Individual And Socio-Economic Factors As Tax Compliance Determinanst In Self-Assessment System (SAS) In Akwa Ibom State, Nigeria

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Abstract: The objective of the study was to evaluate the individual and socio-economic factors as tax compliance determinants in Self-Assessment System (SAS) of tax administration in Akwa Ibom State, Nigeria. This was motivated by the growing emphasis on the need for tax authorities, especially in a developing economy like Nigeria, to access and evaluate those factors that militate against effective tax revenue generation through Self-Assessment System. Data were collected from registered taxpayers with the State Board of Internal Revenue Service (SBIRS) determined using Taro Yamene Statistical Formula to determine the sample through questionnaire. Description and regression analyses were employed in the data analysis. The model summary reveals that 80.8% of the variation in Tax compliance is accounted for by personal financial constraint, Awareness of offence and penalties, Tax rates and ethics and attitude of taxpayers. The ANOVA Summary justifies that the independent variables have significant influence on tax compliance with f-calculated value of 233.763 being greater than the corresponding critical f-value of 0.308451 at P<0.05. The regression coefficient indicate a positive and significant relationship between Awareness of offences and penalties (0.337), Ethics and Attitudes of taxpayers (0.265) and tax compliance, while personal financial constraint (0.051) has a positive but significant influence on tax compliance and tax rate (-0.062) has negative influence on tax compliance. It was therefore, recommended that tax authorizes should evolve a framework that will motivate the taxpayer voluntary compliance in Self-Assessment System.

Keywords: Tax Compliance, Self-Assessment System, Personal Financial Constraint, Ethics and Attitude, Tax rate and Offences/Penalties.

I. INTRODUCTION

The key rationale behind government imposition of taxes is to generate revenue to manage the economy and redistribute resources. The success of any government in the generation of the required revenue is dependent on the tax administrative system which has to be effective and efficient. Although various of sources of generating revenues exist, tax are the most potent as no government can exist, without funding. However, the essence of taxation cannot be achieved without the proper assessment or collection and accounting procedure. This procedure will provide an effective tax legislation that enhances collection and stimulates compliance through Self-Assessment System (SAS).

In Nigeria, as in most developing countries, tax compliance poses a critical challenge to tax administration and also influence the fiscal system vis-à-vis revenue profile. The poor revenue profile typifies what has been termed the "tax compliance puzzle" characterizing several developing economies (individual and companies) were assessed by

relevant tax authorities using the Direct –Assessment-System (DAS). In 1992, the Self Assessment System (SAS) was introduced with effective implementation from 2011 fiscal year. Under the system, taxpayers are required to access themselves by calculating their tax liability, pay their tax due at the designated bank, collect e-ticket and files in their returns independently. Thus, the responsibility particularly on assessing the tax returns and determining their tax liabilities is shifted to taxpayers. The change from Direct-Assessment-System to Self-Assessment-System and its adoption by most countries is influenced by the acclaimed benefits Self-Assessment-System is expected to field. These benefits include; Taxpayers precision in calculating their tax liabilities themselves and filing their returns, it saves time as it is done within a stipulated period, it is convenient, save and secure as taxpayers are expected to calculate their tax liabilities at their convenience and the cost of tax collection by tax authority is reduced as the burden of calculating the tax liabilities has been shifted to the taxpayers.

Moreover, these expected improvements on compliance are dependent on a number of variables which has been identified to be the motivating factors in tax compliance under the Self-Assessment Scheme. Amongst these factors, we identify for the purpose of this study; individual factors such as personal financial constraint and awareness of offences and penalties; Socio-economic factors such as Tax rates, Ethics and Attitudes of taxpayers and perception of equity and fairness.

A. STATEMENT OF THE PROBLEM

There is a growing emphasis on the need for tax authorities, especially in developing economies, to develop a new perspective on how to increase the tax revenue of their economies. In countries such as Indonesia in 2008, the tax revenue as a percentage of Gross Domestic Product (GDP) was 13.35 percentage (Asian Development Bank, 2009) while in Nigeria the total tax revenue as a percentage of GDP was 2.9 percent. In 2015, the tax revenue as a percentage of GDP was 4.8 percent after the introduction of Self-Assessment System (International Monetary Fund, 2015).The abysmal trend in tax revenue mobilization as a percentage of Nigeria's GDP as a measure of determining the country's tax revenue mobilization is considered very compared to other developing countries. This might be attributed to the problem of tax-non-compliance which has become more serious after the implementation of Self-Assessment System .Thus, the effectiveness and efficiency of tax administration in revenue generation may have been inhibited by taxpayers' lack of voluntary compliance researches in this direction is attributed this to either personal or individual and Socio-economic factors while others to demographic and level of education factors with conflicting results. This study is therefore directed at ascertaining the individual and Socio-economic variables in determining tax compliance in Akwa Ibom State, in particular and Nigeria as a whole.

B. OBJECTIVES OF THE STUDY

The specific objectives of this study are to;

- ✓ examine the individual factors such as personal financial constraint, awareness of offences and penalties and their influence on voluntary compliance in Self-Assessment Scheme in Akwa Ibom State;
- ✓ assess the socio-economic factors such as tax rate, ethics ad attitude of taxpayers and their influence on voluntary compliance in Self-Assessment Scheme in Akwa Ibom State.

C. RESEARCH QUESTIONS

There research questions are as follows:
- ✓ How does individual factors exert influence on voluntary compliance in Self-Assessment Scheme in Akwa Ibom State?
- ✓ Does socio-economic factors influence voluntary compliance by taxpayers in Self-Assessment Scheme in Akwa Ibom State?

D. RESEARCH HYPOTHESES

The following hypotheses stated in null form are formulated and tested in the study in line with the research objectives and research questions:

Ho_1: Personal financial constraint does not significantly influence voluntary compliance by taxpayers in Self-Assessment System in Akwa Ibom State.

Ho_2: Awareness of offences and penalties does not significantly influence voluntary compliance by taxpayers in Self-Assessment System in Akwa Ibom State.

Ho_3: Tax rate does not significantly influence voluntary compliance by taxpayers in Self-Assessment System in Akwa Ibom State.

Ho_4: Ethics and Attitude of taxpayers does not significantly influence voluntary compliance by taxpayers in Akwa Ibom State.

It is worthy of note that hypotheses 3 and 4 on Socio-economic factors.

The rest of the study is divided into review of related literature, methodology, results and findings and conclusions.

II. REVIEW OF RELATED LITERATURE

This section consists of the conceptual review, theoretical review and review of empirical studies.

A. CONCEPTUAL ISSUES

Conceptually, tax is defined as a compulsory or mandatory level charged by any authority or government on individual or corporate income in order to generate revenue for the provision of goods, services and other social development to the citizenry. Tax is very necessary and important if government or authorities must embarked on the provision of the basic amenities and social services through capital projects like; construction of roads, bridges, airports, hospitals, seaports, dams, recreational centers, motor-parks, markets, among others. These obligations require huge financial budgets and resources by government to be able to

undertake and deliver it on time. These activities would have to be funded by the government through different sources of funds and financing amongst which is principally taxation. Apparently, government generates revenue through different classes of tax. These include personal Income tax, Corporate tax, Sales tax, Property tax, Estate tax, Value Added Tax, Petroleum Profits Tax, among others. The payment of these taxes is dependent on a number of determinants describe as tax compliance determinants.

a. TAX COMPLIANCE

Tax compliance has been evaluated in various ways by various authors. For the purpose of this study, tax compliance is defined as the willingness of a taxpayer to conform to the laws by voluntarily declaring his income accurately and filing his tax return and paying the tax due at the appropriate date. Franzoni (2000) stated that compliance with tax laws involves true reporting of the tax base, computation of the tax liabilities, timely filing of tax returns and timely payment of the amount due as tax. Any behaviour by the taxpayer contrary to the above constitutes non-compliance. Mc Barnett (2003) says compliance may take three forms, which include committed compliance, capitulative compliance and creative compliance. Committed compliance is the willingness to discharge tax obligations by taxpayer without complaining. Capitulative compliance is the reluctance in discharging of tax obligations by taxpayer while creative compliance (tax avoidance) refers to any act by taxpayer aimed at reducing taxes by redefining income and deductible expenditure within the confine of the law. Furthermore, tax compliance has also been segregated into two perspectives, namely; compliance in terms of administration and compliance in terms of completion (accuracy) of tax returns (Harris, 1989; Chow, 2004). Compliance is pure administrational terms therefore includes registering or informing tax authorities of tax payers' status, submitting tax returns every yea and following the required payment time frames (Ming-Ling, Normala and Meera, 2005). In contrast, the wider perspective of tax compliance requires a degree of honesty, adequate tax knowledge, timeless, accuracy and adequate records in order to complete the tax returns and associated tax documents (Singh and Bhupalan, 2007). In line with Singh and Bhupalan, Somasundram (2012) claimed that the wider perspective of compliance becomes a major issue in a Self-Assessment System since the total amount of tax payable is highly dependent on the level of tax compliance.

In contrast with tax compliance, tax non-compliance is defined as a taxpayer's failure to remit a proper amount of tax, perhaps on account of complexity or even contradictions in the tax legislation on tax administration procedure (Kasipillai and Jabbar, 2003). Tax non-compliance is also perceived as the failure of a taxpayer to report correctly, the actual income, claim deduction and rebates before the actual remittance (Kirchler, 2007). Some studies such as Loo (2006) also regimented income tax non-compliance into international and unintentional bahaviour. Palil (2010) summarized tax non-compliance as follows:
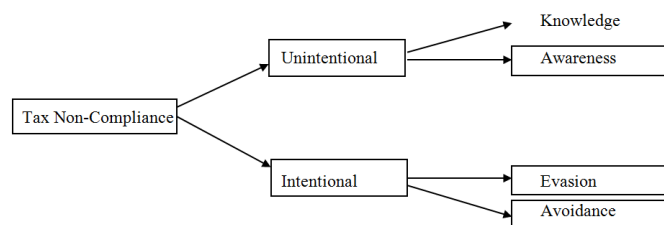
Source: Palil (2010).

Figure 1: Summary of Tax Non-Compliance Definition

The above figure implies that tax non-compliance is defined as failure to comply with the tax laws or reporting incorrect income. It is also the act of claiming incorrect deductions and exemptions or paying the correct amount of tax beyond the stipulated time frame.

Determinant Of Tax Compliance

Jackson and Milliron (1986) listed several factors that have influenced tax compliance as describe by various researchers. For the purpose of this study, the factors include: Individual factors such as personal financial constraint and awareness of offences and penalties; and socio-economic factors such as tax rate, ethics and attitude of taxpayers as well as perception of equity and fairness.

Individual Factors

Decision either to pay taxes or not are heavily reliant on taxpayer's personal judgment (Barrand, Harrison and Ross, 2004). Other influences such as that of peers might also affect the decision, but the final decision is made by the individual. Therefore, personal circumstantial factors like individual's financial constraint and awareness of offences and penalties are therefore likely to have a significant impact on taxpayer compliance behaviour.

Personal Financial Constraints

Personal financial constraints are believed to have an impact on tax compliance as financial distress faced by individual may compel him to priorities what has to be paid first as basic survival needs example; food, clothing and housing or where immediate demand on limited income is enforced (i.e perceived threat of action from lenders) rather than tax liabilities. Also, people who face personal problems such as higher number of dependents are likely to be more prone to non-compliance when compared to people with less financial distress (Mohani and Sheehan, 2004). Previous studies such as Warnery and Walend, (1982) explained that personal financial distress appears to be a significant factor in the tax compliance. He posted that the implementation of SAS in a country which requires that tax payment to be made together with the submission of the tax return might affect the compliance decision among taxpayers, especially those who are in financial distress. Some studies also reveals that taxpayers who are facing financial constraints during economic recession tend to be less complaint, however, other researcher found that financial constraints also appears to be

significant in normal economic situations especially for people with personal financial commitments and obligations.

Awareness Of Offences And Penalties

Allingham and Sandmo (1972) in Etim and Nweze (2016) have clearly indicated that penalties have an impact on tax compliance. The higher the penalty, the greater the incidence of non-compliance. Also, Anderoni, Erard and Feinstein (1998) suggested that to overcome the endogenous nature of tax non-compliance, it is necessary to control the enforcement environment artificially by using laboratory experiment methods. Marrelli and Martina (1988) found that penalty rates have a negative association with non-compliance. In contrast, Virmani (1989) ascertained that penalty rates has a positive association with non-compliance, meaning that higher penalty rates indeed encourage people to cheat.

Since previous studies indicate that penalty rates impact upon tax compliance behaviour, the awareness of offences was presumed to have a significant influence as well. If the taxpayers are aware of the offences they are committing and the consequences of being non-compliant taxpayers, it might induce their tendency to tax compliance.

b.   SOCIO-ECONOMIC FACTORS

Tax compliance determinants from a social and economic perspective relates to taxpayers willingness to comply with tax laws in response to their behaviour and their social environment (Torgler, 2007). It also refers to actions which associated with the cost and benefits of performing the action (Loo, 2006). Torgler and Schneider (2005) assumed that taxpayers are rational economic evaders who would likely assess the cost or benefit of non-compliance. They would attempt to minimize their tax liability, for example, by intentionally under-reporting their income and would enjoy tax savings if they were not detected by tax authorities. On the other hand, Kirchler (2007) suggested that social factors should be viewed in a broader sense than Toglers' perspective; this includes the psychology of the taxpayers. Under these factors, the tax compliance determinants associated with economic and social factors as tax rate, ethics and attitude towards tax compliance and perception to equity and fairness.

Tax Rates

Tax rates are considered the amount of tax chargeable by a tax authority over a period of time and also influence taxpayers decision to comply. Clotfelter (1983) claimed that reducing tax rates is one of the policies that have the potential to encourage tax compliance. He also suggests that there was a significant relationship between tax rates and non-compliance because the tax rates are instrument that can be manipulated for policy goal in particular.

Tanzi (1980) used an econometric model to explain the relationship between marginal tax rates and non-compliance, using data in the United States; he illustrated that tax rates were positively correlated with tax non-compliance according to his data. Other economic models of rational compliance decisions however, perceived that tax rates have mixed impact

on tax compliance or predict that increasing tax rates will increase compliance behaviour (Kirchler, Hoelzl and Wahl, 2008). In contrast with Allingham and Sandmo, various studies found that increasing tax rates encourage non-compliance or produce mixed findings, in line with most experimental studies which found that increasing tax rates was debatable, this study is conceived with the aim of coming up with more certain and concrete evidence of the impact of tax rates on tax compliance.

Ethics And Attitudes Of Taxpayers

In a tax system which is based largely on voluntary compliance such as (SAS), the taxpayers' standard of ethics is extremely important (Song and Yarbrough, 1978). Song and Yarbrough (1978) conducted a survey study in the United State, the objective was to investigate the tax ethics of taxpayers by emphasizing on the indication of tax knowledge attitude and perception of taxpayers in general. They also suggested that due to the remarkable aspect of the operation of the tax system in the United States (which is largely based on self-assessment and voluntary compliance) the willingness to comply with tax law is determined by ethics, legal environment and other situational factors at a particular time and space. The study also brought attention to the fact that deterioration of tax ethics in the future may occur due to an increase in the tax burden if the tax law did not get simpler and fairer. It is assumed that ethics encourage individuals to act according to their planned behaviour. Therefore, a taxpayer with a negative attitude towards tax compliance tends to be less complaint (Kirchler *et.al.,* 2008).

Wearing and Heady (1997) earlier found that ethics, attitude and moral beliefs impacted upon tax compliance behaviour according to their psychological model of tax compliance. It is consequently important to get more details about how these attitudes are influenced and how they drive tax compliance behaviour.

c.   SELF-ASSESSMENT SYSTEM

Several tax administrations in both developed and developing countries have adopted a self-assessment system of tax filling purposes. These countries include Sri lanka (1972), Pakistan (1979), Indonesia (1984), Australia (1986), Ireland (1988), New Zealand (1988), and the United Kingdom (1996) (Lyner and Oats, 2008). Although many countries have turned to Self-Assessment system, some countries like Singapore, Belgium, Luxemburg and France remain with Direct Assessment System (Spicer and Becker, 1980). In Nigeria, Self-Assessment System was introduced into tax administrative system with operational effect in 1992 and initially restricted to a threshold of taxpayers and extended to the rest in 1998. However, it was not until 2011 that its implementation became effective, through a project-based system. In a Self-Assessment System, a tax payer is required to assess and accurately calculate his tax liability using a tax return form in which he declares his gross income, allowable deductions, among others. The tax return must then be filed with the relevant tax authority together with a payment for the tax liability computed on the said return. Under Self-

Assessment System, the tax authorities responsibilities, partially on assessing the tax return and determining the liabilities are been shifted to the taxpayer duly to declare all the necessary particulars pertaining to their income and expenses for that particular year of assessment and submit the necessary returns together with all required supporting documents to the tax administrators. Butler (1993) identified that SAS has distinct merits compared to DAS and the merits include;

(i) SAS is more cost effective as it only selects exceptional cases for further scrutiny (ii) SAS eliminates the administrative task of assessment procedure (iii) SAS encourages early and timely collection of taxes (iv) SAS reduces corruption by reducing contact with taxpayers.

Based on the mission and objectives of SAS from various countries that have adopted the system to date, it seems that voluntary compliance, administrative efficiency and improving fairness and equity are the key motivation for introduction of SAS. How realistic these assertions are in Akwa Ibom State is still debatable, hence, the need for empirical evidence, which this study seeks to provide.

B. THEORETICAL FRAMEWORK

This study is guided by the deterrence theory of punishment. The theory can be traced to the early works of classical philosophers such as Hobbes (1678), Bentham (1948) and Beccaria (1963) which states that taxpayers are amoral utility maximizes who are influenced by economic motives such as profit maximization which makes them become rationally self-interested. They further state that taxpayers will not commit crime by evading tax if the cost of committing crimes prevails over the benefit of engaging in the undesirable acts. Also, taxpayers will deter from evading tax if the probability of detection is high which could lead to punishment. This theory places emphasis on incentives. Hence, the taxpayers analyze alternative compliance path for instance whether or not to evade tax, the likelihood of being detected and the resulting repercussion and then select the alternative way that maximizes their expected after tax returns after adjusting for risk. So the theory views taxpayers as perfectly amoral, risk-neutral or risk-averse individuals who seek to maximize their utility and choose to evade tax whenever the expected gain exceeded the cost. Clearly, understanding compliance behaviour is complex and it appears that the deterrence theory can assist in decomposing taxpayers' disposition.

C. EMPIRICAL REVIEW

The most important issue in successful implementation of Self-Assessment System of tax administration is the level of compliance by taxpayers. In some developed and developing countries like Australia, Canada, United Kingdom, Malaysia and Indonesia, several studies have been conducted to examine, evaluate and assess the views and experiences of taxpayers and tax authorities in implementation of SAS. Therefore, some of these studies are reviewed in line with this study. Vogel (1974) did a study on "Taxation and Public Opinion in Ghana", using a survey method. The objective was to assess the level of tax non-compliance and response to tax obligations among small traders. The findings based on the survey illustrate that people with financial distress exercise tax evasion and surprisingly, the level of evasion they exhibit can be more serious than people in less financial distress. Vogel presume that the situation is related to personal status rather than economic status. He recommended that Ghana Revenue Authority must look into making taxes and levies paid by informal sector reasonable either by consolidating or streamlining some of the rules and making the assessment scale flawless and more accessible. Thus a proper and fair basis for assessing income tax from the informal sector should be developed.

Warneryd and Walerud (1982) indicated through a study on "Taxes and Economic behaviour in Sweden" using a survey method with data analyzed using one-way ANOVA. The objective of their study was to evaluate the tax morale determinants. It was found that financial strain is a significant factor for tax evasion. They concluded that perception of economic deterioration is the only way the strain may be conceptualized. They recommended among others the adoption of economic and behavioural approach to encourage taxpayers to comply with the taxation system.

Besley, Preston and Ridge (1997) conducted a study on Economic Downturn as a factor in poll tax non-compliance in England. They adopted a survey model with t-test analysis to carry out the study with the aim of examining the financial capability are less concerned by the fixed penalty typical in SAS as they have the resources to pay these penalties if caught evading, while those with greater financial constraint do not (i.e. the threat of penalties being imposed is less of a concern to those with greater financial resources). Hence, based on previous studies, personal financial constraint appears to be significant factor in ax non-compliance but the degree of the impact is uncertain.

Becks and Davis (1991) through their experiment conducted in Spain on "Evidence of Taxpayers Reporting under Uncertainty" found that penalty rates affect tax compliance, and concluded that the higher the penalty, the greater the discouragement of non-compliance. He recommended that an experimental approach for a tax compliance study might show a small effect of influence than for a direct observation.

Virmani (1989) in a study on "Indirect tax Evasion and Production Efficiency about low income taxpayers in Switzerland" using survey method with a regression model found that penalty rates had a positive association with non-compliance. He concluded that higher penalty would rather encourage people to cheat.

Appah and Ogbanna (2014) examined the impact of Self-Assessment Scheme on Revenue Generation in Nigeria", using descriptive statistics and econometric analysis. They conclude that personal financial status of a taxpayer might lead to his inability to submit to tax scrutiny which adversely affects the revenue generation in the country. They concluded that taxpayer financial incapacity could lead to tax non-compliance.

Doran (2009) in his study on "Tax Offences and Penalties in London" concluded that, stiff penalties on erring taxpayers will discourage potential non-compliance among taxpayers in

Self-Assessment System. He analyzes the trend using regression analysis and concluded that penalties significantly affect tax compliance.

Friedland, Maital and Rutenberg (1978) conducted a pioneering experiment in which it was framed as a game rather than a real life tax situation. Fifteen (15) participants were instructed to try to earn as much money as possible. Tax rates amounted to either 25 percent or 50 percent, and it probabilities was 6.67 percent with sanctions of fifteen time the evaded amount. In every round of the experiment, participants were allocated imaginary monthly income of approximately the average monthly income in Israel prior to filling their taxes. The result from this experiment has shown that a higher tax rate leads to less declared income.

Modugu and Anyaduba (2014) conducted a study on "Impact of Tax Rate on Tax Compliance in Nigeria". They adopted a chi-square and multiple linear regression analysis in analyzing the data obtained from both primary and secondary sources. They concluded that there exists a significant relationship between tax rate and tax compliance.

Palil (2010) conducted a research with a survey method on "Tax Knowledge and Tax Compliance Determinants in SAS in Malaysia". He analyzed the impact of tax rates towards different types of income and different income bands. For examples, under employment income, the individual tax resident with chargeable income less than RM 100,000 is taxed proportionally, whereas, for that taxable income of RM 100,001 and above, a flat rate of 26 percent will be charged. For 2013 year of assessment, non-resident individual is taxed at 26 percent flat rate regardless any amount of income derived from either employment or business and a 10 percent of tax rate to be taxed on royalty income. This has led to inconsistency in the tax rate of both employment income earners and business income earners.

Torgler (2007) explained his study on "Tax Compliance and Tax Morale" conducted in Austria, that the marginal tax rate an average tax rate are actually having a different effect on income. He arrived at this using simple percentage. However, the margin of this difference will become neutral or zero with increasing income. He exhibited the relationship between tax rates and tax compliance with the effect of risk aversion, treated marginal tax rate and average tax rate as the same. The findings claimed that the impact of marginal tax rate towards tax compliance would be greater if average tax rate is taken into consideration.

Clotfelter (1983) in his separate study on "Tax Evasion and Tax Rate" in Luxemburg, agreed that marginal tax rates and tax compliance are positively correlated. He examined the relationship between tax rate and compliance among the higher income earners using correlation analysis. He concluded that tax rate does not encourage tax non-compliance among this category of taxpayers.

Marti and Wanjohi (2011) in their study on "Taxpayers' Attitude and Tax Compliance Behaviour" in Kenya, using multiple regression analysis, considered tax ethics and attitude with tax compliance is an action. They posited that tax attitude and ethics is considered as an "intrinsic motivation to pay tax" by taxpayers, where they believed that it is their obligation to pay taxes as a repayment to the community. Tax ethics and attitude is considered as an important element in tax compliance. They concluded that among the various factors influencing tax compliance, ethics and attitude has occupied more than 20 percent of the total portion that can explain the tax compliance behaviour. Thus, ceteris paribus, if tax morale is high, tax compliance is expected to be higher.

From the foregoing literature review, the main gap is the neglect of the informal sector in almost all the analyses, for which the Self-Assessment System is mostly adopted. This study is in furtherance of looking at this class of taxpayers.

III. METHODOLOGY AND RESEARCH DESIGN

Structured survey design is adopted for this study involving surveying sample of taxpayers operating in Akwa Ibom State. Data were collected on them based on different variables such as personal financial constraint, awareness of offences and penalties and other variables of study, influencing tax compliance in Self-Assessment System. The population of the study consisted of 3800 Micro, Small and Medium Scale Enterprises (MSMEs) operators registered with the State Board of Internal Revenue Service (SBIRS) at the end of 2019 fiscal year.

The sample size of 400 taxpayers was determined using Taro Yamane's Statistical formula at an error term of 5%. The formula is $n = \frac{N}{1+N(e)^2}$; where; N= population, n = sample size, I = constant, e = error term.

The 400 taxpayers were systematically and purposively selected and administered with the questionnaire copies designed as instrument for data collection; thus primary data was used for the study (see appendix for copy). The respondents were chosen as they visited the SBIRS office for filing and payment of taxes over a period of six months. The research instrument was designed to determine the educational background of the respondent and to examine the factors that determine compliance under the SAS using a modified Like it Scale with five points scale ranging from strongly agreed of 5 points to strongly disagreed of 1 point indicating extent of agreement or disagreement of the respondents with the facts of the study.

A. VALIDITY AND RELIABILITY OF INSTRUMENT

To ensure the validity of the instrument, three copies of the instrument were presented to three research experts who scrutinized and made necessary corrections. The reliability of the instrument was carried out by applying the Cronbach's Alpha Coefficient test by administering copies of the questionnaire on 38 respondents with 32 respondents returning the questionnaire from which the reliability was conducted with reliability ratio of 0.946, indicating that all the questions in the questionnaire have internal consistency as shown in Table 3.1.

No of Items	Cronbach's Alpha
32	0.946

Source: Researcher's Computation, 2020 using SPSS.20.
Table 3.1 Reliability Statistics

B. DATA ANALYSIS TECHNIQUE

Regression Analysis and Descriptive Statistics are adopted for the study and test of hypothesis at 5% level of significance. The decision is to reject the null hypothesis if the calculated F-statistic value at 5% level of significance is greater than the tabulated critical value.

C. MODEL SPECIFICATION

The variables used in the study are expressed in the following econometric model which is adopted to test the relationship between the dependent and independent variables.

$Y = f(\beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 \ldots \ldots \beta_n X_n + e$ equation 3.1,

where;

Y = Dependent variables
$X_1 - X_n$ = Independent variables
β_0 = Constant
$\beta_1 - \beta_n$ = Coefficients of Independent variables
e = Error

Specification for the study, this relationship model was adopted thus:

TAXCOMP. = Tax Compliance (Dependent Variable)
$\propto$ = Constant
$\beta_1 - \beta_2$ = Coefficients
PFON = Personal Financial Constraint
AWOP = Awareness of offences and penalties
TAXRAT = Tax Rates
ETHATTD = Ethics and Attitude of taxpayers
e = Error

This model is used to test the hypothesis of the study.

The dependent and Independent variables and their a prior expectation are given as follows:

S/N	VARIABLES	TYPE	A PRIOR EXPENDITURE
1.	Tax Compliance	Dependent	
2.	Personal Financial Constraint	Independent	Negative
3.	Awareness of Offences and Penalties	Independent	Positive
4.	Tax Rate	Independent	Negative
5.	Ethics and Attitude of Tax Payers	Independent	Positive

Source: Researchers Compilation, 2020
Table 3.2: Dependent and Independent Variables

IV. RESEARCH AND DISCUSSIONS

A. DATA PRESENTATION AND ANALYSIS

The details of the data presentation and analysis and discussion of findings are carried out under this section. In carrying out the study, a total of 400 questionnaires copies were administered to the selected sample.

The response rate is presented in table 4.1:

Copies	Copies Returned	Response Rate (%)
400	389	97.25%

Source: Field Survey, 2020.
Table 4.1: Questionnaire Administered and response rate

From Table 4.1, out of the 400 copies of questionnaire administered, 389 were returned representing 97% response rate, were returned, only about 3% not returned.

The valid filled copies are then used for the study considering the educational status of the respondents as shown on Table 4.2.

Qualification	Frequency	Percentage	Valid Percent	Cumulative Percent
SSCE	39	10.0	10.0	10.0
ND/NCE	138	35.48	35.48	45.48
HND/B.Sc	154	39.6	39.6	85.10
Post Graduate	58	14.9	14.9	100.0
Total	389	100.0	100.0	

Source: Researchers' computation, 2020 using SPSS 20.
Table 4.2: Educational Status of the Respondents

Table 4.2 gives details of the educational qualification of the respondents. 10% were Secondary School Certificate holders, 35.48% had National Diploma and National Certificate in Education, 39.6% possessed Higher National Diploma/ Bachelors Degree while 14.9% has Post Graduate Qualification. The implication of this statistics is that, the respondents had knowledge of the taxation and tax compliance which is the bane of the study.

B. HYPOTHESES

The test of hypotheses is carried out using linear regression analysis results displayed on Tables 4.3, 4.4 and 4.5

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.901[a]	.811	.808	1.74649	1.493

a. Predictors: (Constant), Personal Financial Constraint, Awareness of offences and Penalties TAX RATES, ETHICS AND ATTITUDE;
b. Dependent Variable: TAX COPLIANCE

Source: Researchers Computation, 2020 using SPSS 20
Table 4.3: Model Summary[b]

Model		Sum of Squares	Df	Mean Squares	F	Sig.
1	Regression	2852.1	4	713.025	233.763	.000[b]
	Residual	1174.25	385	3.050		
Total		4026.35	389			

a. Dependent Variable: Tax COMPLIANCE
b. Predictors: (Constant) PERSONAL FINANCIAL CONSTRAINT, AWARENESS OF OFFENCE AND PENALTIES, TAX RATES, ETHICS AND ATTITUDE;

Source: Researcher Computation, 2020 using SPSS 20.
Table 4.4: ANOVA[a]

Model		Unstandardized	Coefficients	Standardized Coefficient	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.173	.466		6.806	.000
	Personal Financial Constraint	.059	.033	.051	1.770	.0078
	Awareness of offences and penalties	.293	.055	.337	5.307	.000
	Tax Rates	-.052	.028	-.062	-1.826	.069
	Ethics and Attitude	.235	.053	.265	4.479	.000

a. Dependent Variable: Tax Compliance

Source: Researchers Computation, 2020 using SPSS 20.
Table 4.5: Estimates of the parameters of the regression model

TEST OF HYPOTHESIS 1

For hypothesis 1 which states that the individual factors of personal financial constraint does not significantly influence voluntary compliance by taxpayers in Self-Assessment System in Akwa Ibom State, the result of the analysis is shown in Table 4.5. in line with the decision rule of the study which states that null hypothesis be accepted if the calculated 'F' and 't'-statistic is lower than the critical or table value at 5% level of significance. The null hypothesis is upheld because the calculated t-value of 1.770 is lower than the critical value of 1.996.

TEST OF HYPOTHESIS 2

Hypothesis 2 states that there is no significant influence of awareness of offences and penalties on voluntary compliance in Self-assessment System in Akwa Ibom State. The result of this analysis shown on Table 4.5 and in line with the decision rule, the null hypothesis is rejected and the alternate accepted because the calculated t-value of 5.307 is greater than the critical value of 1.966.

TEST OF HYPOTHESIS 3

This hypothesis states that there is no significant influence of tax rates on voluntary compliance in Self-Assessment System in Akwa Ibom State. The result of the analysis shown on Table 4.5 indicates that the calculated t-value of -1.826 is lower than the critical value of 1.966 at 5% significance level. The null hypothesis is therefore accepted.

TEST OF HYPOTHESIS 4

Hypothesis 4 states that there is no significant influence of ethics and Attitude on voluntary compliance in Self-Assessment System in Akwa Ibom State. The result of the analysis as shown on Table 4.5 indicates that the calculated t-value of 4.479 is greater than the critical value of 1.966 at 5% significance level. The null hypothesis is therefore rejected.

C. DISCUSSION OF FINDINGS

From the regression results, the model estimate based on the specification of the study shows that:

TAXCOMP = 3.173 + 0.051PFINCON + 0.337AWOFP + -0.062TAXRAT + 0.26

ETHATTD + O.466

The constant and standard error values are 3.173 and 0.466 respectively. The coefficients of the variables were as follows; PFINCON (0.051) which implies that 5.1% of the variation in tax compliance is accounted for by the personal financial constraints. The finding shows that voluntary compliance in Self-Assessment System is influenced by this variable only to the extent of 5.1% in the study area and is therefore not statistically significant. This is contrary to the theoretical reasoning which suggested that taxpayers, who are constrained financially, will remain non-compliant to tax. The result disagrees with the findings of Warnery and Walerud

(1982) who found out that financial constrain is a significant factor for tax evasion.

The analysis also reveals that Awareness of offences and Penalties has significant influence on voluntary compliance in Self-Assessment Scheme in the study area. The beta coefficient of 0.337 or 33.7% implies that this variable account for taxpayers' voluntary compliance in Self-Assessment Scheme variation to that extent. This means that the level of awareness of offences and penalties by taxpayers has resulted in a 33.7% increase in voluntary compliance in SAS. The result agrees with the findings of Virmani (1989) who posited that penalty has a positive association with non-compliance.

Results relating to tax rates show that they do not significantly influence voluntary compliance of taxpayers in Self-Assessment System in the study area. The result shows a beta coefficient of -0.062 or -6.2% which means that an increase in the tax rates will reduce voluntary compliance by taxpayers in Self-Assessment System. The result suggests that tax rates negatively influences compliance to tax by taxpayers. The result is in contrast to the findings of Modugu and Anyaduba (2014), who found existence of a significant relationship between tax rate and tax compliance; but agrees with Clotfelter (1983) who finds that reducing tax rates is one of the policies that have the potential to encourage tax compliance.

Ethics and attitude of the taxpayers was discovered to be a significant determinant of voluntary compliance by taxpayers in Self-Assessment System in the study area. This was revealed by the beta coefficient of 0.265 (26.5%). The implication of this result is that taxpayers with high ethical standards will voluntarily comply with tax in Self-Assessment System is accounted for by ethics and attitude of the taxpayers. The findings of Roth, Scholz and Wiite (1986) supports this result, they theorize that ethics have a positive effect on compliance behaviour than financial self-interest.

V. SUMMARY AND CONCLUSION

The study was undertaken to assess the influence of the tax compliance determinants on the Self-Assessment System in Akwa Ibom State, Nigeria. Primary data was used in gathering data used in the analysis. From the result of the data analysis, the following findings were made;

✓ Individual and socio-economic factors have significant influence on tax compliance in Self-Assessment System in the study area. As shown on Table 4.5, personal financial constraint with a coefficient of 0.051 (5.1%, P = 0.078) has appositive but insignificant influence in tax compliance in Self-Assessment System.

✓ Awareness of offences and penalties with coefficient of 0.337 (33.7%, P = 0.000) and Ethics and Attitude of taxpayers with a coefficient of 0.265 (26.5%, P = 0.000) positively and significantly influences tax compliance in Self-Assessment System.

✓ Tax rates with coefficient of -0.062 (-6.2%, P = 0.069) has a negative influence on tax compliance.

From the findings of the study, it was concluded that the variables selected for the study constitute some of the

determinants of tax compliance under the Self-Assessment System in the study area. It was therefore recommended that:

✓ Taxpayers should be encourage to pay taxes irrespective of their financial status by providing tax incentives like tax holidays to boost their morals in other to voluntarily comply with the Self-Assessment System of taxation.

✓ Tax authorities should let the taxpayers understsnd the implications of tax evasion and non-compliance by constantly reminding them of the attendant penalties if caught.

✓ There is need for tax authorities to carry out a periodic review of tax rates and make them relatively low in order to enhance and improve compliance.

The above is fundamental because tax compliance remains a core vehicle in enhancing required revenue generation and mobilization needed to drive socio-economic reforms and transformation in any economic particularly in the light of recent global realities which have plague crude oil market, the main stay of the Nigerian economy.

It suggestive that further study be conducted on influence of taxpayers perception of equity and fairness, demographic factors of income level and education on tax compliance under the Self-Assessment System, since the factors are relevant under Direct Assessment System.

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APPENDIX I

QUESTIONNAIRE RESPONSES:

A. PERSONAL FINANCIAL CONSTRAINT

My financial position will not affect my decision to complete tax returns.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	91	23.4	23.4	23.4
DISAGREE	75	19.3	19.3	42.2
UNDECIDED Valid	67	17.2	17.2	59.9
AGREE	103	26.5	26.5	86.4
STRONGLY AGREE	53	13.6	13.6	100.0
Total	389	100.0	100.0	

I do not comply with tax whenever l'm financially distressed.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	42	10.8	10.8	10.8
DISAGREE	45	11.6	11.6	22.4
UNDECIDED Valid	82	21.1	21.1	43.4
AGREE	117	30.1	30.1	73.5
STRONGLY AGREE	103	26.5	26.5	100.0
Total	389	100.0	100.0	

I pay my debt to lenders first before I think of paying tax.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	21	5.4	5.4	5.4
DISAGREE	31	8.0	8.0	13.4
UNDECIDED Valid	64	16.5	16.5	29.8
AGREE	177	45.5	45.5	75.3
STRONGLY AGREE	96	24.7	24.7	100.0
Total	389	100.0	100.0	

My completion and filling of tax returns depends on my financial condition.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	19	4.9	4.9	4.9
DISAGREE	43	11.1	11.1	15.9
UNDECIDED Valid	87	22.4	22.4	38.3
AGREE	180	46.3	46.3	84.6
STRONGLY AGREE	60	15.4	15.4	100.0
Total	389	100.0	100.0	

B. AWARENESS OF OFFENCES AND PENALTIES

It is an offence to violate tax laws

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	76	19.5	19.5	19.5
DISAGREE	68	17.5	17.5	37.0
UNDECIDED Valid	82	21.1	21.1	58.1
AGREE	93	23.9	23.9	82.0
STRONGLY AGREE	70	18.0	18.0	100.0
Total	389	100.0	100.0	

I submit the true income to the tax authority since I know that the authority will implement their audit report.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	77	19.8	19.8	19.8
DISAGREE	69	17.7	17.7	37.5
UNDECIDED Valid	56	14.4	14.4	51.9
AGREE	72	18.8	18.8	70.4
STRONGLY AGREE	115	29.6	29.6	100.0
Total	389	100.0	100.0	

The penalty I will suffer because of failure to comply with tax laws is less than the loss I incur by paying the exact tax liability.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	58	14.9	14.9	14.9
DISAGREE	93	23.9	23.9	38.8
UNDECIDED Valid	58	14.9	14.9	53.7
AGREE	110	28.3	28.3	82.0
STRONGLY AGREE	70	18.0	18.0	100.0
Total	389	100.0	100.0	

If I fail to comply with tax obligations, I will not face any penalty that is why I refused to comply.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	71	18.3	18.3	18.3
DISAGREE	94	24.2	24.2	42.4
UNDECIDED Valid	53	13.6	13.6	56.0
AGREE	97	24.9	24.9	81.0
STRONGLY AGREE	74	19.0	19.0	100.0
Total	389	100.0	100.0	

C. TAX RATES

I don't mind the rate of taxes I pay, all I know is to pay because I feel it is the citizens'

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	36	9.3	9.3	9.3
DISAGREE	24	6.2	6.2	15.4
UNDECIDED Valid	53	13.6	13.6	29.0
AGREE	74	19.0	19.0	48.1
STRONGLY AGREE	202	51.9	51.9	100.0
Total	389	100.0	100.0	

The present tax rate is higher and there is not much income that is why I don't complete my tax liabilities.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	49	12.6	12.6	12.6
DISAGREE	49	12.6	12.6	25.2
UNDECIDED Valid	17	4.4	4.4	29.6
AGREE	65	16.7	16.7	46.3
STRONGLY AGREE	209	53.7	53.7	100.0
Total	389	100.0	100.0	

Whenever the tax rate is low, that is when I oblige to pay.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	29	7.5	7.5	7.5
DISAGREE	49	12.6	12.6	20.1
UNDECIDED Valid	32	8.2	8.2	28.3
AGREE	199	51.2	51.2	79.4
STRONGLY AGREE	80	20.6	20.6	100.0
Total	389	100.0	100.0	

I comply even when the tax rate is high

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	32	8.2	8.2	8.2
DISAGREE	63	16.2	16.2	24.4
UNDECIDED Valid	31	8.0	8.0	32.4
AGREE	181	46.5	46.5	78.9
STRONGLY AGREE	82	21.1	21.1	100.0
Total	389	100.0	100.0	

D. ETHICS AND ATTITUDE

I pay tax even when I have opportunity to evade

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	73	18.8	18.8	18.8
DISAGREE	73	18.8	18.8	37.5
UNDECIDED Valid	83	21.3	21.3	58.9
AGREE	94	24.2	24.2	83.0
STRONGLY AGREE	66	17.0	17.0	100.0
Total	389	100.0	100.0	

I would not feel guilty if I excluded some of my income when completing my tax returns.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	67	17.2	17.2	17.2
DISAGREE	85	21.9	21.9	39.1
UNDECIDED Valid	54	13.9	13.9	53.0
AGREE	72	18.5	18.5	71.5
STRONGLY AGREE	111	28.5	28.5	100.0
Total	389	100.0	100.0	

I think it is not wrong if I excludes small amount of income when completing the tax returns.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	63	16.2	16.2	16.2
DISAGREE	79	20.3	20.3	36.5
UNDECIDED Valid	55	14.1	14.1	50.6
AGREE	114	29.3	29.3	79.9
STRONGLY AGREE	78	20.1	20.1	100.0
Total	389	100.0	100.0	

Since is not all the documents that will b sent to the tax authority, I can manipulate the figure in the tax return.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	60	15.4	15.4	15.4
DISAGREE	83	21.3	21.3	36.8
UNDECIDED Valid	67	17.2	17.2	54.0
AGREE	107	27.5	27.5	81.5
STRONGLY AGREE	72	18.5	18.5	100.0
Total	389	100.0	100.0	

E. TAX COMPLIANCE

I am a registered tax payer with Tax Identity Number.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	64	16.5	16.5	16.5
DISAGREE	61	15.7	15.7	32.1
UNDECIDED Valid	94	24.2	24.2	56.3
AGREE	60	15.4	15.4	71.7
STRONGLY AGREE	110	28.3	28.3	100.0
Total	389	100.0	100.0	

I file my tax returns and meet the entire requirement by the due date.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	41	10.5	10.5	10.5
DISAGREE	91	23.4	23.4	33.9
UNDECIDED Valid	76	19.5	19.5	53.5
AGREE	55	14.1	14.1	67.6
STRONGLY AGREE	126	32.4	32.4	100.0
Total	389	100.0	100.0	

I correctly report tax liabilities.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	18	4.6	4.6	4.6
DISAGREE	59	15.2	15.2	19.8
UNDECIDED Valid	105	27.0	27.0	46.8
AGREE	111	28.5	28.5	75.3
STRONGLY AGREE	96	24.7	24.7	100.0
Total	389	100.0	100.0	

I pay taxes on time, mostly by the date stipulated in the law.

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONG DISAGREE	22	5.7	5.7	5.7
DISAGREE	72	18.5	18.5	24.2
UNDECIDED	106	27.2	27.2	51.4
Valid				
AGREE	139	35.7	35.7	87.1
STRONGLY AGREE	50	12.9	12.9	100.0
Total	389	100.0	100.0	

SECTION B: FACTORS AFFECTING TAX COMPLIANCE

INSTRUCTION: Tick the appropriate option that best represent your opinion on each of the items below: (SA = Strongly Agree (5), A = Agree (4), Undecided (3), D = Disagree (2), SD = Strongly Disagree (1).

INDIVIDUAL FACTORS

A. PERSONAL FINANCIAL CONSTRAINT (X_1)

S/N	ITEMS	SA	A	UN	D	SD
1	My financial position will not affect my decision to complete tax return					
2	I do not comply with tax whenever I'm financially distress					
3	I pay my debt to lenders first before I think of paying tax.					
4	My completion and filling of tax returns depends on my financial condition.					

B. AWARENESS OF OFFENCES AND PENALTIES (X_2)

S/N	ITEMS	SA	A	UN	D	SD
1	It is an offence to violate tax laws.					
2	I submit the income report to the tax authority since I know that the authority will implement their audit report.					

| 3 | The penalty I will suffer because of failure to comply with tax laws is less than the loss I incur by paying the exact tax liability. | | | | | |
| 4 | If I fail to comply with tax obligations, I will not face any penalty that is why I refused to comply. | | | | | |

SOCIO-ECONOMICCS FACTORS

C. TAX RATES (X_3)

S/N	ITEMS	SA	A	UN	D	SD
1	I don't mind the rate of taxes I pay, all I know is to pay because I feel it is the citizens' obligation.					
2	The present tax rate is higher and there is not much income that is why I don't complete my tax liabilities.					
3	Whenever the tax rate is low, that is when I oblige to pay.					
4	I comply even when the tax rate is high					

D. ETHICS AND ATTITUDE (X_4)

S/N	ITEMS	SA	A	UN	D	SD
1	I pay tax even when I have opportunity to evade					
2	I would feel guilty if I excluded some of my income when completing my tax returns.					
3	I think it is not wrong if I exclude amount of income when completing the tax returns.					
4	Since it is not all the documents that will be sent to the SBIRS, I can manipulate the figure in the tax return.					