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Original Research Article

E-Tax Administration and Tax Compliance among Corporate Taxpayers in Nigeria

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Abstract

The impact of electronic tax administration on tax compliance and the resultant effect on tax revenue has been examined. The quantitative research design was employed using existing data sourced from the Federal Inland Revenue Service (FIRS). Data were tax revenue posted seven years before and after the adoption of e-tax administration by the FIRS in 2013. Data so sourced were analyzed using descriptive statistics and pairwise t-test to ascertain if a difference exists and or relationship between pre-and post-e-tax revenue. The study found a strong connection between the electronic tax system and tax compliance (tax revenue) as shown by the pairwise test (p-value of $0.012 < 0.05$). Also, the mean tax revenue during post-and pre-e-tax of (4466828.5714 > 3051200.0000); and an average annual variation in overall tax revenue of N1.4trillion compared with pre-electronic tax period demonstrated a significant difference. With these, the study affirmed that a strong association exists between electronic taxation and tax compliance. Therefore, the service should always further work on its Information Communication Technology (ICT) architecture/infrastructure for easy access and flexibility to encourage taxpayers as well as enhancing robust tax administration. In all, security measures should be put in place regularly to prevent hackers, malicious attacks and other disasters inherent in ICT based environment.

Keywords: E-taxation, tax compliance, taxpayers, tax revenue, ICT-facilities, malicious attack

JEL Classification Codes: D83, H20

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1.0.INTRODUCTION

Over the years, tax revenue has remained one of the major sources of revenue to governments at all levels. Governments, through revenue so collected, can meet expenses of governance and achieve economic growth through the delivery of adequate and desirable infrastructures. A robust tax system gives excellent opportunities to the government to generate more revenue needed in discharging its pressing obligations. Besides, an efficient tax system would present an effective means of mobilizing a nation's internal resources while also lending itself as an avenue where an environment conducive to the promotion of economic growth can be created. (Maisiba & Atambo, 2016). Described as a compulsory levy and used by the government to provide security, social amenities and create conditions for the economic well-being of the society, tax is imposed on a subject and any property that might be in one's name (Maisiba & Atambo, 2016).

On the other hand, tax compliance represents the degree of responsiveness of taxpayers to tax obligations. Studies reaffirmed that there is a strong correlation between tax compliance and tax revenue. If that is the case, then enhancing tax

compliance is of great importance to revenue authorities.

However, tax administration has continuously been bedevilled with several irregularities, inconsistencies, difficulties in filing and collection. Most advanced nations thrive more in tax revenue drives because they embrace electronic tax system (e-taxation) that enables taxpayers to pay tax, file return and receive an assessment from tax authorities without visiting tax offices. In many instances, it has been discovered that this has been one of the factors that contribute to higher tax receipts. In Nigeria, tax authorities skeptically embrace e-taxation as such tax revenue has not recorded significant improvement. It is worthy of note that effective tax administration plays a vital role in the performance sitting government, the citizens standard of living and the overall economy. Taxes are the main source of revenue to the government as it assists in infrastructure development at all levels of government, and this is the reason for the existence of government. However, Ojo (2003) posits that tax is a tool for proper development in a country.

In Nigeria, history supports that even before the amalgamation of the northern and southern protectorates, taxation has been in

existence. Despite the longstanding of this institution, its place has not been well restructured as it is available in other developed countries (Okoye & Ezejiofor, 2014 and Alade, 2018). Prior to the introduction and adoption of electronic taxation in Nigeria, taxes are collected manually. However, the adoption of electronic taxation has influenced tax administration in Nigeria, but tax revenue has improved significantly, perhaps because of the perceptions of taxpayers and tax administrators. Using the tax-to-GDP ratio as a variable and in comparison to other African countries such as Senegal, Cameroon, Tunisia, it is quite depressing to reveal that the tax revenues have not had a meaningful contribution towards the economic growth of Nigeria (Chijioke, Leonard, Bossco & Amaefule, 2018). Studies confirmed that most countries where tax revenues highly constitute a large proportion of their economy's revenue, using the Electronic Tax system had been deployed for years and has been sustained. Wasao (2014) described an electronic tax system as a means of using an electronic machine to pay tax with the help of internet. However, with e-taxation, the taxpayers can access through the internet all the services that a financial authority offers which includes but not limited to the filing of returns, registration for a personal identification number and application for a compliance certificate, this was introduced to Nigeria in 2013 by the Federal Inland Revenue Service (FIRS). Atika (2012), affirmed that electronic tax system forms part of the revenue collection improvements by FIRS objective of which enhancement of the efficiency of tax collections is an objective. As a consequence, it is being noticed that tax revenues are rapidly increasing as a result of the development accelerated by electronic tax systems.

For some times now, the tax administration has been fraught with a myriad of challenges ranging from fraudulent collection procedure, misappropriation of tax proceeds by fraudulent tax officials and taxpayers. Studies affirmed that this has been prevalent as a result of face to face interface between taxpayers and tax official giving room for negotiations and renegotiation for a reward for both parties at the detriment of government purse. A good number of tax authorities among advanced nations had since embraced Information Communication Technology to address complications inherent in tax administration, most especially the assessment, payment and filing of tax returns. The deployment of electronic tax collection mechanism is expected to achieve easy tax administration, improved tax revenue and as well as enhancing transparency. Similarly, governments around the world need tax revenue to assist them in fulfilling their societal obligations (Fagbemi, Uadiale and Noah 2010); Nigerian government case most notably with the dwindling oil revenue is not different. Anyway, this great opportunity of revenue generation has not been exploited to the maximum by Nigerian governments even by some around the world (Akintoye & Dada, 2013). Despite all reforms and tax compliance and tax revenue improvement mechanisms deployed by various administration in Nigeria, tax compliance and tax revenue compare with her counterpart in the rest of the world has been abysmally low. This is slowing down the rate at which government provide physical infrastructure best capable of enhancing rapid development (Ekoja & Saratu, 2014). As such, this study investigated the efficacy of e-tax administration as a veritable for enhancing tax compliance as a precursor for

improving tax revenue beyond what it is at present.

2.0. LITERATURE REVIEW

Electronic Tax System

The electronic tax system can be described as the system of collecting taxes by the relevant authorities electronically from the taxpayers with the aid of internet service. It is an online policy which avails taxpayers the opportunity to access the service porters through the internet and see all the services offered by the tax administration like the registration for generating personal identification number, filing of returns and application for a compliance certificate. In the case of Nigeria, the electronic tax system introduced in Nigeria in 2013 brought the following e-services; e-Registration, e-Payment, e-Filing, e-receipt, e-Stamp duty and e-TCC (Akpabi and Igbekoyi, 2019). E-filing enables taxpayers to file their tax returns through the FIRS' Integrated Tax Administration System (ITAS). E-payment now allows for payment of all Federal government taxes and levies through any of the following platforms; Nigeria Inter-Bank Settlement System (NIBSS), Remita and Interswitch. E-registration is created to register new taxpayers with the Inland or Internal Revenue Service for the various taxes. E-stamp duty is created if stamp duties need to be paid on qualifying documents. E-receipt now facilitates receiving and verifying e-receipts generated for taxes paid through the new e-payment. E-TCC is the platform that enables taxpayers to apply for, receive and verify the authenticity of their electronic tax clearance certificate (e-TCC), (Deloitte, 2017).

E-taxation is the process of collection and administration of tax procedure through an electronic medium. In line with Che-Azmi

and Kamarulzaman (2014), e-tax payment system is an Information Communication Technology (ICT) based architecture that assists governments globally to mop income from tax to provide public services needed for improving the standard of living of the citizenry. For Wasao (2014) electronic tax system represent an online system or channel where taxpayers can gain access or permit to the tax authorities porters with the aid of internet at their comfort zone, to access all the services provided by the tax authority such as the registration for the generation of a Tax Identification Number, electronic tax filing of tax returns

In Nigeria, taxes are categorized into three, namely, those collectable by the Federal government, the state and the local government. The Federal Inland Revenue Service charged with the responsibility of assessing and collection of companies' income tax, petroleum profit tax, VAT, education tax and many more. This deals with the overall process, whereby limited liability companies in Nigeria are being taxed while the states are responsible for those of individual taxes within their jurisdictions (Naomi & Sule, 2015). In Nigeria, the VAT Act, No. 106 of 1993, brought into operation the VAT. According to Adereti, Sanni & Adesina (2011), it was introduced by the federal government of Nigeria in order to replace Sales tax. The major reason was to increase the revenue base of government and make funds available for developmental purposes that will engender economic growth (Oriakhi & Ahuru, 2014)

Theoretical Review

Technology Acceptance Model (TAM)

The theory of technology acceptance was propounded by Davies in 1989 but was later modified by Venkatesh and Bala in 2008.

The theory avers that an individual's beliefs towards using a new system are based on perceived usefulness and perceived ease of use (PEOU). That is, the degree to which the user expects the target system to be free of effort and more so help to increase the degree of efficiency and effectiveness of performance. Again, the perceived ease of use also goes a long way to influence usage. TAM models are beneficial within and across organizations set up when there is a need to access the technologies or applications and to make comparisons between user groups or applications. Nevertheless, the limitation of TAM is when it is used outside of the workplace perceived usefulness (PU) – further explains the extent to which an individual believes that using a given system would enhance and improve job performance. Perceived ease of use (PEOU) – This refers to the extent to which an individual believes that by using a specific system would be easy to use and free from using a lot of effort (Davies, 1989). However, this theory is relevant to this study because it helps to understand the behaviour of individual taxpayers to acceptance of the e-taxation.

Theory of Innovation Translation

This theory was developed by Tatnall (1990) and forms an alternative perception of the theory of innovation diffusion, in the theory of innovation instead of using innovation in the form it that it was agreed upon or offered, potential adopters interpret it in a form that suits their purposes that is the potential users of the innovation decides to modify the innovation in such a way that best fit its current system and not depending on the innovation in the exact way it was proposed. In the case of this study, the innovation available is e-tax payment system, while the actor is the Federal Inland Revenue Service, it is expected that FIRS

adopted e-tax in Nigeria, not in the way it was adopted in other countries of the world instead adopted in a way that suits their approach of achieving targeted results

Empirical Review

Akpubi and Igbekoyi (2019) examined the influence the method of electronic taxation has on tax compliance among a selected number of fast-food restaurants in Lagos state, Nigeria (taxpayers' perspective). The study used a survey research design. Data gathered from the administration of structured questionnaire on SMEs within Lagos state were analyzed using descriptive statistics, structural equation model analysis and regression. The study discovered that the level of awareness (LOA) depicted a level of a significant positive relationship with tax compliance ($\beta = 0.276$; $t = 2.689$; $p = 0.008$). Likewise, it was revealed that the perceived ease of use (PEU) ($\beta = 0.249$; $t = 2.331$; $p = 0.022$) has a positive influence on tax compliance but was not statically significant. The tax compliance cost (TCC) ($\beta = -0.289$; $t = -2.568$; $p = 0.012$) revealed a non-significant negative effect on tax compliance.

Chijioke, Leonard, Bossco and Henry (2018) looked at the impact of e-taxation on Nigeria's revenue and economic growth: a pre-post-analysis. Using secondary data obtained from Federal Inland Revenue Service, Central Bank of Nigeria Statistical and Economic Reports quarterly, covering the second quarter of 2013 to the fourth quarter of 2016. The outcome revealed that despite the implementation of electronic taxation, tax revenue has not improved in addition to federally collected revenue & tax-to-GDP ratio in Nigeria. However, the findings also revealed that the federally collected revenue and tax-to-GDP ratio significantly decreased following the

implementation of e-taxation. Also, Tax Revenue decreased after the implementation, but the mean difference was not statistically significant.

Alade (2018) assessed the effect of E-taxation on Company Income Tax (CIT) and Value Added Tax (VAT). Using expo facto research design was adopted, and data were sourced from Federal Inland Revenue Service covering six (6) years and three (3) quarters, spanning from the first quarter of 2012 to the second quarter of 2018. The data obtained were evaluated with the aid of paired sampled t-test. The outcome revealed an insignificant positive difference between the pre and post company income tax revenue with the measurement variables, t-statistics and p-value reported to be 0.833 and 0.421, respectively. Also, there was an insignificant positive difference between the pre and post-value-added tax revenue with t-statistics and p-value of 0.520 and 0.612, respectively.

Ayodeji (2014) investigated the impact of electronic tax systems on Nigerian tax administration using comparative analysis. The researcher made an argument that the dwindling global fortune occasioned by the fall in the price of crude oil, the major source of wealth for Nigeria contributed to a shift of government's attention in addition to major stakeholders in the country to the

revenue generated locally. However, the overwhelming task of boosting the Internally Generated Revenue necessitated the adoption of electronic tax systems technologies to drive Tax administration. It concluded that electronic tax systems play an essential role in the increase of internally generated revenue in Nigeria by ensuring compliance thereby boosting productivity and economic activities in the country. It is a change agent for accelerated growth and poverty reduction in Nigeria and the whole of the African continent at large.

3.0. RESEARCH METHOD

The study employed a quantitative research design using data sourced from the reports of Federal Inland Revenue Services (FIRS). Since the e-tax system was introduced in 2013, the studies utilized pre-and post-tax revenue collected by the FIRS. In other words, Pre-e-tax system (2006 -2012) 7years and Post-e-tax system (2013-2019); seven years before and seven years after the e-tax system was adopted by the FIRS, and we chose not to go beyond 2006 and 2019 to compare a similar number of years. Simple comparative analysis, descriptive statistics, and pairwise t-test were employed to analyze the secondary data so obtained to ascertain if and difference and or relationship between pre-and post-e-tax eras in Nigeria.

4.0. ANALYSIS AND RESULTS

Table 1: tax Revenue during pre- and post e-tax system eras in Nigeria

Pre-e-tax	Pre-e-tax Revenue (a)	Post-e-tax	Post-tax Revenue (b)	Differences (b-a)	% Increase in Revenue
Years	Millions(N)	Years	Millions(N)	Millions (N)	%
2012	5,007,700	2019	5,349,400	341,700	7
2011	4,628,500	2018	5,320,520	692,020	15
2010	2,839,300	2017	4,027,940	1,188,640	42
2009	2,197,600	2016	3,307,940	1,110,340	51

2008	2,972,200	2015	3,741,800	769,600	26
2007	1,846,900	2014	4,805,700	2,958,800	160
2006	1,866,200	2013	4,714,500	2,848,300	46
Total	21,358,400		31,267,800	9,909,400	
Average	3,051,200		4,466,829	1,415,629	50

Sources: Central Bank of Nigeria Statistical Bulletin, 2016 & FIRS, 2019

From Table 1 above, the pre-electronic tax administration era has been compared with that of post electronic tax administration. In doing so, as earlier said, seven years before and seven years after were considered. We could not go beyond seven years because of the availability of additional post era data. As such, seven years before the e-tax system, we posted tax revenue of N21.258trillion and an average tax income of N3.051million. Furthermore, the seven-year of e-taxation recorded total tax proceeds of N31.267million with the mean

annual tax income of N4.467trillion. The tax authority witnessed mean positive annual variation in tax revenue of N1.416trillion. The amount is huge and enormous. This is a clear indication that the e-tax system contributed immensely to upsurge in tax revenue in Nigeria. Without mincing word, adopt of e-tax administration has caused the tax income to go north wise. Although, the study also affirmed that other factors inherent contributed to positive change in tax revenue.

Table 2: Summary of t-test showing the difference in tax revenue before and after the adoption of the e-tax system

Tax Revenue	N	Mean	S.D	t-value	p-value	Decision
Pre e-tax system	7	3051200.0000	4466828.5714	3.552	.012	Significant
Post e-tax system	7	4466828.5714	790064.20540			

Source: Researcher, (2019).

Table 2 discloses higher mean value for tax revenue after the adoption of e-system when compared with the mean value before the adoption of the e-tax system ($4466828.5714 > 3051200.0000$) in Nigeria tax administration. Besides, the table shows a significance remains in the mean score of tax revenue before and after e-system adoption in Nigeria (*t-value* is 3.552 & *p-value* of $0.012 < 0.05$ significance level). Thus, the null hypothesis is rejected here.

5.0. CONCLUSION AND RECOMMENDATIONS

The post-e-tax administration era and pre-e-taxation period have been compared with the aid of simple comparative analysis and descriptive statistics. The electronic tax administration period recorded improve tax compliance as evinced in the significant increase of overall tax revenue. From all indications, the adoption of the e-tax system led to a remarkable positive variation in tax income in Nigeria. However, previous studies attributed higher compliance and resultant tax revenue to a few other factors such as trust, power and beliefs.

Nevertheless, the e-tax system pulled higher tax returns compared with previous periods. Since the e-tax administration enhances easy tax payment, tax filing and assessment, although tax compliance in Nigeria remains abysmally low when compared with other countries of the world, still, it is recommended that tax authorities should make the e-tax system more friendly attractive; the service should also further work on the Information Communication Technology architecture/infrastructure for easy access and flexibility at all times to encourage taxpayers as well as enhancing robust operations. Also, security measures should be regularly put in place to prevent hackers and other disasters inherent in ICT based environment.

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