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TAXPAYERS SERVICE DELIVERY AND VOLUNTARY TAX COMPLIANCE

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Abstract

Improving voluntary compliance of taxpayers is a major concern for governments all over the world. In Nigeria, government has employed certain tools in form of service delivery, in order to achieve voluntary compliance among taxpayers. This paper therefore investigated the taxpayers' service delivery and voluntary tax compliance among small and medium scale enterprises (SMEs) in Ondo State, Nigeria. The study employs the survey research design through the use of primary data source by the distribution of a likert-scale questionnaire to respondents. The tax population consist 355,222 formal sector using taxpayers in Ondo State civil service. A survey of 100 copies questionnaire was distributed to the formal sector. The findings of the paper showed a negative correlation between e-tax filling and voluntary tax compliance of SMEs in the study area. The findings also showed that there is positive correlation between self-assessment tax system and voluntary tax compliance of SMEs in the study area. The findings of the paper further revealed a positive correlation between tax education and voluntary tax compliance of SMEs in the study area. The paper therefore recommended that since the SMEs have little capital strength, a bearable amount of tax should be levied on them by the government, and that tax incentive, as well as tax exceptions should be given to them in order to reduce non-compliance of SMEs in Nigeria.

Keywords: *e-tax filing, tax education, tax compliance, SMEs*

JEL Classification: *H2, H20, H26*

1. INTRODUCTION

There had been a tussle between the government and the taxpayers in both advanced and emerging economies alike, on the issue of improving voluntary compliance of taxpayers' service delivery (Ayanilo, 2015). In order to achieve voluntary compliance among taxpayers in Nigeria certain tools are employed, this ranges from taxpayers education, increased interaction with

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taxpayers, and collaboration with civil society, academia and other stakeholders in the tax system as well as the use of the mass media to promote a deeper awareness of tax culture amongst operations in the informal sector, as well as internet registration and e-filings of tax returns (Pyikison, 2013; Chebusit, Namusonge, Biraori&Kipkoech, 2014).

The activities underlying the compliance of taxpayer in the public sector are needed to meet the basic statutory requirements of the tax procedure. This comprises of the preparation of tax returns by the individual taxpayers and organizations. Voluntary tax compliance is the willingness of the taxpayers' to adapt to the relevance tax system in order to pay their taxes without any enforcement by tax authority (Opejin, 2011; Batrancea, Nichita&Batrancea, 2012). The individual taxpayers are expected to duly document their income and compute their tax liabilities and forward their tax returns. This concept is said to be self-assessment; it is one of the method employed by tax authority to measure secure voluntary tax compliance in Nigeria. This system serves as encouragement to taxpayers' voluntary compliance due to the liberty accord them to complete, make payments and file their tax returns, the administration appears to be simple in the formal sector than in the informal. The process of improving taxpayers service delivery compliance, involves the government to extend voluntary tax compliance in the informal sector through programmes designed to contribute significantly to growth of the economy, and these can be done through mutual trust between taxpayers and tax authority.

The contemporary arguments confirmed that taxpayer's compliance is determined by the government fiscal policy, tax enforcement systems, perceptions of taxpayers, fairness of the tax system, online tax fillings and the services provided by the government in return (Olowookere&Fasina, 2013; Oronde, 2017). There is the argument that educated taxpayers may be aware of non compliance opportunities, but they are potentially having better understanding of the tax system and their higher level of moral development promotes a favourable taxpayer's attitude and compliance (Chan, Troutman & O'Bryan, 2000). Higher education level are more likely to have a higher level of moral development and higher level attitudes toward tax compliance and thus improve voluntary tax compliance (Chan et. al, 2000).

Consequently, e-filing of tax returns can enhance benefits that are not possible through manual filing of the tax returns. More so, the adoption of Self-Assessment System (SAS) can make the taxpayers take the responsibilities with regards to their compliance obligations (Appah&Ogbonna, 2014). Compliance responsibilities for taxpayers comprises obligation to report, calculate as well as pay their taxes according to tax laws. These can result to benefits comprising the element of convenience to the taxpayers, reduced costs on the revenue authority, and quality data on tax returns due to elimination of data entry errors associated with manual filing (Noor &Jeyapalan, 2013; Ondara, Kimani&Josphat, 2016)

The process of fixing diverse factors to influence taxpayers' voluntary compliance demands a lot of commitment of responsibility from the tax administrators and relevant tax authorities in Nigeria. The challenges of embarking e-filling and tax returns, self-assessment system requires knowledge through education of the taxpayers. The problem experience by Nigerian tax authority is the execution of relevant tax policies that could improve the compliance behaviour of the taxpayers in Nigeria (Ayanilo, 2015). The poor nature and untimely payment of

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taxes is as a result of lack of accessibility to information technology which will ease the e-registration, e-filing and tax returns as well as tax compliance. Currently, some taxpayers do not have tax identification number which will have made them have easy access to e-filing, thereby improving self-assessment system. The main objective of this study is to investigate the taxpayers' service delivery and voluntary tax compliance.

2. LITERATURE REVIEW

2.1.1 Concept of Electronic Tax Filing

In order to review the key indicators of this study there is the need to raise conceptual discussion of each of the variables that constitute this study.

Electronic tax filing or e-filing is a process where tax documents or tax returns are submitted through the internet, usually without the need to submit any paper return. The e-filing system encompasses the use of internet technology, the Worldwide Web and Software for a wide range of tax administration and compliance purposes. Electronic taxation differs among countries hence the name of the system differs from country to country.

Self-Tax assessment system is a tax administration method whereby the taxpayer is lawfully granted the right to do tax computations on his or her own and establish either tax due to the tax authority or a refund due to him or her (taxpayer). Further, the taxpayer is obligated to make payments towards tax due; lodge returns on or before prescribed due dates and furnish proof of payment if need be. Self-assessment enablers refers to basic principles necessary and made available either directly to the taxpayer or to the environment he is operating in, which empowers him to willfully and properly determine tax, make tax payments and lodge returns with the Revenue Agency on or before prescribed tax due dates (Yilmaz and Coolidge, 2013).

Tax education influences and promote the compliance behaviour of the taxpayers to tax laws. Studying tax education as course can transfer relevant information to both potential and existing taxpayers. Tax education help to transfer tax knowledge to the citizens through learning process, it is important to note that a causal relationship between taxpayer education and compliance cannot be overemphasis, assumed, as noted above various factors other than awareness and engagement contribute to decisions about tax and tax noncompliance. Tax education can add to the knowledge of taxpayers about tax laws which plays a major role in determining taxpayers' compliance behaviour. The effect of taxpayer education on voluntary tax compliance cannot be overemphasis as it helps to enlighten the understanding and awareness of the taxpayer rights towards tax compliance.

2.1.2 Concept of Tax Compliance

Tax compliance can be described as the process of fulfilling the taxpayer's civil obligation for tax payment and filing of tax returns including the provision of necessary documents and explanations required by the tax authority in a timely manner. Fischer, Wartick and Mark, (1992) categorized tax compliance factors into four groups in their expanded model of tax compliance; which include, demographic (age, gender and education), noncompliance opportunity (income

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level, income source and occupation), attitudes and perceptions (fairness of the tax system and peer influence) and tax system or structure (complexity of the tax system, probability of detection and penalties and tax rates).

2.1.3 Tax Compliance Behaviour in Nigeria

There have been empirical evidences suggesting that ethical code of for both taxpayers and tax administrators may play significant role in taxpayers compliance decision. In line with this, Ho and Wong (2008) suggested that individuals with strong ethical value may have favourable compliance attitude towards tax authority as they will regard complying with rule and regulation as an obligation that must be honoured. Within the literatures of tax compliance, the awareness of the taxpayers about the justice of the tax system is recognized as a significant factor that can have significant influence on tax compliance behaviour. According to Gilligan and Richardson, (2005) the tax system that is perceived as unfair by the citizens may likely be less thriving and this will give confidence the taxpayers to employ in noncompliant behaviour. While the taxpayer whose attitude is motivated with what benefit to derive from the system may label tax system fair if he is benefiting from the system.

2.1.4 E-Tax Filing and Voluntary Tax Compliance

In order to make tax payment process simplifies, and following its introduction of e-filing for certain tax returns, Nigeria's Federal Inland Revenue Service (FIRS) has now also launched online tax payment. Both the e-filing and online payment platforms were developed under the integrated tax administration system project, in which individuals and corporate taxpayers can pay taxes to FIRS through the online banking facilities provided by any Nigeria commercial bank. This is to improve voluntary tax payment rates. Policies require business taxpayers to submit paper-based information in addition to their e-filing roughly negate savings that would otherwise be realized. The adoption of e-filing requires an up-front investment by the business not only in capital assets, but also in the time, effort, and resources required learning how to use e-filing properly and efficiently. Small businesses, in particular, are likely to face a steep learning curve and should probably not be forced to use e-filing before the majority of them have access to computers (with reliable electricity service) and have had a chance to become familiar with both computer use and the Internet. Yilmaz and Coolidge (2013) investigated the association between electronic filing (e-filing) and the total tax compliance costs incurred by small and medium size businesses in developing countries, based on survey data from South Africa, Ukraine, and Nepal.

2.1.5 Self-Assessment and Voluntary Tax Compliance

The law provides the taxpayers with the burden of filing tax returns, while the tax authority ensures through enablement, compliance and compliance enforcement activities that the right (correct) amount of tax due is paid and at the right time, and if otherwise to strictly apply sanctions as provided by the tax laws. Malik, (2010) emphasized that this tax regime is complete with a continuum of activities; from taxpayers enablement, filing of tax returns, and payments, tax returns processing, payment/debt management, and compliance/enforcement. Self-assessment applies to

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employees' self-employed, limited liability companies including oil and gas companies; agents/taxable persons, in the case of value added tax (VAT).

2.2 Theoretical Issues

Several theories of taxation exist in economy of any nation that can influence the tax compliance behaviour of the taxpayers apart from E-filing, self-assessment and tax education. Theoretically, governments at all levels (national, regional and local) need to raise revenue from a variety of sources to finance public-sector expenditures. The details of taxation are guided by two principles: who will benefit, and who can pay. When these two key issues are not followed to the point of execution, non-compliance becomes inevitable. The need arises for the government at all level to put tax revenue generated into capital ventures that will be felt by the citizenry in order to enhance tax compliance.

2.2.1 Economic Theory of Tax Compliance

The theory states that tax defaulters as well as non-compliance should be made to face penalties and sanctions in order to promote future non-compliance. Economic theory of tax compliance was said to have been asserted by Allingham and Sandmo (1972) and Srinivasan (1973) which was based on economics of crime models. The models posited tax compliance is a function of three deterrent unpredictable issues, such as; tax rate, tax audit and probability of detection. Though, foundation for understanding the compliance behaviour has been criticized by non-inclusion of psychological and sociological factors that have the intrinsic motivation of taxpayers' compliance without enforcement (Alm, 1999; Alm, Jackson & McKee, 1992; Torgler, 2002). In line with the critics of the traditional model of tax compliance, (Yitzhaki, 1974) extended the Allingham and Sandmo model by imposing penalty on the tax understatement, as opposed to income underreporting. Hence, the extension of the traditional model by Yitzhaki, did not make the model so robust in explaining why people pay tax even in the absence of penalty and probability of detection (Alm, 1999; Alm, et al., 1992; Slemrod&Sorum, 1985; Torgler, 2002). Further extension of the traditional model was made by Sour (2004) who included individual morality and group conformity. However, the main issue is that tax rate has still remained an important determinant of tax compliance as highlighted by the theory.

2.3 Empirical Review

The study conducted by Appah and Ogbonna (2014) empirically evaluated effect of self-assessment scheme and revenue generation in Nigeria. The researchers adopted survey method of data collection using a well structured questionnaire of three sections of thirty-eight items with an average reliability of 0.71. The data collected from the questionnaire were analyzed using relevant statistical models. Appah and Ogbonna (2014) findings revealed a strong correlation between self assessment and compliance rate which significantly influenced revenue generation in Nigeria. Their finding concludes that self assessment scheme influences revenue generation in Nigeria.

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The study conducted by Pyikison (2013) examined the effect improving voluntary tax compliance within the informal sector. This study considered the ways the government can improve voluntary compliance within the informal sector which has not been properly harnessed or brought under the tax net. Both primary and secondary sources of data were used. The study adopted survey method which involves the use of questionnaire was employed to administer questionnaires on owners/entrepreneurs of small and medium scale enterprises in Enugu North Local Government of Enugu State and employees of Federal Inland Revenue Service (FIRS) and State Board of Internal Revenue (SBIR) in the State. Also, the simple percentage and the chi-square qualitative statistical methods were used to analyse the data collected and test the hypotheses formulated. The study found that the perception of tax payers is that the government is not accountable to them. Moreover, taxpayers are not aware of current development in the tax system. To achieve voluntary compliance, the study recommends that there is need to employ tools such as tax payers' education, increased interaction with tax payers, and collaboration with civil society, academia and other stakeholders in the tax system as well as the use of the mass media to promote a deeper tax culture amongst operations in the informal sector. On the whole, accountability on the part of government to the citizenry as well as cultivating a culture of harmony among tax payers and tax collectors by establishing tax payers' friendly environment and policies and appreciating their contributions to national development and progress is pivotal to achieving voluntary compliance in the sector.

Consequently, the study carried out by Wasao (2014) examined the effect of online tax system on tax compliance among small taxpayers in east of Nairobi Tax District. The researcher found that online system do affect tax compliance level among small taxpayers in East of Nairobi as far as registration, filing and payments were concerned. Wasao (2014) revealed that a unit increase in tax filing would lead to an increase in tax compliance by factors of 0.161 while a unit increase of online tax payment would result to increase in tax compliance by factor of 0.086, although the degree of compliance would differ from one sector of the population to another.

The study conducted by Muwonge (2011) examined the influence of electronic tax filing system on tax compliance and tax collection. The researcher employed a survey research design and used self administered questionnaires, to a sample of 38 respondents which composed of 20 importers, 8 clearing agents and 10 Uganda Revenue Authority (URA) officials from the IT department. Muwonge (2011) findings shows that electronic tax filing system can improve tax compliance as it is easy for taxpayers to assess their tax obligation accurately and enable them file their returns on time. The new system was found to helped ease the work of URA staff and to a small extent led to an increase in tax collection in URA. Findings from the study also show that the attitude of taxpayers and that of URA staff towards the use of e-tax is positive as a considerable number viewed the use of the system as being good. Muwonge (2011) findings further indicated that the new system has increased costs on the tax payer's side. Findings from the study also show that the current e-tax servers are overwhelmed by the number of users hence they are so slow.

Ondara, Kimani and Josphat (2016) investigated the influence of online tax filing on tax compliance among small and medium enterprises in Nakuru Town, Kenya. The researchers aimed to assess the level of awareness regarding online filing of tax returns in the context of the Small and Medium Enterprises in Nakuru. They adopted Small and Medium Enterprises in Nakuru

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Central Business District have been chosen owing to the fact that Nakuru town is the fastest growing town in East and Central Africa due to the high number of Small and Medium Enterprises in the town. Their study adopts survey descriptive research design in which quantitative data was collected through the use questionnaires. The study adapts a sample size of 100 respondents from the Small and Medium Enterprises in Nakuru was utilized. Ondara, et al., (2016) findings indicated that computer literacy had significant influence on tax compliance levels amongst Small and Medium Enterprises in Nakuru.

Olowookere and Fasina (2013) examine taxpayers' education as a key strategy in achieving voluntary compliance in Lagos State, Nigeria. Their study focuses on the impact of taxpayers education programme on tax payment compliance behavior. Olowookere and Fasina (2013) adopts a survey research method which is quasi-experimental form of design in nature which they did by employing a simple random sampling technique. The study used a sample of 250 Taxpayers in Lagos State with the aid the Taxpayer Compliance Appraisal (TCA) questionnaire developed by the researcher following the lead of Fisher, Wartick and Mark (1992) which was used as the adopted research instruments for data collection in the study. Olowookere and Fasina (2013) adapted descriptive analysis which revealed that 44.6% (108) and 55.4% (134) of total surveyed of taxpayers in Lagos state were male and female respectively. The study also, the Analysis of Variance (ANOVA) for the test of hypotheses revealed that taxpayers education programme which focuses on enlightening taxpayers' on socio-economic implications of tax evasion opportunities and transparent and accountable use of tax proceeds have significant influence on taxpayers' voluntary compliance in Lagos State, Nigeria. Olowookere and Fasina (2013) argued that taxpayers education ought to be offered to students pursuing non-accounting courses tax educative programs and not to be restricted to accounting students at all levels. Their study recommends that government and other stakeholders should work hand in hand to reduce tax complexity through taxpayers' education in order to encourage voluntary compliance.

Similarly, the study by Niway and Wondwossen (2017) investigate the determinants of voluntary tax compliance behavior in self-assessment system in Ethiopia. The researchers argued that taxpayer's voluntary compliance with the tax system is influenced by economical, institutional, social, individual and demographic variables. The researchers employed a cross-sectional survey method of research design, using the target population of five cities of Southern Nation, Nationalities and Peoples' Regional State (SNNPRS), Ethiopia. A sample of 377 Category "A" taxpayers were randomly taken from the selected cities. Both primary and secondary data were collected. In order to analyze and present the results of this study, Pearson correlation matrix and logistic regression model were employed. Niway and Wondwossen (2017) result revealed that tax knowledge, simplicity of tax returns and administration, perception on fairness and equity, perception on government spending, probability of auditing, and the influence of referral group were determinant factors that influence voluntary compliance behavior of tax payers in SAS. Electronic tax filing was first coined in United States, where the Internal Revenue Service's (IRS) began offering tax return e-filing for tax refunds only (Muita, 2011). This has now grown to the level that currently approximately one out of every five individual taxpayers is now filing electronically. This however, has been as a result of numerous enhancements and features being added to the program over the years. Currently, almost all countries of the world embark on online filing system of tax returns as it eases the registration of taxpayers and grant them identity.

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The study conducted by Malik, (2010) recognized key suppositions on which self-assessment scheme is based to include: the taxpayer is a stakeholder and a partner and should be treated courteously; the taxpayer is honest and indeed demonstrates this by signing a declaration as the correctness of the tax returns; the taxpayer runs the business and knows the right amount of profits and taxes payable; on the part of the Revenue Authority, It should accept returns as filed and later subject the returns to risk assessment. Self- assessment method of payment of taxes was actually introduced in Nigeria in 1992, following the enactment of the appropriate law in 1991. Initially, Self-assessment was not mandatory for every taxpayer until 1998. Even now self-assessment filing has continued to be incentivized, albeit, inadvertently, considering that it was mandatory.

According to Appah and Eze (2013) tax compliance may be achieved through application of public relations, taxpayers education, tax counseling and guidance and tax examination. The purpose of public relations should to be build a tax conscious environment not only for taxpayers but also among the public including dormant taxpayers. This categorization is necessary in order to enhance tax compliance; diffuse public knowledge of taxation; improve mutual understanding and trust between taxpayers and tax authorities; obtaining an understanding and cooperation from mass-media for tax administration (Sarker, 2003); while, tax education is one of the strategies that should be used by the relevant tax authorities to ensure tax compliance. According to Ola (2001), the boards of the relevant tax authorities should have aware of the fact that taxpayers cannot comply with the laws unless they know and comprehend what is expected of them. To this end, the board should provide assistance and publications to help taxpayers to fill their returns. For tax counseling, the objective is to assist taxpayers in matters related to tax and encourage the voluntary submission of accurate tax returns and payment of taxes. Generally, tax counseling offices provide advice on the interpretation and application of tax laws, procedures for filing returns and applications (Sarker, 2003). Tax Guidance and Examination is included to enhance taxpayers' compliance so that they can voluntarily file tax returns and pay taxes appropriately. To this, the tax administration provides individuals and groups with guidance on how to improve bookkeeping standards and tax returns. However, tax recognition and prizes can be used to achieve taxpayers compliance.

According to Olowookere and Fasina (2013) taxpayers knowledge can be illustrated as the process of cultivating and enlightening taxpayers about system of taxation in order to improve taxpayers compliance level. Taxpayers education enhances taxpayers in meeting their tax civil responsibility to the government. According to Olowookere and Fasina (2013) reports that taxpayers in Nigeria want to do the needful by paying their fair share of tax. However, taxpayers' do not want to pay more than necessary. Voluntary compliance amongst taxpayers is promoted when taxpayers education enlightens their understanding and the effect enforcement functions to achieve the desired output in tax compliance (Misra, 2004).

The knowledge of taxation may tends to have positive influence on the attitude of taxpayers towards tax obligation. Taxpayers with better tax-education acquires more knowledge about tax law and will be in better position to understand the tax requirement to comply with the law (Jackson & Milliron, 1986; Eriksen & Fallan, 1996). Similarly, Richardson, (2006) in survey of tax compliance of cross border, found that taxpayer education tax filings and

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record level, does influence decision making in tax compliance and tax evasion. However, taxpayers education should be an on-going as well as continuous activities. Mahmood (2012) empirical evidence indicates that taxpayers knowledge about taxation would improve perform to tax duties as responsible taxpayers. Tax education is an important ingredient in improving the level of taxpayer knowledge in order to enhance voluntary tax compliance and reduce tax evasion (Olowookere&Fasina, 2013). However, if the taxpayers are knowledgeable but have no desire to comply with the tax law, then the relevant tax authority should plan strategies to persuade them to comply. If they still refuse to obey, then enforcement measures should be taken. Tax administrators are encouraged to use continuous taxpayers education programs to persuade taxpayers to comply and at the same time will deter them from non-compliance (Eriksen and Fallen, 1996; OECD, 2013).

Eriksen and Fallan (1996) reports that knowledge of tax laws by the citizens will enable them to have regard for tax procedures and thereby paying their tax obligation instead of evading it. The formal system of tax education is basically done through formal training (e.g. workshops, tertiary institution, symposium, conferences, seminars etc). The study also found that the level of taxpayers education enhances the knowledge of working salaried adults with respect to personal taxation. Loo and Ho (2005) examined the impact of taxpayers education of working salaried individual in Malacca and found that respondents did not possess sufficient tax knowledge with respect to personal taxation despite their tertiary education. Working salaried individual in Malacca were not fully aware of personal tax reliefs, rebates, tax entitlements and tax exemptions. Richardson (2006) and Kirchler, Hoelzl and Wahl (2008) are of the opinion that tax knowledge plays the important role in taxpayers compliance. Therefore, citizens should be equipped with the taxpayers education so that everyone has a sufficient knowledge towards competent taxpayers.

From the foregoing it is obvious that voluntary tax compliance has various phases in which it can be explained. It is evident that taxpayers education, e-filings and tax returns as well as self-assessment system are importance factors that can affect the compliance behavior of the taxpayers (Ayanilo, 2015). According to Verboon and Dijke (2012), tax compliance is made possible by the motivation of individual taxpayer to comply with tax authorities by paying their tax obligation. Badara, (2012) defined tax compliance as the ability of a taxable individual or organisation to tender accurately, satisfactory returns in conformity with tax laws and regulations of the state. Sarker (2003) reported that tax compliance describes the degree to which taxpayer complies with the tax regulations. Brown and Mazur (2005) says that tax compliance is a multi-faceted measure and it can be defined by considering three distinct types of compliance such as tax payment compliance (timely payment obligations), tax filing compliance (the timely filing of required returns), and reporting compliance (accurate reporting of income and of tax liability). The organization for Economic Cooperation and Development (2001) divided compliance into administrative compliance and technical compliance. Administrative compliance refers to taxpayers complying with administrative rules of lodging and paying. Compliance in terms reporting compliance or regulatory compliance have to do with compliance to tax regulatory bodies. The technical compliance describes complying with technical requirements of the tax laws by the taxpayers. Based on the above definitions, tax compliance can be said to be a non-forceful willingness of a taxpayer to file his tax returns for the purpose of assessment and make payment as at when due.

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The study by Wasao (2014) findings revealed that online system influences tax compliance level among small taxpayers in East of Nairobi with respect to registration, filing and payments. Holding online tax registration, would lead to increase in tax compliance among small tax payers in east of Nairobi. The electronic filing of tax returns is a general term for electronic filing or electronic lodgment or electronic declaration of tax returns through submission of tax data to a taxing authority in a computer file format through an internet connection (Ibrahim, 2012). However, Mandola (2013) defines electronic filing as an internet based system that enables the taxpayers to register and submit their tax returns over the internet. The platform or system could have inbuilt software that has been pre-approved by the relevant tax authority to assist the taxpayers in calculating and consequently submit the correct amount of tax due (Mandola, 2013). The e-filing incorporates the process of registration, tax preparation, tax filing and tax payment (Lukorito, 2012). The taxpayer requires access to a computer, the tax software, a reliable internet connection and the knowledge to utilize the electronic filing (Hussein, Mohamed, Ahlan, Mahmud, & Aditiawarman, 2010).

3. METHODOLOGY

The study employs the survey research design through the use of primary data source by the distribution of a likert-scale questionnaire to respondents. The tax population consist 355,222 formal sector using taxpayers in Ondo State civil service. This study focuses on the taxpayers' service delivery and voluntary tax compliance in Ondo State, Nigeria. A survey of 100 copies questionnaire was distributed to the formal sector. Taro Yamani procedure was employed in determining the population size. According to Yamani, (1964) $n = N / [1 + (Ne^2)]$, a sample of 100 respondents was adopted. The study adopts Ordinary Least Square Regression Model (OLS), using Stata 13 in analyzing the data and for the test of hypotheses.

The reliability of the research instrument was determined by using the Cronbach Alpha method. This method was found more appropriate in that it takes care of the internal consistency of the instrument. The questionnaire was used to elicit required responses from each of the ministries in Ondo State. The questionnaire was designed to reflect two sections. Section A comprising of the demographic data, and Section B which is sub-dividend into section A-F as shown in the appendix deals with issues on the effect of improving taxpayers service delivery on voluntary tax compliance of small medium scale enterprise in Nigeria.

3.1 Model Specification

The functional model was adopted and given as:

$$TCSME = f(EFTCP, SSATCP, TEDCP)$$

Hence the testable model formula is given as or the econometric model is given as:

$$TCSME = \beta_0 + \beta_1 EFTCP + \beta_2 SSATCP + \beta_3 TEDCP + U$$

Where:

TCSME = Tax compliance level of small and medium enterprise as proxy for dependent variable.

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The following are independent variables or explanatory variables.

EFTCP = e-tax filing and voluntary tax compliance.

SSATCP = Self-assessment tax system and voluntary tax compliance.

TEDCP = Tax education and voluntary tax compliance.

U = Stochastic Error Term.

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$ = coefficient of regression model

β_0 = the intercept, ($\beta_1, \beta_2, \beta_3, \beta_4, \dots, \beta_n$) coefficient of explanatory variables

Apriori expectation = $\beta_1 < \beta_0, \beta_2, \beta_3, \dots > 0$

4. FINDINGS AND DISCUSSION

4.1 Result from Cronbach’s Alpha test

Table 1

Test scale = mean(unstandardized items)
Average interitem covariance: .1370501
Number of items in the scale: 4
Scale reliability coefficient: 0.7514

Source: Author’s computation (2019)

The rule of thumb in this test is to accept results above 0.75 as good. That is, <5 is classified as not acceptable, 0.6 is acceptable, 0.7 good, 0.8 very good, 0.9-1.0 as excellent. From table 1 above, the Cronbach’s Alpha test revealed a score of 0.75 which is termed good from the rule of thumb. This result depicts that the questions were accurately designed to represent the variables of interest. The questionnaire was able to capture the information needed with the result of 0.75 making the data reliable and valid.

4.2 Demographic Analysis of Respondents

Table 2 Respondents Sex distribution

Sex	Frequency	Percentage (%)
Male	38	38%
Female	62	62%
Total	100	100

Source: Author’s computation (2019)

The table 2 above shows that 38 of the respondents were male while 62 were females giving a percentage of 38% and 62% respectively.

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Table 3 Respondents Age Group distribution

Department	Frequency	Percentage (%)
Less than 30years	64	64%
30-39 years	25	25%
40-49years	9	9%
50 years and above	2	2%

Source: Author's computation (2019)

Table 3 above shows the age group distribution of the respondents. 64 of the respondents are within age group of less than 30 years accounting for about 64% of the total population. 25 respondents are within the age of 30-40 years, 9 respondents are in between 40-49 years, and only 2 respondents were 50 years or above. This represented 25%, 9% and 2% respectively.

Table 4 Respondents Position Distribution

Qualification	Frequency	Percentage (%)
Business Owner	48	48%
Junior Staff	21	21%
Middle Level staff	5	5%
Senior level staff	26	26%

Source: Author's compilation (2018)

Table 4 above shows the position distribution of the respondents. 48 of the respondents are business owners constituting 48 percent of the total respondents. 21 respondents are junior staffs making up 21 percent of the respondents. 5 respondents are middle level staffs, while 26 respondents are senior level staffs. This represents 5%, and 26% respectively.

4.3 Regression Results

In order to examine the significant relationship between the dependent variables and the independent variables (TCSME EFTCP SSATCP TEDCP) as well as to test the formulated hypotheses, a regression analysis was conducted. The regression results obtained is presented and discussed below.

Table 5

Dependent Variable	Independent Variables	Coefficient.	Standard error	T	P> t	[95% Conf. Interval]
TCSME	EFTCP	0.2454497	0.1155191	2.12	0.036	.0161462 .4747533
	SSATCP	0.3755229	0.1231171	3.05	0.003	.1311375 .6199083
	TEDCP	0.3334955	0.13146	2.54	0.013	.0725495 .5944415
	_constant	0.001694	0.57092224	0.00	0.998	-1.131578 1.134966
R-squared= 0.3437		Adj R-square = 0.3232		Prob > F = 0.0000	f(3, 96)= 16.76	

Source: Author's Computation (2019)

The above table presents the result of the regression analysis. From the analysis, it can be observed that all the independent variables of EFTCP, SSATCP, and TEDCP all had a positive relationship with TCSME. The F-statistics of 0.000 denotes an overall statistical significance of the model at a 5% significance level, hence inference can be drawn that a high level of significant relationship exists between TCSME and all the independent variables combined.

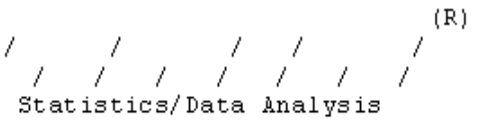
Individual examination from the results of the independent variables shows they all enhance the voluntary tax compliance and are statistically significant at 5%. It can be observed with a coefficient of 0.245 and a p-value of 0.036 that there exists a positive relationship between TCSME and EDTCP. The implication of this been that there exists a strong relationship between e-tax filing and voluntary tax compliance by small and medium scale enterprises. The positive relationship denotes that electronic tax filing enhances the tax compliance of these small and medium scale organizations, and this result is significant even at 5% level of significance. Hence, the null hypothesis that states there is no relationship between e-tax filing and voluntary tax compliance is rejected.

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Self-assessment tax system proxy by (SSATP) also has a positive coefficient value of 0.37 and a p-value of 0.003 which is also significant at a level of 5%. This means the self-assessment tax system encourages compliances in small and medium scale enterprises in rendering their tax returns and this result is statistically significant. Hence, the null hypothesis that states there is no relationship between self-assessment tax system and voluntary tax compliance is rejected.

Table 6: STATA REGRESSION RESULTS



```

. regress tcsme eftcp ssatcp tedcp
    
```

Source	SS	df	MS			
Model	15.3379859	3	5.11266195	Number of obs = 100		
Residual	29.2869296	96	.305072183	F(3, 96) = 16.76		
				Prob > F = 0.0000		
				R-squared = 0.3437		
				Adj R-squared = 0.3232		
				Root MSE = .55233		
<hr/>						
tcsme	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
eftcp	.2454497	.1155191	2.12	0.036	.0161462	.4747533
ssatcp	.3755229	.1231171	3.05	0.003	.1311375	.6199083
tedcp	.3334955	.13146	2.54	0.013	.0725495	.5944415
_cons	.001694	.5709224	0.00	0.998	-1.131578	1.134966

5. CONCLUSION AND RECOMMENDATIONS

Governments are perceived as accountable, that is, more people will pay their taxes voluntarily, if government lowers the need for coercion and generally reduces the costs of tax-collection. Conversely, good governance entails the provision of quality public goods to the public and that where government fails to provide good tax education, public amenities and infrastructure to the citizen in exchange for tax payment, citizen may become reluctant and hence non-compliance may be the result. The study concluded that government should endeavour to extend such taxation in general to the informal sector because it has the potential to contribute significantly to the growth of the economy and also taxpayers as a matter of urgency should comply with the e-tax filling system and self-assessment scheme to enable the government to generate more revenue.

This study recommends that since small and medium scale enterprise has little capital strength tax incentive such as tax holiday for period within which they can recoup the loans. The small and medium scale enterprise within the limited of our national economy should be levied a bearable amount of taxes. The government can consider incentives and tax exceptions in order to reduce non compliance by SMEs in Nigeria.

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