:Level of Information Received on Tax Issue (awareness)

Level of information received on:	satisfy(%)	Neutral (%)	Unsatisfy (%)	Mean	SD
Processes of tax computation	41(15.8)	41(15.8)	178(68.4)	2.21	1.206
Trigger issues in tax audit	24(9.2)	54(20.8)	182(70)	2.14	0.965
Processes involved in filling of return	32(12.3)	55(21.2)	173(66.5)	2.16	1.100
Penalties on non-compliance	35(13.5)	49(18.8)	176(67.7)	2.16	1.123
Prompt registration and its benefit	55(21.1)	33(12.7)	172(66.2)	2.08	1.163
Benefits derived from being complaint	36(13.8)	39(15)	185(71.2)	2.25	1.384

Source: Field Survey, 2014

From Table 2, Almost 70% of the respondents are not satisfied with the level of information received on processes of tax computation, trigger issues in tax audit, processes involved in filling of return and other information identified in the table. The low mean score which is slightly above 2 for all the variables confirm this position. Thus, inadequacy of information source or failure by the tax offices to share information with the citizenry especially the taxpayer in the state due to un-care characters of the two parties has put majority of the taxpayer to be ignorant of many important issues on tax compliance in the state.

Tax service quality information collected from the respondents are analyzed and discussed in table 3 below.

Table 3:Information on Quality of Tax Service

Statement	SA&A(%)	UD(%)	SD&D(%)	Mean	SD
Employee of tax office in the state are friendly	183(70.4)	38(14.6)	39(15)	3.97	1.258
Tax officials are always unwilling to assist on tax assessment and computation	59(22.7)	40(15.4)	16(61.9)	2.45	1.304
Tax officials respond promptly to my tax service needs	153(58.8)	42(16.2)	65(25)	3.46	1.325
Tax officials can be trusted to administered the tax system	53(20.3)	42(16.2)	165(63.5)	2.36	1.264
There is free flow of information between taxpayers and tax officials	43(16.6)	32(12.3)	185(71.2)	2.11	1.220
Tax officials are people of integrity	52(20)	60(23.1)	148(56.9)	2.37	1.235
Conferences and services are always organize to educate	46(17.7)	31(11.9)	183(70.4)	2.10	1.314

Source:Field Survey, 2014

As presented in table 3, majority of the respondents agree that tax officials in the State are not only friendly but also respond promptly to tax service needs of the tax payers. It could be seen that the mean scores of these two variables are more than 3.0, confirming the position above. However, more than 60% of the respondents disagree that tax officials can be trusted to administer tax in the State because of the doubtful mind they have on the officials' integrity. They also claimed of not having access to free flow of information as conferences and seminars are not always organized to educate taxpayers on tax issues. It could be seen from the table that the means score for these variables are generally low (mean < 2.50).

Tax fairness is an important determinant of tax compliance. Table 4 below analyse the information collected from the respondents on tax fairness

Table 4: Information of Tax Fairness

Statement	SA&A(%)	UD(%)	SD&D (%)	Mean	SD
Tax laws are not written in a manner that can be understand by the taxpayers	109(41.9)	28(10.8)	123(47.3)	2.90	1.630
Computation of tax liabilities is difficult in most cases	175(67.4)	44(16.9)	41(15.7)	3.69	1.198
There have not been frequent changes in the tax laws	195(75)	31(11.9)	34(13.1)	4.02	1.161
There is no excessive detail in the tax laws such as rules and exemption to the rules	184(70.8)	36(13.8)	40(15.4)	3.94	1.210
There is complexity in tax returns procedures	194(74.3)	29(11.2)	37(14.3)	3.97	1.180
Some influential group have many opportunities to reduce their tax liabilities	213(82)	17(6.5)	30(11.5)	4.24	1.184
There is rarely any taxpayer that does not have opportunity to reduce legally due tax	153(58.9)	19(7.3)	88(33.8)	3.36	1.574
Tax officials are fair when administering tax	85(32.7)	44(16.9)	131(50.4)	2.73	1.407
Tax officials effectively uphold the principles of equal right	93(35.7)	35(13.5)	132(50.8)	2.75	1.490

Source: Field Work, 2014

From table 4, more than 70% of the respondents agree that tax laws are not frequently changed; existence of complexity in tax returns procedures, and also believed that tax laws are very detail to the rules. However, almost 60% of the respondents believed that tax officials are not according equal right to taxpayers,an indication that they(tax officials) show preferential treatment (Mean score=2.73).The table also show that majority of the taxpayers, that is, almost 60% have opportunities to reduce their legally due taxes. This implies that the principle fairness required in the tax system is not effectively implemented.

Good governance which is one of the major determinants of tax complaints is discussed in the Table below:

Table 5:Information on Good Governance

Statement	SA&A (%)	UD(%)	SD&D(%)	Mean	SD
The level of infrastructural development in the state is high	32(12.3)	23(8.8)	205(78.8)	1.95	1.107
I am satisfied with the manner with which the state government is handling the health sector in the state	32(12.3)	18(6.9)	210(80.8)	1.97	1.067
The state government has been able to create enabling environment for small scale businesses	30(11.5)	35(13.5)	195(75)	1.99	1.129
Life and properties of the citizenry are secured due to effective security measure put in place by the state government	31(11.9)	26(10)	203(78.1)	1.95	1.104
The state government is very responsive to people yearning and aspiration	27(10.4)	23(8.8)	210(80.8)	1.86	1.074
The government has made noticeable investment in education	30(11.5)	29(11.2)	201(77.3)	1.92	1.138
The performance of government in the last few years in the area of raising standard of living is high	46(17.7)	20(7.7)	194(74.6)	2.02	1.318

Source: Field Survey, 2014

From Table 5, more than 70% of the respondents agree that the state witnessed low level of development in terms of infrastructure, health care services delivery, security, education that will support the yearning and aspiration of the citizens. The mean scores are generally low as all of them are below 2.1. This implies that residents of the state are witnessing unsatisfactory public service delivery.. This could lead to non-compliance with relevant tax laws by the taxpayers.

Tax compliance is the reporting of all incomes by taxpayer and paying of all taxes by fulfilling the provisions of tax laws and regulations. The table below therefore presents the data collected on the information on tax compliance.

Table 6:Information on Tax Compliance

Statement	Always (%)	Neutral (%)	Not at all (%)	Mean	SD
Register with tax authority as required	194(74.4)	17(6.5)	49((18.8)	3.99	1.347
Obtain taxpayer identification number	190(73.1)	18(6.9)	52(20)	3.85	1.349
File the required return promptly	106(40.7)	67(25.8)	87(33.5)	3.13	1.309
Report correct tax liabilities	70(26.9)	44(16.9)	146(56.2)	2.60	1.387
Pay outstanding taxes timely and correctly	62(23.9)	21(8.1)	177(68)	2.28	1.487
Keep all records as required in terms of account and others	65(25)	19(7.3)	176(67.7)	2.20	1.535

Source: Field Survey, 2014

As honest and patriotic citizens, taxpayers are expected to abide by all the elements of tax compliance. From Table 6, more than 70% of the respondents agree that they register with tax authority as required and also obtain identification number. However, less than 30% of the respondents agree that they keep all records as required of them; report the correct tax liabilities and pay outstanding taxes timely while the mean score for these are generally low. This is a clear indication that most respondents do not pay their taxes timely and also do not report their tax liabilities correctly as a result of poor record keeping culture.



Table 7: Regression Results for Institutional Factors

Ind. Variable	Coefficient	t-Statistics	Standard Error	P Value
CONSTANT	1.0341	1.978	0.5227	0.0490
QTA	0.0522	0.603	0.0865	0.5470
AWAR	0.5112	4.963	0.1030	0.000
QTS	0.0583	0.562	0.1037	0.5746
FAIRNESS	0.0196	0.168	0.1165	0.8664
GOGON	0.2853	3.376	0.0845	0.0009
R	0.472			
R <sup>2</sup>	0.222			
Adjusted R <sup>2</sup>	0.216			
F-statistics	36.77			
P-Value	0.000			

$$\text{TCDIR} = 1.0341 + 0.0522 \text{ QTA} + 0.5112 \text{ AWAR} + 0.0583 \text{ QTS} + 0.0196 \text{ FAIRNESS} + 0.2853 \text{ GOGON}$$

From Table 7, the coefficient of determination, adjusted  $R^2 = 22.2\%$ , an indication that the variation in the compliance level is explained by the six independent variables while 77.8% could be explained by other factors such as social, economic, individual, behavioral and demographic factors. The F – statistics of 36.77 is statistically significant ( $P < 0.05$ ) which shows that the regression model is fit. This shows that institutional factors could strongly account for the variation in tax compliance. To determine whether or not, there is multicollinearity, the Variance Inflation Factor (VIF) is employed and results show that VIF value are generally low as each of them is below 2.00. This shows absence of multicollinearity.

From Table 7, quality of tax authority results ( $b_1 = 0.0522$ ;  $t = 0.603$  and P value of 0.5470) indicates an insignificant positive relationship between quality of Tax Authority and level of compliance. It implies that the quality of tax authority does not strongly drive the level of tax compliance in the state. However, the result on the awareness ( $b_2 = 0.5112$ ;  $t = 4.963$  and P value of 0.000) indicates a positive significant relationship between the level of awareness of the taxpayers and their level of tax compliance. This result implies that awareness of taxpayers in the State has a strong drive on their level of tax compliance. This finding is consistent with the findings of Harris (1989) and Eriksen and Fallen (1996).

For Quality of tax services, has a positive coefficient ( $b_3 = 0.0583$ ;  $t = 0.562$  and the P value of 0.5746). This indicates that there is a positive insignificant relationship between the Quality of tax services and the level of tax compliance. It implies that the Quality of tax services does not strongly trigger level of tax compliance in the state. The result is in line with the outcome of Alabede, Affin and Idris (2012). Also, the tax fairness which has ( $b_4 = 0.0196$ ;  $t = 0.168$  and P value of 0.8664) implying an insignificant positive relationship. This establishes that an increase in tax fairness by one point will result to 0.0196 until increase in the level of tax compliance. This result is in consonance with to that of Bojuwon (2010) who establishes a positive though significant effect of tax fairness on compliance.

Good governance which has ( $b_6 = 0.2853$ ;  $t = 3.376$  and P value of 0.0009) indicates a significant positive relationship. This implies that if all variables are held constant every 1 point increase in Good governance will increase tax compliance level in the state by 0.2853 point. This establishes that good governance is a very strong drive of tax compliance in the state. The result of Alm and Gemeg (2008) also establish that good governance has strong effect on Tax compliance.

From the above, the P value of this model which is 0.000 is significant and therefore the null hypothesis stated in the introductory part of this paper is rejected and the alternative hypothesis of the study is affirmed.

## 5.0 Conclusion

This study is conducted to investigate the effect of institutional factors on personal income tax compliance in Kaduna state, Nigeria. This is important so as to fill the gap that has been identified in the literature on tax compliance in Nigeria as a whole, and Kaduna State in particular. Data were collected by administering questionnaire on 285 respondents that form the sample size. Descriptive

statistics and multiple regressions were used as the statistical tools to analyse the data. From the results of data, analysis and discussion thereof, the following are the findings of the study;

- i) Quality of tax authority does not strongly enhance the taxpayers' level of compliance in the state.
- ii) The level of awareness of taxpayers strongly derived their level of compliance in the state.
- iii) Quality of tax service and tax fairness is not a strongly indicator of tax compliance in the state.
- iv) Good governance is a parameter that is strongly enhances the level of tax compliance in Kaduna State.

From the findings, it can be concluded that all the institutional factors tested collectively affect tax compliance but individually only two components (awareness of tax payers and Good governance) strongly enhance tax compliance in the state. In view of the findings and conclusion drawn from this study, we recommended the following:

- i) An effective data base system for all income taxpayers in the state is likely to make the tax system more efficient and effective. Therefore, there is need for full introduction and application of modern technology for easy computation of data, information gathering, and provision of other tax services in order to improve the level of tax compliance in the State.
- ii) The effectiveness of tax legislation depends on the quality and efficiency of tax collectors. Government should improve the condition of service of tax workers. This means that tax officials should be made qualified and whose professional growth should be tied to work performance and knowledge of fiscal development globally. This can be achieved through training and development courses, as well as further education. This will increase performance quality in term of quality service delivery that may enhance taxpayers' compliance level in the State.
- iii) Effective Communication is necessary in order to publicize tax activities mainly on compliance issue to the general public. Effective communication can be in form of workshops, seminars, interview on tax compliance, with experts on radio and television channels, advertisements using press, bill board, news media e.t.c. This will go a long way in enlighten taxpayers toward tax compliance and its benefits.
- iv) Transparency and accountability should be the guiding principles in the thought and action of government as bases for good governance in the State. This can be achieved through aggressive human and capital development, as this will go a long way in encouraging taxpayers to be more compliant in Kaduna State.

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