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Assessing the Effect of Tax Administration on Smes Tax Compliance Level in Kogi State

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Abstract

Effective tax administration is important for tax revenue generation. It has been observed that the loss of revenue caused by widespread of tax evasion and tax avoidance in Nigeria is due to inefficient and inept tax administration. The most common problem faced by taxpayers is to understand the instructions in the tax pack. This study assesses the burden of tax administration on taxpayers' compliance level in Kogi State. The population of this study comprises of registered small scale businesses taxpayers in Kogi State, with a sample size of three hundred and seventy eight (378). Questionnaire was used to generate the data while One Sample chi-square test was used to test the null hypotheses. The result shows that administrative tax compliance costs have a significant effect on tax compliance level in Kogi State. The study recommends that the tax authority should make tax administration less complex in the area of tax procedures, tax rules and tax computation to enhance the level of tax payment in the State.

Keywords: Tax Revenue, Tax Evasion, Tax Avoidance, Tax Compliance.

Introduction

Tax administration is centered on the implementation and enforcement of tax legislation and regulations. These activities include identification and registration of tax payers, processing of tax returns and third-party information, examination of the

completeness and correctness of tax returns, assessment of tax obligations, (enforced) collection of taxes and provision of services to taxpayers. Ifueko (2011) opined that the very nature of tax administration requires participation by several parties, including those who are being taxed (tax payer), those collecting the tax (tax authorities), those who utilize the tax (Government ministries, department, agencies, etc), those who create the laws on the basis of which the tax is collected (legislature) and ultimately those on whose behalf the tax is collected and for whose benefit is it utilized (the entire citizenry).

In every society, taxation policy acts as a fundamental element for economic direction and also helps to ensure countries' economic growth and improvement of global competitiveness (Taha & Loganathan, 2008). The efforts of collecting tax revenues cannot be achieved unless there is strong tax administration which ensures proper tax collections and minimize tax evasion. Tax administration is rapidly changing and tax authority has to fulfill increasing demands and growing expectations from their stakeholders, including new demands from taxpayers for sophisticated tax services. Tax administrators must develop a contemporary vision. Rapid economic developments and ever-higher expectations on the part of taxpayers make it necessary for a tax administration to redefine its strategic course. Its relationship with taxpayers must be laid down in a system of rights and obligations in order to enhance tax compliance level in the State.

Tax payer's behaviour is strongly linked to their views about the fairness of the tax system. Their reactions to their personal experiences with tax authority are rooted in their evaluations of the fairness of procedures the authority use to exercise their taxing power, actually, taxpayers who feel they have been treated fairly by the tax authority will be more likely to trust the tax authority and be inclined to accept its decisions and follow its directions. But, taxpayers are most likely to challenge a situation collectively when they believe that the procedure is unfair. The Australian Tax Office (ATO) has noted in one of its findings in 2004 that the ability of the taxpayers to trust the regulating body and their perception of fairness with which they are treated has a great influence on a person's choice to contravene tax rules than simple economic or rational self-interest does.

Facilitating tax compliance involves strengthening key elements such as improving services to taxpayers by providing them with clear instructions, understandable forms, assistance and information as necessary. The proper means of achieving tax compliance need to be designed in such a way that can help to deal with tax evasion. Thiga and Muturi (2015) divulge that tax rate and tax compliance cost are very significant aspects of tax compliance and tax awareness to taxpayers. Administrative compliance cost is another important aspect of tax compliance and should not be ignored when designing efficient and effective compliance strategy(Sandford,1995).

Adenugba and Ogechi (2013) revealed that revenue administration agencies are very important in fostering revenue collections, however; their mechanisms need to be reviewed in order to work out any weaknesses noted in their operations.

The presence of tax complexity in tax administration particularly in terms of record keeping, too many details in the tax law and ambiguity cause tax non-compliance particularly in the informer sector of the economy. Richardson (2006) found that complexity is the most important determinant of non-compliance. According to Price Waterhouse Coopers (2008), SMEs consistently report that complying with taxation regulation is a constraint on their growth and development due to the cost they have to incur to become and remain tax compliant.

Omorogiuwa (1981) opined that ineffective tax administration is the main factor responsible for high tax evasion in Nigeria. Philips (1973) corroborates this view when he states that tax evasion is due principally to administrative ineffectiveness (Okoye and Ezejiofor,2014) further argued that one of the problems which makes developing countries to collect low tax revenues is inefficient and ineffective tax administration as a result of tax complexities. It is observed that in developing countries such as Nigeria, the infrastructure which taxpayers are supposed to enjoy is usually in a deplorable condition (Fafunwa, 2005), the educational system in disarray (Obaji, 2005) and the health system is in a worrisome condition (Ogbonna &Appah, 2012). The foregoing shows tax administration may have far reaching effect on tax compliance level. The study therefore assesses effect of tax administration on SMEs tax compliance level in Kogi State. Specifically the study assesses the effect of administrative compliance cost, administrative tax complexities and administrative tax equity on SMEs tax compliance level in Kogi State. The paper hypothesizes that:

H_{o1}: Administrative tax compliance costs have no significant effect on tax

compliance level in Kogi State

H_{o2}: Administrative tax complexities have no significant effect on tax compliance

level in Kogi State

H_{o3}: Administrative tax equity has no significant effect on tax compliance level in Kogi State

The outcome of the study will help the Kogi State Board of Internal Revenue and other revenue board in the area of addressing tax compliance cost, tax complexities and tax equity that will enhance tax payers compliance level in the State. It will also benefit the Kogi State government in enhancing their revenue generation from the taxpayers.

Literature Review

Conceptual Clarification

Tax administration is primarily concerned with ensuring compliance and enforcing sanctions The effective tax administration needs to be connected with identification,

assessment and collections of tax revenues (Gurawa &Mansor, 2015; Bird, 2004). Effective tax administration is a key machinery of tax revenue collections in both developed and developing the economy. Vehorn and Ahmad (1997) point out four models of tax administration in a decentralized environment which are central to government tax administration, central government tax administration with the assignment of taxing powers to different levels of government, multilevel administration with revenue sharing and self-administration by each level of government.

The choice of the tax administration model depends on the structure and complexity of the country governing system which is either unitary states or federal states. Another tax administration model which is mostly preferred by most governments is contracting out services to private companies. Mikesell (2003) expounds that the extent to which national and sub-national authorities cooperate independently, the more reliance is likely to continue. Tax administration is very important and tax authorities need to design tax administration reform that can help to identify bottlenecks (Silvan& Baer; 1997) that in one way or other affects tax administration operations.

Aurioll and Warlters (2005) suggest that developing country governments consciously need to relax and open barriers to entry into the formal sector in an effort to enhance tax administration and maximise tax revenue. According to Aurioll and Warlters (2005), governments in developing countries need to work out observed internally degrees of corruption, malfeasance, and general administrative inefficiencies in tax revenue collection. In an attempt to address the challenges of tax administration in collecting government revenue in developing countries, Abiola and Asiweh (2012) examine tax administration focusing on its crucial role in reducing tax evasion. Their study revealed that effective enforcement machinery is very significant in increasing tax revenue. The objective of maximising revenue should be in line with effective tax administration that can help to work against corruption, tax evasion and all other bottlenecks of the system.

Tax Compliance Cost and Taxpayers Compliance Level

Tax compliance costs refer to all costs, besides the actual tax liability, born by taxpayers and third parties in the process of ensuring that they comply with the provisions of the relevant tax laws and the requirements laid on them by the relevant tax authorities, including the inconveniences encountered in the process of becoming and remaining tax compliant.

Sanford (1995) opined that tax compliance costs are the costs incurred by taxpayers in meeting the requirements laid on them by the tax law and the revenue authorities. These are costs over and above the actual payment of tax and over and above any distortion costs inherent in the nature of the tax. These costs would disappear if the tax was abolished. They include the costs of collecting, remitting and accounting for

tax on the products and profits of the business and on the wages and salaries of its employees, and also the costs of acquiring and updating the knowledge to enable this work to be done, including knowledge or legal obligations and penalties (Sandford,1995).

While there have been some attempt to clearly define tax compliance cost, there are also debate on the appropriateness of tax compliance cost definitions. The most frequently cited definition of tax compliance cost proffered by Standford (1995) has been regarded by Yesegat (2009) as inconsistent. By extension, Sapiei, and Kasipillai,(2009) noted that the first sentence of the definition confines compliance cost to cost incurred in complying with the requirement of the tax system, while the next sentence opened up the scope of tax compliance cost to include all cost except for the tax liability and the distortion cost. However, Sandfordet, Michael and Peter(1989) offers a justification for their definition of tax compliance cost in which the paper argues that complexities and interrelationships make it difficult if not impossible to define the various cost within absolute precision or in a neat mutually exclusive way.

Tax compliance cost from the administrative costs perspectives are the costs that exist besides the occurrence of compliance costs that are borne by the companies. These costs are cited as those that the government must also take into account as a public cost to ensure that the tax legislation is obeyed. These are to some extent substitutable, for example when a country transfers from a system where the tax office calculates the tax owed, to a self-assessment system as was the case in Nigeria in 1993. The consequence is usually an increased burden on the companies. Together, the compliance costs and administrative costs are defined as the operating cost of taxation (Sandford,1998; Evans, 2001).

Internal costs are generated by the accounts and administrative departments of the company. Internal staff will prepare all information and documents for the fiscal authorities and consult external advisors when necessary. External costs are generated by the services from lawyers, consultants and other advisors. These external costs are much easier to identify and quantify. Internal costs are more difficult to quantify since they involve subjective estimations of the time spent on different tax activities. Some studies have revealed that in most companies the internal compliance costs are substantially more important than the external (Tran-Nam, Evans, Walpole & Ritchie 2000; Hijattulah & Pope, 2008).

In describing tax compliance cost there is also the need to distinguish between computation costs and planning costs. The first are inevitable as for example, the costs necessary to have a proper accounting system that already prepares the necessary information and calculates the amounts due for tax purposes. They are considered as recurrent administrative costs which cannot be avoided by the company, but which management can only try to fulfil their administrative duty as efficient as possible (Hanfah ,Ariff &Kasipillai, 2002). Planning costs, on the other hand, occur when a

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company tries to lower or avoid tax payments in a legal manner. This activity is part of good management practices designed to optimise the profitability of the company (as long as the avoidable planning costs are less than the obtained tax savings) (Tran-Nam et al., 2000). According to Bhatnagar et al (2002), these avoidance costs contain planning and research costs and are considered as voluntary costs. They are considered as additional expenditures to increase the opportunities for avoidance. Mills (1996) proves the hypothesis that firms, who are spending more on tax research and planning, pay less tax than other firms.

Tax Complexity and Tax Compliance Level

Tax complexity arises due to the increased sophistication in the tax law (Richardson & Sawyer, 2001). Tax complexity can take many forms such as computational complexity, form's complexity (American Institute of Certified Public Accountants, 1992), compliance complexity, rule complexity (Carnes & Cuccia, 1996), procedural complexity (Cox & Eger, 2006) and the low level of readability (Pau,Sawyer & Maples, 2007; Richardson & Sawyer, 1998; Saw & Sawyer, 2010).

In Malaysia, Mustafa (1996), who studied taxpayers" perceptions towards the self-assessment system which was to be introduced (at that time), suggested the presence of tax complexity in Malaysia, particularly in terms of record keeping, too much detail in the tax law and ambiguity. The findings were partly consistent with the six potential causes of complexity labelled as ambiguity, calculations, changes, details, forms and record keeping, identified by (Long &Swingen, 1987). Such complexity was also present in Australia, where it forces taxpayers to engage tax agents in dealing with their tax matters (McKerchar, 2001; 2003. McKerchar (2003) further identified the most common problem faced by taxpayers is to understand the instructions in the tax pack. This is followed by the problems of understanding the rules, the tax return forms and other relevant written information provided by the tax authority.

Richardson (2006), in his research on 45 countries, found that complexity is the most important determinant of non-compliance, apart from education, income source, fairness and tax morale. His findings were consistent with Cox and Eger (2006) who focused on the State Road Funds in the US State of Kentucky. The authors found that procedural tax complexity contributes to an increase in tax non-compliance.

Administrative Tax Equity and Tax Compliance Level

Tax equity is the distribution of burden among taxpayers in a manner regarded as fair. Evaluation of taxes on equity grounds requires knowledge of where the tax burden falls upon individuals or taxpaying units, some criterion of taxpaying capacity, against which the burden is compared, and a judgment or consensus as to the manner in which burdens should vary with differences in such capacity.(Eldridge,1964). Taxpaying capacity has been variously viewed in terms of wealth, income, faculty, or a general notion of ability to pay which may take into account not only the taxpayers' wealth or income but differences in circumstances with respect to family, age, and

sources and uses of income. A criterion of individual taxpaying capacity widely accepted by tax students is personal income as defined by Henry C. Simons: "the algebraic sum of (1) the market value of rights exercised in consumption and (2) the change in the value of the store of property rights between the beginning and end of the period in question." This definition may serve as a point of departure. Much of the debate about tax fairness concerns the relationship of tax burdens to income. Federal income tax changes are judged according to the equity of their redistribution of the tax burden among individuals' income levels. Also, in comparisons of different forms of taxation, relative burden distributions are typically related to income, and fairness is judged by proportionality, regressivity or progressivity with respect to individual income.

Empirical Review

Aladejebi (2018) examined the level of tax compliance among owners of small and medium enterprises (SMEs)in Nigeria using a sample size of 223 SME owners analyzing it with SPSS. The study find that Female SME owners are more tax compliant than the male counterparts.

Rasheed (2016) assessed tax administration and revenue generation by Ogun State Internal Revenue Service. The study employed a survey research design. The population of the study was the entire staff of the Ogun State Internal Revenue Service which total 93 in number. A sample size of 70 staff was selected using a systematic sampling technique. The research instrument adopted was the use of a structured questionnaire. The collected data was analysed by both descriptive and inferential statistics. The result revealed that, in Ogun state, tax administration did not significantly relate to the amount of revenue generated (r= 0.165). Furthermore, the study revealed that tax evasion and avoidance significantly affected the revenue generation in Ogun State (t = -2.474, sig < 0.05). The study recommended that the tax administration in Ogun State should be reviewed and all possible measures should be put in place to reduce tax evasion and avoidance.

Theoretical Framework

Theory Relevant to the Study

Mookherjee and Png (1995) develop a theory of bribe paying and tax evading taxpayers and tax officials who accept bribes. Bribes are of two kinds. They are either beneficial to both parties (at the expense of government revenue) or are a coercive extraction by officials. The latter is a form of harassment. Both types of bribe costs have been found in the survey of Indian income taxpayers described in Chattopadhyay and Das-Gupta (2002). In the coercive case, bribe costs have effects similar to mandatory compliance costs except that an increase in these costs need not increase the probability of detection. For the former case, Mookherjee and Png model the situation as a (simultaneous move) game between a non-compliant taxpayer and a bribe accepting tax official. Taxpayers behave as in the AS model, except that they

pay a bribe if non-compliance is detected rather than getting penalised. However, the maximum bribe they are willing to pay will not exceed extra taxes and penalties they would have had to pay if they chose not to pay a bribe. Tax officials, on the other hand, will not accept a bribe that is lower than the expected cost to them if their bribe taking is detected by a "vigilance" unit.27 The equilibrium bribe is a fraction of the "surplus available" or the difference between the maximum bribe the taxpayer will pay and the minimum bribe acceptable to the tax official. Given this equilibrium bribe rule, the (risk neutral) taxpayer chooses the level of evasion and the (risk neutral) tax official, who prefers not to work other thing equal, simultaneously chooses the work effort he puts in to detect evasion. The probability of detection increases with additional effort. This determines an equilibrium level of non-compliance and an equilibrium bribe. The equilibrium bribe and equilibrium non-compliance turn out to be positively related as would be expected, while tax revenue decreases if non-compliance increases

This compliance model theory is relevant to the study because the model suggested that the tax authority has the ability to influence taxpayers' behaviour through response and interaction. The theory also emphasized that so many factors account for tax compliance level and there should be put into consideration.

Methodology

The study assesses the effect of tax administrative on taxpayers' compliance level in Kogi State. The population of the study comprises of all the registered small-scale businesses (SSB) tax payers with Kogi State Internal Revenue Service. As at 2016 they were seven thousand one hundred and two (7,102) as obtained from Kogi State Internal Revenue Service, Lokoja, Kogi State. A sample size of three hundred and seventy-eight (378) registered small scale businesses tax payers' in Kogi State was used. Out of a total of three hundred and seventy-eight (378) copies of questionnaires distributed to the respondents, three hundred and fifty-three (353) copies were returned given a response rate of 93%. This study covers the period of 2016 fiscal year. The choice of this period is principally because the autonomy for effective administration was granted to the board in the year 2016 which led to employment of skilled staff which made it easier to access information.

Primary data were collected basically for the purpose of the study. The primary data for this study was generated through structured questionnaire ranked across a four-point Likert scale of strongly agree, agree, disagree and strongly disagree.

The research instrument was subjected to content validity to ensure that the content of the instrument measures the variables under investigation in the study. The first draft of the questionnaire was given to two Ph.D. students in accounting. Based on their suggestions improvement were made, the improved copy was given to two post-graduate lecturers who also made positive inputs. Their inputs were incorporated in

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the final copy, which was used in carrying out the study. The reliability test of instrument performed revealed a Cronbach's Alpha of 78.9% which is highly reliable.

The study used both descriptive and inferential statistics. Descriptive statistics include both measure of central tendency such as mean and measures of dispersion such as standard deviation, minimum and maximum. The mean scores were compared with the average mean of 2.5 for decision making. The average mean is computed as 4 + 3 + 2 +1 = 10/4 = 2.5. Any mean that is equal to 2.5 and above shows respondents' agreement while any mean below 2.5 shows respondents' disagreement. Inferential statistic of one sample chi-square test was used to test all the null hypotheses formulated while Statistical Package for Social Sciences (SPSS) version 20.0 was used to analyse the data.

Results and Discussion

The Table 1 presents the data generated on the demographic characteristics of the respondents.

Table 4: Demographic Characteristics of the Respondents

Category	Frequency (353)	Percentage (100)
Sex		
Male	199	56
Female	154	46
Age		
20-25	26	7
26-30	55	16
31-35	78	22
36 years and above	194	55
Academic Qualification		
O' Level	175	50
NCE/ND	107	30
B.Sc./HND	71	20
Year of Experience		
1-5 years	66	19
6-10 years	182	52
11-15 years	61	17
16 years and above	44	12

Source: Field Study 2017.

Table 4 shows that 199 respondents representing 56% of the total respondents are male while 154 respondents representing 46% of the total respondents are female.

This shows that the majority of the respondents are male. Table 4 also shows that 26 respondents representing 7% of the total respondents are within the age bracket of 20-25 years, 55 respondents representing 16% of the total respondents are within the age bracket of 26-30 years, 78 respondents representing 22% of the total respondents are within the age bracket of 31-35 and 194 respondents representing 55% are within the bracket of 36 years and above. This shows that the majority of the respondents fall within the age of 36 years above.

Table 4 shows that 175 respondents representing 50% of the total respondents had O' Level qualifications, 107 respondents representing 30% of the total respondents had ND/NCE qualifications while 71 respondents representing 20% of the total respondents had B.Sc. /HND qualifications. This shows that majority of respondents are O 'level holders. Table 4 shows that 16 respondents representing 19% of the total respondents had 1–5 years business experience, 182 respondents representing 52% of the total respondents had 6–10 years business experience, 61 respondents representing 17% of the total respondents had 11–15 years business experience and 44 respondents representing 12% of the total respondents had 16 years and above business experience.

The Table 2 presents the responses generated with respect to the influence of administrative tax compliance and tax compliance level among SMEs.

Table 4.2: Descriptive Statistics on administrative tax compliance costs and tax compliance level in Kogi State

Appendix 2	N	Minimum	Maximum	Mean	Std. Deviation
Question1	353	1.00	4.00	3.1671	.69727
Question2	353	1.00	4.00	3.3938	.81231
Question3	353	1.00	4.00	3.1275	.65553
Question4	353	1.00	4.00	3.1671	.72523
Valid N (listwise)	353				

Source: Researcher's Computation Using SPSS 20.0 Version

Table 4.2 shows that the majority of the respondents agreed that increase in tax remittance physical stress discourages level of tax payment as indicated by the mean score of 3.1671 with the minimum scale of 1, maximum scale of 4 and standard deviation of 0.69727. Question 2 also shows that the majority of the respondents agreed that increase in tax computational cost discourages level of tax payment as indicated by the mean score of 3.3938] with the minimum scale of 1, maximum scale of 4 and standard deviation of .81231. Question 3 further shows that the majority of the respondents agreed that increase in tax planning cost discourages level of tax payment as indicated by the mean score of 3.1275 in relation with the average mean score of 2.5, with the minimum scale of 1, maximum scale of 4 and standard deviation of 0.65553. Question 4 shows that the majority of the respondents agreed that increase in tax consultancy fee discourages level of tax payment as indicated by the

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mean score of 3.1671 in relation with the average mean score of 2.5, with the minimum scale of 1, maximum scale of 4 and standard deviation of 0.72523.

Table 4.3: Descriptive statistics on the administrative tax complexities and tax compliance level in Kogi State

Descriptive Statistics					
Appendix 2	N	Minimum	Maximum	Mean	Std. Deviation
Question5	353	1.00	4.00	3.1671	0.62871
Question6	353	1.00	4.00	3.1133	0.55766
Question7	353	1.00	4.00	3.4193	0.71896
Question8	353	1.00	4.00	2.4816	1.12074
Question9	353	1.00	4.00	3.0510	0.61024
Valid N (listwise)	353				

Source: Researcher's Computation Using SPSS 20.0 Version

Table 4.3 questions 5 above shows that the majority of the respondents agreed that complexity in tax procedures discourage level of tax payment as indicated by the mean score of 3.1671 with the minimum scale of 1, maximum scale of 4 and standard deviation of .62871. Question 6 also shows that the majority of the respondents agreed that complexity in tax rules discourage level of tax payment as indicated by the mean score of 3.113 with the minimum scale of 1, maximum scale of 4 and standard deviation of 0.55766. Question 7 further shows that the majority of the respondents agreed that complexity in tax laws discourages level of tax payment as indicated by the mean score of 3.4193   with the minimum scale of 1, maximum scale of 4 and standard deviation of 0.71896.

Question 8 shows that the majority of the respondents disagreed that complexity in tax forms does not discourage level of tax payment as indicated by the mean score of 2.4816, with the minimum scale of 1, maximum scale of 4 and standard deviation of 1.12074. Question 9 finally shows that the majority of the respondents agreed that complexity in tax computation discourages level of tax payment as indicated by the mean score of 3.0510 with the minimum scale of 1, maximum scale of 4 and standard deviation of 0.61024.

The responses generated on administrative tax equity and SMEs tax compliance level is presented in table 4.

Table 4.4: Descriptive Statistics on the administrative tax equity and tax compliance level in Kogi State

Appendix 2	N	Minimum	Maximum	Mean	Std. Deviation
Question10	353	1.00	4.00	3.3966	0.69183
Question11	353	1.00	4.00	3.2805	0.69747
Question12	353	1.00	4.00	3.0878	0.89232
Question13	353	1.00	4.00	2.3994	1.09581
Valid N (listwise)	353				

Source: Researcher's Computation Using SPSS 20.0 Version

Table 4.4 shows that the majority of the taxpayers agree that income tax is unreasonable high and are of the view that the complexity in tax computation discourage level of tax compliance. The benefit provided by the government equally discourage the level of tax payment as indicated by the mean score of 3.3966 with the minimum scale of 1, maximum scale of 4 and standard deviation of 0.69183. Question 11 also shows that the majority of the taxpayers agreed that current tax assessment result in more payment of income tax which in turn discourages the level of tax compliance as indicated by the mean score of 3.3938 with minimum scale of 1, maximum scale of 4 and standard deviation of .81231.

Question 12 further shows that the majority of the respondents agreed that compare with other taxpayers in the same income bracket, the respondents perceived they pay more than their fair share of income tax, as indicated by the mean score of 3.0878 with the minimum scale of 1, maximum scale of 4 and standard deviation of .89232. Question 13 finally shows that compare with amount pay by wealthy taxpayers, the majority of the respondents disagreed that they do not pay more than their fair share of income tax, as indicated by the mean score of 2.3994 with the minimum scale of 1, maximum scale of 4 and standard deviation of 1.09581.

The study hypotheses were tested using One Sample Chi-square test. The result is presented in table 5 to 7

$H_o 1$: Administrative tax compliance costs have no significant effect on tax

compliance level in Kogi State

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The categories of Question1 occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
2	The categories of Question2 occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
3	The categories of Question3 occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
4	The categories of Question4 occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Since all the significant levels are within 1% level of significance as indicated by all the significant levels of .000, the null hypothesis one is rejected, which means that 'administrative tax compliance costs have a significant effect on tax compliance level in Kogi State.

H_o2: Administrative tax complexities have no significant effect on tax compliance level in Kogi State

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The categories of Question5 occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
2	The categories of Question6 occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
3	The categories of Question7 occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
4	The categories of Question8 occur with equal probabilities.	One-Sample Chi-Square Test	.983	Retain the null hypothesis.
5	The categories of Question9 occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Since all the significant levels are within 1% level of significance except question 8 as indicated by the significant levels of .000, the null hypothesis two is rejected, which shows that administrative tax complexities have a significant effect on tax compliance level in Kogi State.

H_o3: Administrative tax equity has no significant effect on tax compliance level in

Kogi State

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The categories of Question10 occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
2	The categories of Question11 occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
3	The categories of Question12 occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
4	The categories of Question13 occur with equal probabilities.	One-Sample Chi-Square Test	.149	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Since all the significant levels are within 1% level of significance except question 13 as indicated by the significant levels of .000, the null hypothesis three is rejected, meaning that administrative tax equity has a significant effect on tax compliance level in Kogi State.

This study revealed that administrative tax compliance costs have a significant effect on tax compliance level in Kogi State. This implies that tax remittance physical stress, tax computational cost, tax planning cost and tax consultancy fee discourage level of tax payment in the State. This study further revealed that administrative tax complexities have a significant effect on tax compliance level in Kogi State. This means that complexity in tax procedures, complexity in tax rules, complexity in tax laws and complexity in tax computation discourage level of tax payment. However, the study revealed that complexity in tax forms does not discourage level of tax payment. The findings are in agreement with Richardson (2006) who found that complexity is the most important determinant of non-compliance. Cox and Eger (2006) also found that procedural tax complexity contributes to an increase in tax non-compliance. Kirchler etal. (2007), further found that taxpayers were more likely to comply when the tax law was perceived as less complex.

This study finally revealed that administrative tax equity has a significant effect on tax compliance level in Kogi State. This implies that the income tax paid by SMEs is unreasonable high considering, the benefit provided by the government, and that the current tax assessment requires tax payment more than fair share of income compared with other taxpayers in the same income bracket, the taxpayers perceived they pay more than their fair share of income tax, which has affected the level of tax payment. However, compare with amount pay by wealthy taxpayers, the taxpayers disagreed that they do not pay more than their fair share of income tax. The findings are in line with the findings of Richardson (2006) who stated that general fairness, middle-income earners tax share or burden, and exchange with the government were statistically significant in influencing the behaviour of taxpayers' tax morale. Falkinger (1995) equally argued that lack of equity in an exchange relationship creates a sense of distress, especially for the victim and tax evasion may be seen as a reaction to restore tax equity. Spicer and Becker (1980) as cited by Krause, (2000), found that the amount of tax evaded increases when people are told that their tax burden is higher than that of the rest of the group. However, the finding contradicts Cowell (1992) who found that there is no relation between perceived inequalities and compliance of the taxpayer.

Conclusion and Recommendations

This study assesses the burden of tax administration on tax payers' compliance level in Kogi State. The following findings were arrived at:

This study revealed that administrative tax compliance costs have a significant effect on tax compliance level in Kogi State. This implies that tax remittance physical stress,

tax computational cost, tax planning cost and tax consultancy fee discourage level of tax payment in the State.

This study further revealed that administrative tax complexities have a significant effect on tax compliance level in Kogi State. This means that complexity in tax procedures, complexity in tax rules, complexity in tax laws and complexity in tax computation discourage level of tax payment. However, the study revealed that complexity in tax forms does not discourage level of tax payment.

This study finally revealed that administrative tax equity has a significant effect on tax compliance level in Kogi State. This implies that the income tax is unreasonable high considering, the benefit provided by the government, the current tax assessment requires payment more than fair share of income tax and compare with other taxpayers in the same income bracket, the taxpayers perceived they pay more than their fair share of income tax, which has affected the level of tax payment. However, compare with amount pay by wealthy taxpayers, the taxpayers disagreed that they do not pay more than their fair share of income tax.

Conclusion

The Kogi State revenue board must make tax administration easy in order to reduce tax remittance physical stress, tax computational cost tax, planning cost and tax consultancy fee which have been identified as main sources of the low level of tax payment in the State. The complexity of tax procedures, complexity in tax rules, complexity in tax laws and complexity in tax computation must be reduced to the barest minimum in order to enhance payment of taxes in the State.

Recommendations

The Kogi State revenue board should introduce more flexible procedures in the tax administration in order to minimize tax remittance physical stress and to reduce increases in tax consultancy services by the taxpayers to enhance tax payment in the State.

The tax authority should make tax administration less complex in the area of tax procedures, tax rules and tax computation by constant enlightenment and tax advocacy to enhance the level of tax payment in the State.

The tax authority should ensure that taxpayers are provided with benefits commensurate to the actual tax paid.

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