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Taxpayers Education and Tax Compliance in Lagos State

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Abstract

This study examines the relationship between taxpayer education and tax compliance in Lagos State, Nigeria. A cross sectional survey was conducted on a sample of individual taxpayers in Lagos State. Primary data was collected using a questionnaire with a five-point Likert scale. The sample was 400 individual taxpayers that were purposively selected. The data collected was presented with the use of descriptive statistics, while both simple linear regression and multiple regression were used in the estimation of the regression models developed for the study. The results from the analyses revealed that taxpayer education has a significant, positive effect on tax compliance. The study, therefore, recommends that the Lagos State government should improve on its taxpayer education programme, by putting in place adequate policies and machinery to promote taxpayer education in order to better enlighten taxpayers and ultimately improve tax compliance and hence its internally generated revenue.

Keywords: *Taxpayer Education, Tax Compliance, Taxpayer, Internally Generated Revenue, Lagos State*

1. Introduction

In the quest to raise funds to finance the various projects that states in Nigeria hope to execute for the benefit of the citizenry, state governments have had to depend on funds generated internally within the states in addition to their share from the Federation Account. The revenue generated within the states is referred to as internally generated revenue (IGR), and it consists of both tax and non-tax revenue. In the face of dwindling oil prices, the allocation from the Federation Account has continued to fall, thereby causing state governments to place emphasis on other sources of funding. To reduce dependence on federal allocation, a number of states of the federation are looking inwards towards the improvement of their IGRs. Lagos State, which is considered the commercial nerve centre of the Nigerian economy, has however been leading the pack along this line in recent years. Central Bank of Nigeria (CBN) (2011) reported that Lagos Sate generated 54.9% of her revenue from IGR in 2011. The Lagos State government like many other governments locally and internationally depend on taxes as a major revenue earner.

The presence of the headquarters of many corporations, side by side with the existence of a thriving sea port, as well as the fact that it was once the nation's capital; all contribute towards giving Lagos its status in the Nigerian economy. A network of infrastructures were built in Lagos State prior to independence in 1960 and within the next three decades, after independence, in which Lagos remained the capital of Nigeria. However, as a result of aging (depreciation) and the massive influx of people into Lagos State from all over the country, over the years, these infrastructures are failing faster than they can be and are being replaced. The population of Lagos State has risen from about 7.9 million as estimated in the 1990 census to over 9 million in the 2006 census; but the present estimated population is about twenty million people (Shodade, 2012). This further compounds the problem of dilapidating infrastructures in the state, and it underscores the need for the state government to seek funds in addition to its share from the federation account. Consequently, this has brought about a situation where the government of Lagos is doing all it can to improve its IGR, particularly the tax revenue, in order to discharge its responsibilities to the people. Improving tax revenue for any government comes side by side with the responsibility of improving compliance by taxpayers. Generally, in Nigeria, the kind of compliance that is encouraged is voluntary compliance; this is because by reason of the law, individual taxpayers are expected to file their tax returns and make adequate payments as and when due. Enforcement only comes into play if and when taxpayers fail to file their tax returns and make the appropriate payments as expected. There appears however to a serious case of noncompliance (tax evasion) across the nation (Adebisi & Gbegi, 2013), Lagos State inclusive.

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A number of authors have conducted various researches on tax compliance and the factors influencing tax compliance in the international arena (Allingham & Sandmo, 1972; Torgler, 2003; Chau and Leung, 2009; Misra, 2004; Kasipillai & Abdul Jabbar, 2006; Palil & Mustapha, 2011). In Nigeria, there are quite a number of literature explaining the concept of tax compliance and the factors affecting it (Alabede, Ariffin & Idris, 2011a), and some even proposed a model (Alabede, Ariffin & Idris, 2011b). A couple of the literature on ground proposed a comprehensive model, which supposedly identifies most of the factors and variables that affect tax compliance, while some tried to expand or refine previously established model like the Fischer's model (Alabede et al., 2011; Chau & Leung, 2009). In spite of all these, very little is known about the impact of taxpayer education on tax compliance in Nigeria, and Lagos State in particular. Furthermore, Alm (1999) argued that no single model can account for the enormous factors influencing tax compliance decision. Hence it makes a lot of sense to focus on one factor or a few factors for proper analysis. This is the view of Barbuta-Misu (2011), who holds that most studies pay attention on just one or several factors to permit rigorous analysis. Therefore, an empirical study is considered necessary to evaluate the relationship between taxpayer education and tax compliance. This study is designed to examine taxpayer education as an important factor in responding to the challenge of tax non-compliance in Lagos State, Nigeria as a whole.

This paper is organised into four further sections. The next section considers the review of relevant literature on tax compliance, while the third section presents the research methods. The fourth section presents the results of the analysis carried out and discussion of findings, while the final section presents the conclusion and recommendations.

2. Literature Review

2.1 Tax Compliance and Non-Compliance

Jackson and Milliron (1986) defined tax compliance as the reporting of all incomes and payment of all taxes by fulfilling the provisions of laws, regulations and court judgments (as cited in Palil & Mustapha, 2011). According to Organisation for Economic Cooperation and Development, OECD (2008), there are four key compliance obligations, which include registering for tax purposes; filing tax returns on time (i.e. by the date stipulated in the law); correct reporting of tax liabilities; and paying taxes on time (i.e. by the date stipulated in the law). James and Alley (2004), however, view tax compliance as the willingness of individual and other taxable entities to act in accordance within the spirit as well as the letter of tax law and administration without the application of enforcement activity. James and Alley (2004) further placed emphasis on the 'spirit' and not just the letter of the law; as well as pointing out that compliance ought to be voluntary, rather than enforced action. From these definitions, it is obvious that tax compliance is necessarily a thing of the law, and can be enforced by the law. This is so because the tax laws define and form the basis upon which taxes will be paid. The tax laws, together with the tax policy and tax administration make up the tax system, which is established as government's tool to enhance, and enforce the payment and collection of tax in a given society. Despite this, however, tax non-compliance is in fact a pervasive phenomenon in all societies and economic systems; including both developed and developing countries (Ahmed, 2004; Chau and Leung, 2009), and Nigeria is not an exception.

Given that tax compliance is the willingness of individual and other taxable entities to act in accordance within the spirit as well as the letter of tax law and administration without the application of enforcement activity (James & Alley, 2004), tax non-compliance can be considered as the unwillingness or failure of individual and other entities to act in accordance within the spirit and the letter of tax law and administration. By this definition, it is inferred that if a taxpayer complies with the tax laws as a result of enforcement activity then such a taxpayer is guilty of tax non-compliance. However, McBarnett (2003) identified three (3) forms of compliance: committed compliance, capitulative compliance and creative compliance, and suggested that enforced or reluctant compliance is still compliance. OECD (2008), however, made an important distinction between committed (voluntary) compliance and capitulative (enforced) compliance, by noting that in a tax administration context, enforced compliance has a cost, and very often a significant one. Committed compliance refers to the readiness of a taxpayer to abide by the tax laws and make tax payments as and when due without complaining; capitulative compliance refers to the hesitant discharging of tax obligation by taxpayer; while creative compliance is the organising of the taxpayer's affairs to reduce overall taxes by redefining income and deductible expenditure within the confines of the law (Alabede et al., 2011a).

Alabede et al. (2011a) stated that non-compliance with tax laws comes in two forms which are intentional non-compliance and unintentional non-compliance. Intentional non-compliance is a deliberate move by a taxpayer to understate income, overstate expenses, misinform tax authorities, or fail to file tax return as and when due. Unintentional non-compliance occurs when the taxpayer has failed to rightly file tax returns and make tax payment as a result of ignorance, oversight or mistake. The key distinction is a question of whether or not the behaviour was deliberate. Therefore, a situation where the taxpayer deliberately undermines the tax laws for his personal gains is distinguished from a case where non-compliance is as a result of ignorance, oversight or mistake in applying tax laws. It must however be stated that whether or not non-compliance is intentional, it remains unlawful as there is no ignorance in law. In law, both intentional and unintentional non-compliance are referred to as tax evasion which is a crime. A concept closely related to tax evasion is the concept of tax avoidance which, according to McBarnett (2003), can be referred to as creative compliance. These two concepts are discussed below:

2.2 Tax Avoidance and Tax Evasion

The concepts of tax evasion and tax avoidance are often used in the tax compliance and non-compliance context (OECD, 2008). Abdulrazaq (1992) noted that these concepts can be considered from various perspectives such as the legal, ethical, and economical perspectives (as cited in Otusanya, 2010). By their legal nature, tax evasion and tax avoidance do not mean the same thing. Although they have some things in common, tax evasion and tax avoidance as viewed from the perspective of the law have different meanings and different implications. Economically, tax evasion and tax avoidance have something in common in that they have the same impact of reducing the overall revenue accruable to the government through taxation. Another similarity between tax evasion and tax avoidance is the fact that they are both motivated by the desire of the taxpayer to reduce his outlay, as far as tax payment is concerned. If reduction in tax liability is the goal, then both tax evasion and tax avoidance could be a means to that end; though with different implications. It has therefore been argued that both tax evasion and tax avoidance represent particular types of non-compliance behaviour that contribute to the total revenue leakage (OECD, 2008; Otusanya, Arowomole, & Adeyeye, 2013).

2.3 Factors Affecting Tax Compliance

Becker (1968) laid the foundation for academic discourse on the subject of compliance and non-compliance when he submitted that optimal policies (punishments, which serve as a form of deterrence) to combat illegal behaviour (non-compliance with established laws) are part of an optimal allocation of resources. Allingham and Sandmo (1972), in building upon the work of Becker (1968) and relating it to income tax evasion, posited that tax rates, penalty as well as probability of being detected would go a long way in influencing compliance. Their submission on the issue of tax compliance have however been criticised for not being comprehensive enough, as it considers only economic factors. Jackson and Milliron (1986), as cited in Chau and Leung (2009), identified fourteen (14) important factors that have to do with the subject of tax compliance, while Fischer, Wartick and Mark (1992) classified the factors into four categories, namely: demographic: age, gender and education; non-compliance opportunity: income level, income source and occupation; attitudes and perceptions: fairness of the tax system and peer influence; and tax system/structure: complexity of the tax system, probability of detection, penalties and tax rates.

Chau and Leung (2009) observed that the model suggested by Fischer et al. (1992) had some gaps and hence incorporated an important environmental factor: culture and the interaction effect between non-compliance opportunity and tax system/structure on tax compliance. They posited that culture is a powerful environmental factor that affects the taxpayer's compliance; claiming that different social norms and ethical values will create different incentives for tax compliance. Blanthorne and Kaplan (2008), as cited in Chau and Leung (2009), contended that ethical values influenced by social norms may prohibit taxpayers from engaging in tax evasion. On the issue of the interaction effect between non-compliance opportunity and tax system/structure on tax compliance, they considered income level (non-compliance opportunity) and tax rate (tax system/structure) and submitted that when these two factors are considered together as one (instead of two distinct factors) they have a much greater influence on tax compliance than any of them could have, standing alone.

In proposing a tax compliance model for Nigeria, Alabede et al. (2011a) expanded the Fischer's model by including perceived tax service quality, public governance quality as well as moderating effect of personal financial condition and risk preference. The concept of public governance quality takes into cognisance the benefits derivable by taxpayers as a result of tax payments, in a 'quid pro quo' tax arrangement. The perceived tax service quality considers the way and manner taxpayers are treated and responded to by the tax offices and officials. Similarly, in respect of service quality, Feld and Frey (2003) argued that a respectful treatment of taxpayers supports and possibly even raises tax morale. Barbuta-Misu (2011) categorised factors affecting tax compliance into economic and non-economic factors. The economic factors include level of actual income, tax rate, fines, audit probabilities, tax benefits, tax audit, and penalties; while the non-economic factors include attitudes towards taxes, personal, social and national norms, as well as perceived fairness of tax system. This is in agreement with the findings of several other authors (Allingham & Sandmo, 1972; Fischer et al., 1992; Chau & Leung, 2009; Feld & Frey, 2003).

Demographic Factors

Demographic factors include age, gender and education. Chau and Leung (2009) noted that the Fischer model suggests that demographic variables affect taxpayer compliance indirectly by their influences on non-compliance opportunities and attitudes and perceptions. This implies that age, gender and education have a direct influence on income level, income source and occupation, as well as on perceptions of fairness of the tax system and peer influence; these in turn shapes taxpayer compliance. Specifically on the issue of gender differences in tax compliance there are mixed results: while some report no significant differences (Kasipillai & Abdul Jabar, 2006), others have reported some form of differences (Baldry, 1987; Houston & Tran, 2001 as cited in Chau & Leung, 2009).

Non-compliance opportunity

Non-compliance opportunity refers to the economic factors, which include income level, income source and occupation. The Fischer model proposed that non-compliance opportunity (income level, income source and occupation) affect tax compliance directly, as well as indirectly through attitudes and perceptions (Chau & Leung, 2009). This evidence reveals that the relationship between non-compliance opportunity and tax compliance is in two different ways. Directly, the level of income available to a taxpayer; the source of such income and his occupation have been found to influence his willingness to comply with tax payment. Indirectly, these factors influence the taxpayer's perception of the tax system and affect his attitude as well; these in turn influence tax compliance. While the source of income refers to the relative ease with which taxpayers got their income (whether with little or much hard work), Kirchler, Muehlbacher, Kastlunger and Wahl (2007) submitted that taxpayers were less compliant when they reported income earned relatively easily than when they reported hard-earned income, and that taxpayers are reluctant to lose their hard-earned money by getting into avoidable squabbles (gambling) with tax authorities. On the relationship between income effects (source, level, or occupation) and tax compliance, Kichler et al, (2007) held that definite conclusions cannot be drawn, as there are inconsistent and ambiguous results.

Attitudes and Perceptions

Attitudes represent the positive and negative evaluations that an individual holds or have of things, which encourage individuals to act according to them (Barbuta-Misu, 2011). Torgler and Schneider (2005) held that attitudes can also be referred to as tax morale, or the intrinsic motivation to pay taxes. Barbuta-Misu, (2011) submitted that positive attitudes will lead to trust in authorities and hence will enhance voluntary tax compliance. Ahmed (2004) held that high economic freedom, important equity market, effective competition laws and low serious crime rate contribute to boosting tax morale (attitudes and perceptions towards tax compliance), which in turn serves as a strong deterrent to tax evasion. This implies that attitudes and perceptions, if positive, can influence tax compliance.

2.4 Role of Taxpayer Education in Voluntary Compliance

Education, when viewed as a demographic factor, refers to the general knowledge possessed by the taxpayer. It highlights the taxpayer's capability to understand, basically, what the tax laws are saying and to be able to abide by such laws as a result of such basic understanding. For a taxpayer to hand over his hard earned money willingly, it is important that he understands why he ought to be doing so. Taxpayer education, however, goes beyond education as a demographic factor, because it provides comprehensive tax education and information that promotes partnership and voluntary compliance with the objective of maximizing revenue collection for national growth and development. Voluntary compliance will appear to do the state government a lot of good with respect to the volume of revenue generated from taxation.

According to Misra (2004), the objectives of taxpayer education are to support the revenue service in achieving their collective business objectives; provide the key interface between revenue service and taxpayers by means of education and information access; and to optimize the use of educational resources to build a culture of compliance, awareness, service and responsible taxpayer empowerment.

Tax education involves any informal or formal programme put together by the tax authority, government or other agencies by which to encourage taxpayers in filing tax returns correctly and also to cultivate awareness of their responsibilities in respect of the tax system (Mckerchar, 2007 as cited in Palil, 2010). Such programmes can become important instruments in encouraging taxpayers to comply voluntarily with tax laws and also serve as a means of reaching out to taxpayers in order to properly educate and inform them on all that has to do with taxation and tax payment.

According to United Nations (2000), effective taxpayer services include the development of educational programmes to inform existing and potential taxpayers. Also, United Nations (2000) held that it might be desirable to organise broad education campaigns to explain taxpayers' rights and obligations, the rationale to pay taxes, the way in which tax revenues are spent and benefits taxpayers derive from government spending. According to Misra (2004) this is because many taxpayers become defiant, demotivated and disillusioned because of their lack of understanding of the tax obligations imposed on them. Hence, the primary reason taxpayer education exists is to encourage voluntary compliance (Misra, 2004).

2.5 Taxpayer Education in Nigeria

The Federal Inland Revenue Service (FIRS) is the authority charged with tax administration at the federal level for the federal government in Nigeria. In its attempt to increase revenue from taxes, the FIRS has been taking some form of deliberate actions not only to inform taxpayers, but also to educate them in order to stimulate tax compliance. The Organisation for Economic Co-operation and Development (OECD) (2013) observed that in spite of the fact that the FIRS does not have a unit specially dedicated to taxpayer education, the FIRS carries on taxpayer education activities through its Communications Department. The key activities delivered for tax education purposes include radio programmes in various languages, television programmes (including soap operas), newspaper articles, advertising campaigns, seminars and workshops for taxpayers (OECD, 2013). Strategies of the sort described above are not employed only by the FIRS or the federal government. States across the federation, especially in the South-West and particularly Lagos State, are also involved in taxpayer education drives in order to encourage compliance from taxpayers and thereby improve their Internally Generated Revenue.

Taxpayer Education in Lagos State, Nigeria

The Lagos State government appears to have been doing a lot with respect to various campaigns targeted at individual taxpayers, by way of (informal) education and information. These campaigns have been aired over TV and radio stations as well as the print media; and in other forms of adverts on buses, and taxis within the metropolis. More importantly these campaigns are taken to sites of any major construction works being undertaken by the government. Like Olowookere & Fasina (2013) observed that these campaigns include messages like, 'secure, safe, beautiful state with adequate social amenities, job opportunities and empowerment programmes. This is only possible when you pay your tax;' 'Tax: it is your duty, it is your civic responsibility, and it is the law.' Other tax education campaign messages adopted by the state government include: 'pay your tax: together we paint a beautiful picture;' '... Taxes are a tool of government. If you give us the tool, we will deliver.' All these are evidence of a deliberate and aggressive taxpayer education campaign by the Lagos State government.

The intention of the Lagos State government in embarking on taxpayer education drives of the sort described through the Lagos Internal Revenue Service (LIRS) is to make a direct connection between taxes collected from taxpayers and the overall development of the state. In other words, this strategy is an attempt to link taxes directly to the benefits accruable to the residents (taxpayers) in Lagos State. By virtue of connecting tax payment to visible developments (infrastructural and otherwise), the Lagos State government attempts to gain the confidence of the citizenry. This presents the government as partners that can be trusted (with proper utilisation of tax collected), rather than as task masters who cannot and should not be trusted. Furthermore, by all these, the taxpayer education drive intends to present the idea of tax payment by residents as fair and reasonable. Following from the foregoing, this study proposes the following hypothesis:

***(H0)** taxpayer education does not significantly influence tax compliance.*

3. Research Methods

For the purpose of this study, survey strategy was employed. This is because survey enables the collection of quantitative data, which can be analysed quantitatively by employing descriptive and inferential statistics; also it can be used to suggest the likely reasons for particular relationships between variables and to create models of such relationships (Saunders, Lewis & Thornhill, 2009). The population of this study consists of four million two hundred and sixteen thousand seven hundred and fifty one (4,216,751) individual taxpayers in Lagos State (Shodipo, 2014). The population includes individuals who are business owners, artisans, traders, as well as individuals who may be employed and yet have their personal businesses. The study used a sample size of four hundred (400), which was determined with the Yamane (1967) sample formula: n=N/((1+Ne^2)). Where 'n' is sample size, 'N' is population size (4,216,751) and 'e' is error limit (5%). The formula has been employed by a number of researchers in previous studies (Ibikunle & Onuegbu, 2009; Obasi & Ekwueme, 2011; and Onwuka, 2011).

A purposive sampling technique was employed so as to ensure that the respondents can read and write and that they are also those who are not taxed only under the 'pay as you earn' system. Given the fact that the population is not homogenous, since it includes various classes of people (employed, self-employed, unemployed, skilled, unskilled traders, and artisans), a stratified sampling technique was also used, so as to ensure that the sample is representative of the population. Primary data was collected, to enable the study draw empirical evidence from the population, with the use of a structured questionnaire. The questionnaire contained closed ended questions as well as statements designed on a five point Likert scale: ranging from 'strongly agree' to 'strongly disagree.' A total of 400 copies of the questionnaire were given out to respondents across various local governments in Lagos State; only 351 were returned and only 348 were usable, giving a usable response rate of 87%.

3.1 Measurements of Concepts

The demographic variables, which are introduced as control variables, were measured using dummy coding. Dummy variables were created across each of gender, education, occupation, income source, income level, tribe and religion. The number of variables created depended on the number of groups within each category (number of groups less one). Taxpayer education (TE) was measured with six items, while tax compliance was measured with two items selected from those used by Verboon and Van Dijke (2007) with slight modifications. Respondents were asked to respond to the extent to which they agree with the following: 'I would surely declare my cash incomes to the tax authorities' and 'when I'm called upon to pay my tax, I will oblige.' The measurements were done on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree). From the items relating to each of the main variables (taxpayer education and tax compliance), factor scores were extracted using Factor Analysis (Principal Component Method). The option was set to extract one factor each from the various items relating to each of the variables. The factor scores generated were used for the purpose of the analysis.

3.2 Statistical Tools

Descriptive and inferential statistical tools were employed in the presentation and analysis of the data gathered from the survey conducted. While the frequency tables were used to present the data gathered in summary, simple regression and multiple regressions were used to determine if any relationship exists between the variables as stated in the research questions, and also to analyse the nature and extent of such relationships. Regression was chosen as it is a technique that has been used in previous studies (Ahmed, 2004; Verboon and Van Dijke, 2007; Palil and Mustapha, 2011; and Alabede et al. 2011b). The statistical tools were accessed via the statistical package for social sciences (SPSS Version 17). The models advanced in order to test the hypothesis are:

$$TC = \beta_0 + \beta_1 TE + \varepsilon \qquad \text{I}$$

$$TC = \beta_0 + \beta_1 Gender + \beta_2 AGE + \beta_3 EDU + \beta_4 OCC + \beta_5 IS + \beta_6 IL + \beta_7 Tribe + \beta_8 Rel + \beta_9 TE + \varepsilon \qquad \text{II}$$

Where TE is taxpayer education and TC is tax compliance. Furthermore, Gender, AGE, EDU, OCC, IS, IL, Tribe, and Rel represent the demographic factors of gender, age, educational qualification, occupation (professionalism), income source, income level, tribe and religion of the respondents respectively. β_0 represents the intercept, while β_1 to β_9 represent the coefficients; and ε is the error.

4. Results

The results of the data analysis are presented in this section. The first sub-section shows the respondents' demographic data, the next subsection is the presentation of the descriptive statistics of the data collected, which is followed by the hypothesis testing. The section closes with the discussion of findings.

4.1 Respondents' Demographic Data

The demographic information of the respondents is presented in Table 1, and it shows that 53.1% of the respondents were male, while 46.9% were females. This implies that both genders were nearly equally represented. Of the four (4) age groups available, respondents between 18 and 30 years constituted the majority, representing 35.8%; respondents from 31 to 40 years were 33.5%, while 30.7% were above 40 years old. This is expected, as the majority of the active workforce of Nigeria is between the ages of 18 and 60. With respect to education, 54.3% of the respondents have some form of education beyond secondary school, while only 45.7% were educated only as far as secondary school. This reflects the point that only respondents who can read and write were considered for the study. The respondents that are professionally qualified accounted for 45.3%, leaving 54.7% as non-professionals. This implies that a majority of the respondents are non-professionals, but day-to-day individuals in various walks of life. Also, only 11.5% of the respondents reported sourcing their income from the public sector, while the majority representing 88.5% made their income from the private sector or as sole-proprietors. This is a reflection of the fact that the study is targeted at taxpayers in the informal sector. Amongst the respondents, only 15% believed they were high-income earners, leaving 85% of the respondents as either low or medium income earners. Furthermore, Table 1 reveals that 54.8% of the respondents were Yoruba, while only 11.8% are from the minority tribes. On religion, 73.6% of the respondents were Christians, leaving only about 26.4% who were either adherents of Islam or other religions. This shows that although all religions are represented, majority of the respondents included in the study are Christians.

Table 1: Demographic Information of Respondents

Category	*Frequency*	Percentage (%)
Gender		
Male	181	53.1
Female	160	46.9
Age		
18-30 years	124	35.8
31-40 years	*116*	33.5
41-50 years	76	22.0
Over 50 years	30	8.7
Education		
Primary	47	14.0
Secondary	106	31.7
Tertiary	182	54.3
Occupation		
Professional	154	45.3
Non-professional	186	54.7
Source of Income		
Public Sector	39	11.5
Private Sector	102	30.0
Sole Proprietorship	199	58.5
Level of Income		
Low Income	149	43.7
Middle Income	141	41.3
High Income	51	15.0
Tribe		
Hausa	16	4.6
Igbo	100	28.8
Yoruba	190	54.8
Others	41	11.8
Religion		
Christianity	251	73.6
Islam	82	24.0
Others	8	2.3

4.2 Descriptive Statistics

Taxpayer Education: Table 2 shows the descriptive statistics for the variable Taxpayer education (TE), which was measured with six (6) items. 96.2% of the respondents agreed that tax payment is backed by the law and should be obeyed. In addition 94.5% of the respondents noted that they understand the importance of paying their tax, while 94.8% agreed that tax payment is their civic responsibility. These results are expected as accepting tax to be a matter of the law (since the law compels that individuals pay tax), which should be obeyed, and seeing it as a civic responsibility are natural results from having an understanding that tax payment is important. Furthermore, of the respondents, only a minority (14.2%) disagreed that they have an idea of how to go about paying their tax, with 75.4% of the respondents agreeing. Similarly, 16.4% of the respondents disagreed with the view that when they don't pay their tax they defraud the State, with 69.4% of the respondents agreeing that such actions amounted to defrauding the State. 60.2% of the respondents agree that they will be punished if they don't pay their tax; 15% were undecided, while 24.8% disagreed with the view: reflecting some degree of laxity with respect to the enforcement of tax laws. The general pattern of the responses shows the extent of the respondents' knowledge of tax related matters.

Table 2: Taxpayer education (TE)

Statement	SA/Agree Freq. (%)	Undecided Freq. (%)	SD/Disagree Freq. (%)
Tax payment is a matter of the law and should be obeyed	333 (96.2)	10 (2.9)	3 (0.9)
I have an idea of how to go about paying my tax	260 (75.4)	36 (10.4)	49 (14.2)
I understand that it is important to pay my tax	327 (94.5)	12 (3.5)	7 (2.0)
Tax payment is my civic responsibility	329 (94.8)	8 (2.3)	10 (2.9)
When I don't pay tax I defraud Lagos state	241 (69.4)	49 (14.1)	57 (16.4)
If I don't pay my tax I will be punished	209 (60.2)	52 (15.0)	86 (24.8)

Taxpayer's Compliance: The descriptive statistics for the respondent's compliance with tax laws is documented in Table 3. Less than half of the respondents (49.1%) agreed that they would declare and report their cash incomes (an element of tax compliance), while 23.3% disagreed with the view, leaving 27.6% of the respondents undecided. Also, 83.6% of the respondents agreed that they will pay their tax if called upon to do so, while only 6.6% disagreed with the view. However, 59.2% of the respondents admitted that they may choose not to declare their income under certain circumstances while only 18.4% disagreed with the view. Similarly, 46.1% of the respondents agreed that they feel like not declaring their income while 30.1% of the respondents disagreed with this view. These results reveal that while majority of the respondents are willing to comply with tax laws in reporting their incomes and paying their taxes, a reasonable amount will choose not to do so if the opportunity presents itself. For the purpose of analysis, only items TC1 and TC4 were used.

Table 3: Tax Compliance (TC)

Statement	SA/Agree Freq. (%)	Undecided Freq. (%)	SD/Disagree Freq. (%)
I would surely declare my cash incomes to the tax authorities (TC1)	169 (49.1)	95 (27.6)	80 (23.3)
Under certain circumstances I may choose not to declare my income (TC2)	206 (59.2)	78 (22.4)	64 (18.4)
I feel like not declaring my income (TC3)	159 (46.1)	82 (23.8)	84 (30.1)
When I'm called upon to pay my tax I will oblige**(**TC4**)**	290 (83.6)	34 (9.8)	23 (6.6)

4.3 Hypothesis Testing

For testing the hypothesis, simple regression and multiple regression were adopted. Tax Compliance (dependent variable) was regressed against Taxpayer Education (Independent variable). The result of the simple regression conducted to test the hypothesis is shown in Table 4. The hypothesis says:

H_0: There is no significant relationship between taxpayer education and tax compliance.

Table 4: The effect of Taxpayers Education on Tax Compliance

	Dependent Variable (Tax Compliance)
Constant	0.005 (0.102)
Taxpayer education	0.269 (5.081)**
R^2	0.072
Adjusted R^2	0.069
F	25.815**
Durbin-Watson	1.556

The *t*-statistics are in parenthesis. Significance, ** at 0.01 level; * at 0.05 level

Table 4 reveals that there is a significant relationship between taxpayer education and tax compliance (F=25.815, p<0.05). Hence H_0 (that there is no significant relationship between taxpayer education and tax compliance) is rejected. The result also shows that the relationship between taxpayer education and tax compliance is a positive one, and is significant at the 0.01 level (b=0.269, t=5.081, p<0.05). The model however, shows that only 7.2% of the variability in tax compliance can be explained by taxpayer education. With the control variables included, the result of the multiple regression is shown in Table 5 below.

Table 5: Regression: Determinants of Taxpayer's Compliance

	Dependent Variable (Tax Compliance)
Constant	-0.094 (-0.319)
Gender	
Male	-0.224 (-2.122)*
Age	0.255 (4.336)**
Education	
Secondary	-0.235 (-1.440)
Tertiary	0.051 (0.321)
Occupation	
Professional	-0.171 (-1.445)
Source of Income	
Sole Proprietorship	0.172 (1.359)
Level of Income	
High Income	-0.191 (-1.709)
Tribe	
Hausa	-0.204 (-0.799)
Yoruba	0.118 (0.970)
Religion	
Christianity	-0.211 (-0.788)
Islam	-0.136 (-0.483)
Taxpayer education	0.244 (4.584)**
R^2	0.168
Adjusted R^2	0.136
F	5.352**
Durbin-Watson	1.719

The *t*-statistics are in parenthesis. Significance, ** at 0.01 level; * at 0.05 level

Table 5 shows the result of the final model, which takes into cognizance all the demographic information collected from the respondents, as well as taxpayer education as measured by the researcher. The result shows that taxpayer education has a positive and significant impact on tax compliance (t=0.224; p<0.05). The model accounts for 16.8% of the variability in tax compliance. This represents a significant improvement from the 7.2% from the simple regression in Table 4. With respect to assumptions for multiple regression, the dependent and independent variables are quantitative and categorical. Also, the assumptions of no multicollinearity and homoscedasticity are intact. The Durbin-Watson statistics value of 1.719 shows that the assumption of independent errors is intact as well.

5. Discussion, Conclusion and Recommendations

This research provides evidence that taxpayer education has a positive impact on tax compliance. This is in tandem with the findings of Olowookere and Fasina (2013), which provided empirical evidence that taxpayer education influences taxpayer's (voluntary) compliance. Also, this finding supports the claim of Misra (2004) that the primary reason taxpayer education exists is to encourage voluntary compliance. Taxpayer education appears to affect how the individual taxpayer views taxation and the tax system, and therefore influences his belief and values about taxation and the tax system. Hence it influences, eventually, the way he acts and responds to tax related matters; and encourages him to comply with the tax laws. This is the ultimate end sought by the State government in embarking on the various taxpayer education strategies highlighted earlier on. The intention of the State government is not to influence the thinking of taxpayers for the sake of it; but to through such influence, come to the point where taxpayers respond by complying with tax laws and paying their tax as and when due.

Following from the findings of this research that taxpayer education significantly influences tax compliance, it implies that the efforts and resources expended by the State government to encourage tax compliant residents to continue paying; and to dissuade the tax non-compliant residents from continuing not to pay are yielding good fruits. The ultimate end sought by the State government is to bring the residents of the State who are within the taxpaying bracket to comply with the existing tax laws, and thereby improve the position of its IGR. Taxpayer education could be very influential in helping to achieve this goal voluntarily, without the need for much enforcement. In the light of the findings and conclusions from this research, it is recommended that the Lagos State government, as a policy maker, should follow up and improve on its taxpayer education programme, by putting in place adequate policies and machinery to promote taxpayer education further in order to enhance enlightenment of taxpayers and improve their compliance to tax laws. This is particularly to address taxpayers in the informal sector, who are not captured under the PAYE system. Given the fact that majority of the States in Nigeria tend to be over dependent on funding from the Federal government through monthly allocations, other state governments should adopt aggressive taxpayer education, like Lagos State, as a means to driving up their tax revenue and to boost their Internally Generated Revenue.

A primary limitation of this study is that the respondents considered in this research were those who could, at least, read and write; consequently excluding some individual taxpayers in Lagos State who may be unable to read and write. This could represent a bias in sampling. Also, the responses given by the respondents could not be verified from centrally available data. This is particularly with respect to the demographic information of the research survey. Hence, further studies may consider using data collected by government on taxpayers, if they are accessible, rather than depending only on unverifiable views of taxpayers. Furthermore, in order to elicit responses from a wider audience and, perhaps, make the research more representative of the population, future studies should consider and include individuals who are not literate as well.

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