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*Taxpayer's knowledge and voluntary tax compliance  
amongst self- employed Individuals in Edo State,  
Nigeria*

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## Taxpayer's knowledge and voluntary tax compliance amongst self-employed individuals in Edo State, Nigeria

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### Abstract

The study investigated taxpayers' knowledge and their voluntary compliance to tax laws within the demographic of self-employed individuals in Edo state. In order to collect information, a survey was employed to acquire feedback from self-employed individuals within Edo state. The data obtained was analyzed using the ordinary least square regression method. The findings from this study revealed that there exist a negative correlation between tax knowledge and compliance. It was further revealed that taxpayer's attitude was a positive factor influencing compliance with tax obligations and laws. Additionally, tax awareness was also noted to have positively affect tax compliance. Given these outcomes, it is advised that policymakers dedicate resources to educational initiatives for taxpayers aimed at improving their knowledge and understanding of tax regulations among the self-employed. These initiatives can serve a critical role in clarifying the tax structure, decreasing inadvertent non-compliance, and promoting voluntary compliance.

**Keywords:** Tax System, Taxpayer's Knowledge, Voluntary Compliance

### Introduction

Taxes and the tax system are vital instruments necessary for the advancement of every nation, which forms an essential component of state capacity development (Oladipupo et al., 2016). The primary objective of any revenue authority is to monitor the collection of tax revenue (Oladipupo et al., 2016). These tax-derived revenues play an important role in the provision of social welfare (Oladipo et al., 2022). Nevertheless, taxpayers do not always exhibit willingness and preparedness to adhere to the obligations imposed upon them by the law (Oladipupo et al., 2016). Oladipo et al. (2022) asserted that tax compliance can be regarded as the inclination of taxpaying citizens to fulfil their responsibilities and advanced to say that non-tax obedience is the unwillingness for citizens to meet their tax obligation intentionally. Tax compliance remains a critical aspect of any government's desire to fund projects and the dividends of governance.

Voluntary tax compliance is dependent upon taxpayers' knowledge about the tax system and as such the understanding of tax law is essential (Salawati et al., 2020). It is imperative for taxpayers to have a thorough understanding of taxation in order to execute the appropriate guidelines which encompasses the process of

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tax payment, computation, and reporting effectively, without encountering any challenges or obstacles. According to the research conducted by Machfuzhoh and colleagues (2021), it is expected that taxpayers possess knowledge regarding the role of taxes as a means of state expenditure. The significance of tax knowledge cannot be understated, as it has a notable positive impact on the level of taxpayer compliance (Machfuzhoh et al., 2021). Similarly, Karyanti et al. (2022) maintain that tax knowledge encompasses a comprehensive understanding of tax law, including both formal and material. Tax knowledge is a taxpayer's capacity to be well-versed in tax regulations, encompassing matters such as tax rates that are legally obligated to be paid and tax benefits that can be advantageous in one's life (Karyanti et al., 2021). Consequently, taxpayers must possess a grasp of general provisions and tax procedures, as this plays a pivotal role in fostering tax compliance behaviour. After all, it would be unreasonable to expect taxpayers to adhere to tax regulations if they are not adequately acquainted with them.

Despite its significance, the act of voluntarily complying with tax obligations can pose a challenge for both businesses and individuals in Nigeria. One of the foremost obstacles lies in the difficulty of persuading taxpayers to adhere to the necessary tax requirements (Oladipupo et al., 2016). Additional challenges arise from individuals not only struggling to comprehend tax legislation, but also lacking knowledge regarding tax rates and fundamental concepts of taxation (Hofmann et al., 2008). Insufficient knowledge can breed scepticism and a negative disposition towards fulfilling tax obligations (Hofmann et al., 2008). Consequently, the purpose of this study is to analyse the level of tax compliance among self-employed individuals in Edo state, evaluate the level of taxpayer awareness of tax legislation that affects their tax compliance, and determine the influence of taxpayer attitudes towards fulfilling tax obligations.

### **The Concept of Tax Compliance**

Tax compliance has been of great concern since the inception of taxes (Adreoni, Erard & Feinstein). The term "tax compliance" can be delineated through various perspectives. As stated by Investopedia, tax compliance is based upon the expectation that taxpayers will strictly adhere to the stipulations set forth by tax legislation, and, give an accurate report of their revenue and expenses. James and Alley (2004) present various definitions of tax compliance, ranging from a narrow law enforcement approach to more extensive definitions from an economic standpoint. Finally, they defined compliance as the willingness of taxable individuals and organizations to comply with their tax duties without being forced to do so. While there is no simple and accurate definitive measure of such a definition, this definition provided by them indicate

the main aspects that should be considered when evaluating taxpayer compliance with the tax system. The government's collection of taxes is a fundamental function necessary to provide the populace with essential public goods and services. Tax collection is a multi-dimensional issue as taxpayers understand that it is the price they must pay in order to enjoy these goods, services, and amenities. As a result, tax compliance may be described as adherence or failure to conform to tax regulations by taxpayers'. This involves income declaration, submission of tax return, and paying taxes in a timely way. Taxpayers are expected to take responsibility for assessing their own tax liability and ensuring its accurate computation (Choong, 2009; FIRS, 2012; & Isa, 2012). Despite this, there remains a strong inclination to evade taxes, which is driven by a variety of factors that affect Nigeria's level of tax compliance.

Compliance with tax regulations has typically been quantified in terms of the tax gap, which is the difference between the actual revenue collected and the amount that would be collected if there was 100% compliance (Fakile, 2011). In Nigeria, the dynamics of tax compliance has received great attention following the adoption of the self-assessment scheme. This scheme allows taxpayers, by law, to calculate their tax liabilities and remit taxes to the relevant tax authorities through designated banks (Yahaya, 2015). However, the efficacy of the program relies significantly on the trustworthiness and honesty of the taxpayer. According to Ojo (2009, p. 24), there are two advantages to filing tax returns through self-assessment. The first is the option to pay in six equal instalments, and the second is a 1% bonus granted when instalments are paid on time.

Tax compliance is the manner in which individuals and corporations adhere to the fiscal policies implemented by the government to generate public money for public expenditure. This concept encompasses the various difficulties and obstacles that taxpayers and revenue authorities may encounter during the tax payment process. According to Fakile (2011), tax compliance refers to the extent of voluntarily complying with tax regulations and administration, which can be attained without the need for enforcement measures. A study conducted by Mohd and Ahmed (2011) defined tax compliance as the voluntary adherence of taxpayers to the taxation regulations, including timely and accurate income reporting, proper utilization of applicable deductions and allowances, and prompt tax obligation payment. Additionally, Palil and Mustapha (2011) explained tax compliance as the act of accurately reporting all income and fulfilling exact tax liabilities in accordance with relevant tax rules and regulations when completing tax returns. However, according to Geibart (2014), tax compliance can be understood as a

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

### **Tax System in Nigeria**

Taxation refers to the process of collecting taxes within a certain area (National Tax Policy, 2012, p.1). It involves the compulsory imposition of income, profit, or capital gains on individuals, companies, or other legal entities by the government, with the aim of raising revenue (Eiyya, 2012). National Tax Policy (2012) defined taxation as a financial burden imposed on persons or property which is used to fund government expenditure. Taxation is considered a crucial tool necessary for the development of many countries, and is also seen as a vital instrument for promoting economic progress (National Tax Policy, 2012). In Nigeria, the origins of the tax system can be traced back to the year 1904, during which the concept of personal income taxation was first introduced in the northern region of Nigeria even prior to the unification of the country under colonial rule (Fagbemi et al., 2010). Over the past decades, the Nigerian tax system has been subject to a series of reforms and revisions, all of which have been directed towards enhancing the efficiency of tax collection and management while simultaneously reducing the expenses associated with enforcement (Oboh et al., 2012). For instance the self-assessment scheme mandates that taxpayers fill out a tax assessment form to establish their taxable income. In this case, the taxpayer's intrinsic motivation to comply with tax regulations will impact their level of compliance with reporting requirements (Fakile, 2011). Moreover, taxpayers' are expected to voluntarily comply with tax laws as specified.

### **Voluntary Tax compliance**

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

(2008), it is the responsibility of citizens to pay taxes for whatever reason, and it is the duty of the state to ensure compliance with tax rules. Citizens may comply with tax laws because they believe it is their civic responsibility, or because the consequence of noncompliance is prohibitively great. Alabede, Ariffin, and Idris (2012) identified tax non-compliance as a significant problem for tax administration in developing countries, including Nigeria. Despite the implementation of various tax reforms, According to statistics, Nigeria's tax income contribution to GDP remains among the lowest in the world.

Tax compliance can be classified as voluntary and mandatory. Governments around the world, particularly in poor countries with low tax-to-GDP ratios (Oghuma, 2018), have placed a strong emphasis on voluntary tax compliance. In a study conducted by Hassan et al. (2021), the concept of voluntary adherence to tax obligations encompasses a taxpayer's inclination to abide by tax regulations, accurately report income, utilize relevant deductions and exemptions, and fulfill tax obligations promptly. The Psychological Attribution Theory (1958) suggests that conduct can be influenced by internal or external factors, with internal factors considered to be within the individual's realm of control. Conversely, external factors are associated with behaviour driven by situational or environmental pressures. An individual's willingness to adhere to the directives and guidelines set forth by tax authorities is crucial for voluntary tax compliance, as highlighted by Kirchler (2007). Voluntary compliance is characterized by a taxpayer's willingness to honestly report their tax obligations (McBarnett, 2003).

According to government statistics, all taxpayers engage in voluntary tax compliance, which the Internal Revenue Service (IRS) seeks to maximize. The IRS policy is to encourage voluntary compliance by imposing civil tax penalties. However, the term voluntary can be confusing to taxpayers, leading to consternation when they discover that filing and paying taxes is referred to as voluntary. Taxpayers may question whether they have the opportunity to voluntarily submit tax returns and make payments, or if they have the option to refrain from adhering to tax regulations. It is imperative to acknowledge that failure to adhere to tax regulations may lead to legal repercussions, notwithstanding the term "voluntary" being used. This issue has posed a challenge for taxpayers, as evidenced by legal cases in the U.S. Tax Court where taxpayers have struggled to grasp the concept of voluntary compliance. The Tax Court has adopted a stringent approach towards noncompliance, causing adverse effects on bewildered taxpayers (Manhire, 2015). Mandatory tax compliance is assumed to depend on the (perceived) power of authorities (Muehlbacher et al., 2015). The primary motivation for paying taxes is often influenced by the fear of high

audit rates, steep tax penalties, severe sanctions for tax evasion, and the ability of tax authorities to identify non-compliant citizens. This study aims to delve deeper into the concept of voluntary tax compliance.

### **Tax Knowledge**

Tax knowledge refers to the extent of awareness or understanding that taxpayers have regarding tax laws and regulations, as well as the processes through which they acquire information about tax requirements, as stated by Oladipupo et al. (2016). This includes formal education received by taxpayers, which is a crucial factor in comprehending tax obligations, especially with regards to registration and filing. Unfortunately, numerous citizens lack knowledge about the government's spending and the cost of public services, resulting in taxpayers with limited tax knowledge seeking assistance from tax professionals. Increasing public awareness can be achieved by taxpayers possessing a solid understanding of taxation.

Amrah et al. (2020) also defined tax knowledge as the comprehension of tax policies implemented within a country, including knowledge about tax laws and the ability to calculate tax liabilities. Some studies examining tax compliance incorporate general education as part of specific tax knowledge. Within the field of taxation, individuals are required to possess two distinct forms of knowledge: declarative and procedural. Declarative tax knowledge pertains to understanding of tax principles and ideas, whereas procedural tax knowledge encompasses intricate familiarity with the execution of various activities in taxation. The acquisition of procedural knowledge can be facilitated through training and practical engagement, whereas declarative knowledge can be easily obtained by taxpayers with minimal effort.

### **Review of Literature**

#### **The level of taxpayer compliance**

Tax compliance pertains to taxpayers' level of adherence to tax regulations and guidelines, as stipulated by James et al. (2004) it is the willingness to conform to tax legislation and administration without the necessity of enforcement. Extensive discussions in the literature on tax compliance have delved into theoretical aspects and the costs associated with tax compliance, while also pinpointing various determinants that impact taxpayers' compliance behavior. The explanations for tax compliance can be broadly categorized into two main theoretical frameworks: economic-centered theories, which underscore incentives, and psychology-centered theories, which highlight attitudes (Trivedi et al., 2005). Factors that influence compliance encompass economic, structural, demographic/personal, and attitudinal dimensions. Various

studies in the existing literature have outlined numerous factors that play a role in tax compliance, classifiable under economic, social, and psychological categories (Nugi, 2013). It is imperative to comprehend the factors shaping individuals' decisions regarding compliance with tax regulations to combat tax noncompliance effectively. Early scholars primarily concentrated on the economic aspect and pinpointed tax rates, penalties, and the likelihood of detection as pivotal elements influencing taxpayers' actions. Economic determinants operate on the premise that the evasion of taxes can be thwarted by penalties (Coleman et al., 2003). Allingham et al. (1972) contend that non-compliant conduct hinges on individuals' belief in the probability of detection through audits and the severity of legal sanctions imposed. Tax compliance within the self-employed sector is critical in contemporary tax systems, which includes freelancers, sole proprietors, gig workers, and independent contractors, all of whom have unique tax obligations. This academic exploration aims to delve into the significance of tax compliance among self-employed individuals, elucidating the complexities and challenges they encounter. Self-employed individuals face distinct tax responsibilities compared to conventional employees. They are typically liable for federal income tax, self-employment tax (comprising Social Security and Medicare contributions), and, depending on location, state and local taxes. A nuanced grasp of differentiating business income from personal income holds significant implications for tax treatment. Tax compliance within the self-employed sector represents a complex and indispensable aspect of modern tax systems. A thorough understanding of tax obligations, diligent record-keeping practices, and, when necessary, professional guidance are essential for achieving compliance while optimizing financial well-being. The challenges and responsibilities associated with self-employment tax compliance underscore the need for ongoing education and strategic financial planning within this demographic.

### **The level of taxpayer awareness and tax compliance**

According to the research conducted by Noldy et al. (2022), it has been argued that consciousness plays a significant role in shaping individuals' perception of reality and influencing their behavior and reactions towards that reality. Human consciousness can be defined as the state of being aware of oneself or others, encompassing both past experiences and potential future events. In the context of taxation, taxpayer knowledge refers to the state in which individual taxpayers fulfil their tax duties in line with tax rules and legislation. The promotion of tax-paying awareness is facilitated through various means, and it is crucial to highlight the three key forms of tax-paying awareness. Firstly, taxpayers can be motivated to fulfil their tax obligations when they recognize that taxation contributes to the development of a functioning society,



without imposing undue disadvantages on them. This understanding stems from the awareness that taxes are utilized to enhance the economy and strengthen the overall well-being of the nation. Secondly, taxpayers are encouraged to pay their taxes on time and reduce tax pressures, as any delays or avoidance can have detrimental effects on the availability of financial capital, hindering the country's growth. Lastly, taxpayers would most likely comply with tax obligations when they are aware that payment of taxes is grounded in clear legal foundations and is a privilege afforded to all individuals.

In a study conducted by Yayuk et al. in 2017, it was argued that consciousness entails an aspect of volition that encompasses the progression from contemplation to real-world action. On the contrary, taxpayer awareness denotes the proactive endeavor and readiness to comply with one's tax responsibilities and obligations in line with established statutes. The degree to which individuals are acquainted with, recognize, honor, and adhere to tax regulations dictates their level of taxpayer awareness. In cases where taxpayers possess restricted familiarity with tax statutes, their awareness is likely to be deficient. This deficiency in awareness can be ascribed to an inadequate grasp of the tax regulations. According to Nugroho et al. (2012), an examination was conducted on the factors impacting taxpayers' willingness to fulfil tax obligations, whereby tax payment awareness acted as an intermediary variable. The outcomes of the study disclosed that elements like comprehension and awareness of tax regulations, the caliber of tax services, and perceptions regarding the efficacy of taxation wield a noteworthy impact on taxpayers' consciousness of tax payment. Furthermore, Munari (2005) contends that taxpayers encounter awareness when they possess knowledge of tax legislations and stipulations, grasp the rationale behind remitting taxes to the government, comprehend their entitlements and responsibilities, and willingly compute, remit, and declare taxes accurately. Taxpayer awareness signifies a state in which taxpayers possess knowledge, acknowledge, respect, and comply with the applicable tax provisions, demonstrating a sincere commitment and desire to fulfil their tax obligations. Riani (2019) asserts that taxpayers' awareness stems from their understanding of the meaning, function, and purpose of paying taxes to the state. A high level of taxpayer awareness can contribute to improved tax compliance.

Siti (2017) asserted that taxpayers' awareness is a state in which taxpayers comprehend and grasp the significance, function, and purpose of paying taxes to the state. Taxpayer awareness can be observed through the seriousness and willingness of taxpayers to fulfill their tax obligations, as demonstrated by their understanding of the role of taxes and their diligence in remitting and reporting taxes. Ideally, in order to

foster tax awareness and compliance, the public must be continuously encouraged to be informed, acknowledge, respect, and adhere to the applicable tax provisions. A heightened awareness among taxpayers will result in an improved level of tax compliance.

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

### **The level of Taxpayer Attitude and Tax Compliance**

Taxpayer attitudes can be classified as either positive or negative viewpoints concerning tax compliance behavior. Positive attitudes tend to encourage voluntary compliance, whereas negative attitudes often lead to tax evasion. Furthermore, existing literature indicates that taxpayers' attitudes towards tax morality significantly impact their views on tax evasion in Malaysia. This suggests that viewing tax evasion as unethical or intolerable deters taxpayers from participating in such misconduct. Additionally, taxpayers' attitudes towards tax evasion have a notably positive influence on tax compliance behavior, as evidenced by the study of Alabede and colleagues (2011). Likewise, research carried out in Nigeria suggests that taxpayer attitudes have a substantial positive effect on compliance, as highlighted by Hidayat and team (2022). According to Hidayat et al. (2022), attitudes are reflections or responses to one's emotions towards an object, individual, location, concept, circumstance, or group, and they can be either supportive or unsupportive. Behavioral attitudes, in essence, are shaped by beliefs about the outcomes of behavior, referred to as behavioral beliefs.

Hariyono (2021) posits that the values, conduct, and cultural beliefs that parents instil in their children serve as the foundation for their subsequent development. He emphasizes the importance of understanding

attitudes, which refers to the process of evaluating an object and encompasses a set of beliefs and emotions associated with a specific subject, as well as a tendency to influence it in a particular way (Calhoun, 2006). Attitudes can be classified into two categories: behavioral beliefs, which are beliefs about the consequences of one's behavior, and behavioral belief judgments, which are judgments about the desirability of one's behavior. Attitudes represent an individual's emotional response towards a subject, reflecting satisfaction, discomfort, or neutrality, and can be perceived as evaluative reactions. They may also reflect concerns regarding the surrounding environment. The development of an attitude entails the presence of a stimulus in one's surroundings, influencing sensory experiences, followed by cognitive processing in the brain and subsequent reactions. Jayawardane et al. (2016) undertook a study aiming to pinpoint the key determinants of non-compliance and establish a link between attitudes and compliance behaviors. Within tax psychology research, the concept of tax attitude holds significant importance as it offers valuable insights into taxpayer behavior. Taxpayers may harbor either positive or negative attitudes, where a positive stance signifies a favorable evaluation of a subject and a negative one indicates an unfavorable assessment. Taxpayers exhibiting a positive attitude towards tax compliance are more inclined to adhere to regulations compared to those with a negative outlook. Conversely, individuals with a positive attitude towards tax evasion display lower compliance rates than those with a negative perspective.

Nugi (2013) asserts that tax payment stands as an unavoidable obligation for both individuals and corporate entities. Viewed as a civic duty, citizens are expected to fulfil this responsibility willingly, despite not all individuals conforming to this societal norm. Previous studies have highlighted a correlation between taxpayers' attitudes and their compliance levels, revealing that attitudes towards the tax system influence individuals' tendencies towards compliance or evasion. Nugi (2013) observed that taxpayers in Hong Kong express unfavorable views towards the tax system, resulting in decreased compliance rates. Moreover, Oriviska and Hudson (2002) delved into attitudes surrounding tax evasion and found that a considerable portion of beneficiaries implicitly support such practices. Eriksen and Fallan (1996) emphasized that attitudes towards tax evasion encompass various dimensions, such as personal tax ethics, perceptions of the tax system's fairness, views on others' tax evasion, and attitudes towards criminal activities in general (Alabede et al., 2011).

## Methodology

This study’s population includes all individual taxpayers in the southern region of Nigeria. For this study, it encompasses private entities operating in the service sector. Nigeria consists of thirty-six states, including one federal capital territory. For the purpose of this study, however, Edo state was chosen. The research design employed in the study was a survey method, which was justified due to its ability to collect data from a specific point in time. The sampling procedure employed was convenience sampling, in which taxpayers were selected randomly from different private entities operating in the state. To ensure good data collection, a sample of one hundred respondents was used in the study. The primary instrument employed for the collection of data was a questionnaire. According to Churchill (1979), no survey can be better than its questionnaire, regardless of how adequate the sample design or sophisticated the analysis may be, in order to obtain the required information from respondents conveniently. The questionnaire was prepared in English and consisted of two parts. Part one collected demographic information such as age, gender, marital status, level of education, and occupation, while part two focused on the subject matter.

## Data Analysis and Presentation

To present a comprehensive investigation and analysis of the study, data was obtained from respondents who filled out the questionnaire. The statistical package for social sciences (SPSS 24.0) software was used to analyze the variables. The results are presented in the table below.

**Table 1 Descriptive Statistics for Gender**

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	female	39	44.8	47.0	47.0
	male	44	50.6	53.0	100.0
	Total	83	95.4	100.0	
Missing	System	4	4.6		
Total		87	100.0		

Table 1 shows the descriptive statistics for the variables with respect to gender. According to the results, 39% of the respondents were female, while 44% were male. This indicates that, on average, a larger proportion of responses were from male respondents.

**Table 2: Descriptive Statistics for Marital Status**

Marital status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	62	71.3	74.7	74.7
	Married	7	8.0	8.4	83.1
	Others	13	14.9	15.7	98.8
	4	1	1.1	1.2	100.0
	Total	83	95.4	100.0	
Missing	System	4	4.6		
Total		87	100.0		

Regarding the marital status of the respondents, 62% were found to be single, 7% were married, and the remaining 13% were in other categories. This suggests that, on average, single respondents outnumber all other categories of respondents.

**Table 3: Descriptive Statistics for Education**

Education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	ND/NCE	12	13.8	14.5	14.5
	Bsc./ HND	43	49.4	51.8	66.3
	Msc/MBA	9	10.3	10.8	77.1
	Others	19	21.8	22.9	100.0
	Total	83	95.4	100.0	
Missing	System	4	4.6		
Total		87	100.0		

In terms of educational qualification, 14% of the respondents were ND/NCE holders, 49% were Bsc/HND holders, 10% were Msc/MBA holders, and the remaining 21% held degrees in other education levels.

**Table 4: Regression Analysis**

<b>Dependent Variable: TAX Com</b>				
Method: Least Squares				
Date: 09/20/23 Time: 03:40				
Sample (adjusted): 1 83				
Included observations: 83 after adjustments				
White heteroscedasticity-consistent standard errors & covariance				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
TAXK	-0.106369	0.155192	-0.685404	0.4951
ATUD	0.433509	0.123876	3.499525	0.0008
AWN	0.232142	0.118843	1.953349	0.0543
C	1.383412	0.239439	5.777728	0.0000
R-squared	0.464051	Mean dependent var	2.759036	
Adjusted R-squared	0.443698	S.D. dependent var	0.770656	
S.E. of regression	0.574799	Akaike info criterion	1.777400	
Sum squared resid	26.10112	Schwarz criterion	1.893971	
Log likelihood	-69.76210	Hannan-Quinn criter.	1.824232	
F-statistic	22.80067	Durbin-Watson stat	1.991052	
Prob(F-statistic)	0.000000	Wald F-statistic	18.76271	
Prob(Wald F-statistic)	0.000000			

Where:

*TAXK= Tax payers knowledge*

*ATUD= Tax payers attitude*

*AWN= Tax payers awareness*

The data presented in the table showcases the outcomes of a regression analysis carried out utilizing the ordinary least squares technique along with the White heteroscedasticity-consistent standard errors and

covariance degree of freedom corrector to tackle potential heteroscedasticity within the model. The findings of the analysis unveiled that there was an adverse effect of taxpayers' knowledge on tax compliance. Specifically, with each unit increment in taxpayers' knowledge, a 10% reduction in tax compliance was anticipated. Nonetheless, this association did not possess statistical significance at the 5% confidence level. Conversely, taxpayers' attitudes were observed to positively influence tax compliance. The results pointed to a 43% rise in tax compliance for each unit increase in taxpayers' attitudes, with this connection being statistically significant at the 5% confidence level. Moreover, the examination demonstrated that tax awareness had a favorable impact on tax compliance among self-employed individuals. More precisely, for each unit increase in tax awareness, a 23% increase in tax compliance was expected. This correlation also held statistical significance at the 5% confidence level. These discoveries imply that tax awareness plays a pivotal role in augmenting the effectiveness of internal audits. Additionally, the summary statistics reveal that the coefficient of determination, commonly referred to as  $R^2$ , was calculated to be 46%. This indicates that the model elucidates 46% of the systematic variance in the dependent variable, tax compliance, while the residual 54% is ascribed to the stochastic error term. The F-statistic, which assesses the overall significance of the model, produced a result of 22.8 with a corresponding probability value of 0.00, implying a high level of statistical significance for the model as a whole. Lastly, the Durbin-Watson statistics, which are designed to correct for autocorrelation, recorded a value of 1.9, indicating the absence of autocorrelation in the model.

### Diagnostic Test

**Table 5: Heteroscedasticity Test: Breusch-Pagan-Godfrey**

F-statistic	0.024761	Prob. F(3,79)	0.9947
Obs*R-squared	0.077972	Prob. Chi-Square(3)	0.9943
Scaled explained SS	0.069938	Prob. Chi-Square(3)	0.9952

To address the potential issue of heteroscedasticity, which is commonly encountered in cross-sectional data, the Breusch-Pagan Godfrey test was conducted on the residuals as a precaution. The result showed probabilities exceeding 0.05, leading us to reject the presence of heteroscedasticity in the residuals.

**Table 6: Multicollinearity Test**

<b>Variance Inflation Factors</b>			
Date: 09/20/23 Time: 03:53			
Sample: 1 84			
Included observations: 83			
Variable	Coefficient Variance	Uncentered VIF	Centered VIF
TAXK	0.024085	42.35110	3.111641
ATUD	0.015345	24.61760	2.889805
AWN	0.014124	28.36028	2.525048
C	0.057331	14.42487	NA

The variance inflation factor (VIF) is used to test for the presence of multicollinearity. Given that the VIF value is below 10 as a rule of thumb, it indicates that there is no multicollinearity in the variables used for the study.

**Table 7: Reliability Test**

<b>Case Processing Summary</b>			
		N	%
Cases	Valid	79	90.8
	Excluded <sup>a</sup>	8	9.2
	Total	87	100.0

a. Listwise deletion based on all variables in the procedure.

The internal reliability associated with the scores obtained from the tool of measurement (questionnaire) or composite score is estimated at 64%, which indicates that 64% of the variance in the score is considered to be internally consistent.



## **Discussion of Findings**

Tax knowledge is seen to exhibit an inverse association with tax compliance, suggesting that individuals or businesses with a comprehensive understanding of tax regulations tend to exhibit reduced levels of compliance. This discovery indicates that individuals well-versed in tax matters may be more inclined to participate in tax evasion or avoidance. However, this result contradicts earlier research outcomes, as some studies have identified a positive connection between tax knowledge and compliance. This disparity could be attributed to knowledgeable taxpayers exploiting loopholes or employing more intricate tax planning techniques. Conversely, a positive correlation has been established between taxpayer outlook and tax compliance, indicating that individuals with a favourable perception of taxation are more inclined to adhere to tax laws. A positive attitude towards taxation may stem from a willingness to contribute to public services, a perception of equity within the tax structure, or a belief in the significance of taxation for societal welfare. This discovery is consistent with prior studies that have showed the existence of a positive relationship between favourable attitudes towards taxation and heightened tax compliance. When individuals consider tax payment as a civic responsibility and essential for societal operation, they demonstrate a greater propensity to comply voluntarily. This observation correlates with research highlighting a negative association between ethnicity and tax compliance, suggesting that ethnicity can impact attitudes towards taxation, subsequently influencing compliance. Nonetheless, this discovery lacks specificity concerning the exact nature of this relationship.

Governments can benefit significantly from recognizing the interplay between taxpayer attitudes and compliance. By implementing communication strategies that emphasize the role of taxes in funding public goods and services, positive attitudes can be nurtured. Additionally, enhancing transparency and efficiency in tax systems can cultivate trust and improve taxpayers' attitudes. The research findings demonstrated a favourable relationship between tax awareness and compliance, indicating that individuals with a profound comprehension of their tax duties are inclined to adhere to tax policies. Tax awareness includes knowledge of filing deadlines, understanding deductions, and awareness of the consequences of noncompliance. This result is in line with previous researches that revealed positive link between tax awareness and compliance. Informed taxpayers are better prepared to fulfil their tax duties. However, it is essential to consider the specific context, sample size, and methodology of this study when interpreting these findings. Furthermore, tax compliance is a multifaceted behaviour influenced by various factors; hence, these relationships may not be universally applicable to all populations and circumstances.

## Conclusions and Recommendations

The main objective of this research was to investigate the relationship that exist between the level of taxpayer knowledge and voluntary tax adherence among self-employed individuals in Edo state through the utilization of a least squares regression analysis. Following adjustments, data from 83 observations was collected and examined, with the application of White heteroscedasticity-consistent standard errors and covariance. The outcomes of the investigation indicate that tax inspections have a pivotal role in fostering voluntary tax compliance among self-employed individuals in Edo state. Nevertheless, the research uncovered that both taxpayer knowledge and income level, which were integrated into the model, did not display a significant correlation with voluntary tax compliance within this specific sample. This suggests that tax authorities in Edo might need to prioritize audit-driven enforcement strategies to boost tax adherence in this demographic, while also taking into account the potential influence of taxpayer education and income levels as supplementary variables. Subsequent studies with a broader and more varied sample size may be imperative to authenticate these results and delve into additional determinants that impact tax compliance among self-employed individuals in Edo state.

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