THE EFFECTS OF TAX ADMINISTRATION ON TIMELY PAYMENTS OF TAXPAYERS INCOME

ADESEMOWO, Modupeola Morenike
Department of Accounting and Finance, Chrisland University, Abeokuta

ADESEMOWO, Modupeola Morenike
Department of Accounting, Babcock University, Ilishan-Remo, Nigeria

Abstract

Timely payment of taxes by taxpayers is a major challenge to tax authorities, who are responsible for Implementing tax administration. The study examined the effect of tax administration on timely payments of taxpayers' income. The study employed survey research design through the administration of structured questionnaires. The population of the study was 4499 tax revenue officers in Lagos, Ogun, and Oyo of which 387 copies of the surveys were administered while 98% were recovered from the respondents. The results of the study indicated that tax assessment, collection and remittance in Lagos, Ogun, and Oyo State Internal Revenue Services (SIRS) has a positive influence on timely payments at 5% level of significance adopted for the study. The study concluded that a significant relationship exists between Tax assessment, Tax remittance and Tax collection and Timely Payments of taxpayer's declarations. The study recommended that Lagos, Ogun, and Oyo State tax authorities should revamp the Tax assessment, Tax remittance and Tax collection structure and processes in order to increase their proficiency and efficacy, and also to provide adequate and relevant training for members of staff on the use of information technology and update the technological tools used in operations of their work so that the members of staff can be technologically competent. The use of technological devices should also be made available to members of staff in the various tax stations outside the head office.

Keywords: **Tax Administration, Tax Authorities, Timely Payments**

1.0 Introduction

Sustainable revenue mobilization is a necessity for stable economic growth and development in a nation which requires continuous funding through raising of revenues to aid the government in providing the needed infrastructures and many other services for the wellbeing of the citizens of a country. The main function of revenue agencies is to mobilize tax revenue on behalf of the government, which will be used to fund the social and infrastructural needs of a country (Kujore, Dada & Adegbie, 2021). Timely payment of tax declarations by taxpayers is a major challenge to tax authorities as this indicates the ability of tax authorities to perform their function as tax revenue collectors because until the tax revenue is in the treasury of the government, tax authorities can then be said to have efficiently and effectively carried out their core function of assessment, collection, and remittance.

Taxpayers are expected to pay taxes which have been subjected to assessments on time. Timely payment indicates that a taxpayer's income has been assessed either through self-assessment or by the tax officials in charge of assessments and proposed or documented to be paid on a certain date. Where a taxpayer's defaults in payment, tax authorities will enforce sanctions, penalties, interest charges and legal actions where appropriate. According to the World Bank Ease of Doing Business (2020), none of the Tropical African countries has improved in the ease of paying taxes for many years. According to the report, the overall ease of doing business ranking in Nigeria is much higher than the ease of paying taxes, which has recently increased by 22% (from 182 position in 2017 to 159 position in 2020), signifies that tax authorities need to ensure taxpayers compliance is achieved and the government's purse is robust. The onus lies on the tax revenue agency on how to successfully encourage and ensure that taxpayers make timely payments of tax income into the government purse (An, Frik, Ivanova, Markov, Simonova, & Evseenko 2020).

2.0 Literature Review

2.1 E-payments

The process of paying taxes can be manual which may involve taxpayers visiting the tax office for couple of days before the assessment is approved for payments, this would involve transportation costs, productive business time wasted which could be used to earn more business income. Advancements to the manual processes of paying taxes is the introduction of electronic payments. The use of e-payments has been validated by many authors such as House, Mazar, and Robitaille (2015); Irefe-Esema and Akinmade (2021) to encourage timely payments from taxpayers. A report from OECD (2021), states that more than 80% payments in value and number of various payable taxes are done electronically. Many studies have confirmed that the electronic system of paying taxes have been beneficial in so many ways to both taxpayers and revenue collectors themselves. Electronic payment of taxes has reduced or eliminated the several visits to the tax revenue collecting agencies by taxpayers and the time can be put to more productive earning abilities of the taxpayers (Olaoye & Atilola, 2018). Electronic payments have reduced the amount of paperwork involved in tax payments by both taxpayers and the revenue agency as the procedures have been simplified and put in a concise format online.

2.2 Tax Administration

Tax administration involves every activity that can lead to the achievements of the practical implementation of the objectives of tax laws and policies for tax revenue generation (kalu & Ibe, 2020). Tax administration is the implementation of tax laws that confers power on Internal Revenue Services to collect a part of taxpayers' income as government agents for revenue mobilization. Tax administration involves assessment, collection, and remittance of taxes from individuals and organizations. Also, according to (Darono, 2015) tax administration is an institution established to remove or lessen lopsided activities between the taxpayers and tax officials.

Taxation is a means used to collect taxes on the income of taxpayers within a specific jurisdiction. Taxation and government revenue are often befuddled as meaning the same thing. The National Tax Policy (2012) makes a distinction, defining government revenue as proceeds from sale of government activities, internally or externally. Taxation is primarily a tool of revenue generation. Moreso it is used to rouse other avenues of revenue generation to the government for the advancement of the economy. According to Earnest and Young (2020), adequate and sustainable revenue collection helps to execute and implement policies faster and efficiently, taxation is an ideal long-term strategy to wean a country out of foreign aid dependency (Slemrod, 2015). Taxation plays a key role in building up institutions, markets, and democratic governance (OECD, 2009). Taxation is premised on some principles, which were first put up by Adam Smith in (1776) and called the four canons of taxation (equity, certainty, convenience, and economy). These principles have been promoted in recent times to include low cost of administration, simplicity, clarity, low compliance cost, flexibility, and sustainability (RNTP 2017). In every economy, whether developed, underdeveloped, the essence of taxation is revenue generation. The Nigerian economy for many decades depended heavily on revenue from oil to finance government activities. However, due to the volatility of the international oil market. The Nigerian government now concentrates on taxation as a sustainable source of revenue (Richards, 2019).

2.3 Tax Administration and Timely Payment

Irefe-Esema and Akinmade (2021), in their study used field survey on Federal government tax agents and tax professionals. The authors found out that the use of automation impacts positively on payment of taxes in Nigeria, the authors further revealed in their study that tax automation would avert corrupt practices of tax officials, reducing or eliminating physical contacts between the taxpayers and tax officials. Otekurin, Nwanji, Eluyela, Inegbedion and Eleda (2021), their study revealed that tax administration that embraces e-tax payments will lessen tax circumvention and improve tax revenue of the government in Nigeria. Mukuwa and Phiri (2019), their work reveals e-payment significantly impacted and has increased revenue collections from small scale business in Zambia. The work of Ganyam, Ivungu and Anongo (2019) revealed a positive effect on paying taxes electronically, tax remittance and revenue collections. The study recommends State Internal Revenue Services to be fully automated. Also, the work of Onuselogu and Onuora (2021), revealed that e-tax payment has a positive and insignificant effect on revenue generation and company income tax and a negative and insignificant effect on capital gains tax, the authors recommend sensitization of e-payment. The study of Ajayi and Yidiat (2021), impact of electronic tax filing on tax revenue generation in Nigeria, revealed that electronic tax filing had significant impact on oil tax revenue in Nigeria.

2.4. Agency Theory

The agency theory is authored in the early 1970s by Stephen Ross and Barry Mitnick, the theory became popular through the research of Jensen and Meckling in 1976. The theory is basically addressing a relationship in which a party acts on behalf or in the capacity of another party. According to Einsenhardt, (1989), agency theory proposes that humans are rational, self-interested, and opportunistic in nature. The State tax authorities are the agents vested with the control of State tax matters, taxpayers as citizens in the State are the third parties, while the State government is the principal, the owner of public sector (Olugbusi & Ojo, 2021). Clarke (2004) explained that the administrators (tax officials) supervise the tax revenue and act as agents of collections on behalf of the principal (government). The occurrence of principal and agent challenges in every organization made the theory popular in the field of accounting, finance, economics, and others. The supporters of this theory include (Watts & Zimmerman, 1983), Fama, (1980), Hammond & Knott (1996), Adams, Kiser & Tong, (1992) and many others.

Many authors have also criticized the agency theory, Perrow and Gore (2012), opposed the theory as addressing only the agent, stating that the principal as a party could also be exploiting the agent. Others critiques of the agency theory include Sanders & Carpenter (2003), Wiseman & Gomez-Mejia, (1998).

The State tax authority or agency is acting on behalf of the State government administering tax on taxpayers (the governed), the taxes collected would be used to fund the various economic activities of the State (Ibrahim, Olawale, Victor, & Mohammad, 2020). The greatest challenge of the principal is to ensure that the agent acts in his interest but due to conflicts of interests arising as a result of the separation of ownership and control which the main thrust of the agency theory, there is usually a diversion of the objective as tax agency, or its officials acts for its interest and personal gain. The theory therefore chides the State tax authorities as reliable stewards of tax administration to be transparent, accountable and remit completely all taxes collected from the taxpayers and the taxpayers expect the State tax authorities not to delay or prolong unnecessarily the tax matters during tax dispute and resolutions.

3.0 Methodology

This study employed the survey research design using the simple random sampling technique to select the respondents from the primary source by questionnaire on a population of four thousand four hundred and ninety-nine revenue collecting officials in Lagos, Ogun, and Oyo SIRS in Nigeria. The study adopted purposive sampling technique to select Lagos, Ogun and Oyo, commercial hub States in in the South - West geopolitical zone, among the top highest revenue generating States in Nigeria and the States has same demographic attributes in tax matters (Adesemowo, Dada, & Adegbie, 2022). A sample size of three hundred and eighty-seven respondents was taken using Taro Yamani formula. Reliability test of 0.713 was determined by using Cronbach alpha above the required 0.7 threshold. The questionnaire with a 6 level Likert scale had sections for the demographic attributes and the variables. The data obtained was evaluated using multiple regression analysis which were presented using descriptive and inferential statistics.

3.1 Model Specification

Y = f(X)

TLP = β_0 + β_1TASS + β_2TCOL + β_3 TREM + µi ----------------------------------Model

4.0 Discussion of Findings

Table 1: Respondents Responses on Timely Payments (TLP)

Timely payments (TLP)	Missing	SD	D	PD	PA	A	SA	Mean	SDV
The revenue service receives tax payments promptly and generates more tax revenue from e-payment system.	2 (0.50%)	2 (0.50%)	4 (1.0%)	12 (3.10%)	58 (15.20%)	147 (38.50%)	157 (41.10%)	5.12	0.99
Electronic payment systems such as Internet or other online payment methods, Automatic Teller Machines are available and used by taxpayers for payment of total core tax collections.	4 (1.0%)	5 (1.30%)	23 (6.0%)	6 (1.60%)	68 (17.805)	132 (34.60%)	144 (37.70%)	4.88	1.27
Electronic payment of taxes has reduced or completely eliminated the several visits to the tax revenue collecting agencies by taxpayers.	2 (0.50%)	3 (0.80%)	25 (6.50%)	9 (2.40%)	59 (15.40%)	127 (33.20%)	157 (41.10%)	4.96	1.23
The revenue service has dedicated collection enforcement units with	4 (1.0%)	3 (0.80%)	2 (0.50%)	8 (2.10%)	40 (10.50%)	158 (41.40%)	167 (43.70%)	5.19	1.01

full-time specialist staff trained in collection techniques, customer (debtor) relationships, and negotiation.									

Source: Researcher's Field Study, 2022

Table 1 shows that 41.10% respondents strongly agreed that the revenue service receives tax payments promptly and generates more tax revenue from e-payment system., 38.50% respondents agreed, and 15.20% respondents partially agreed, contrariwise 3.10% respondents partially disagreed, 1.00% disagreed and 0.50% respondents strongly disagreed. The mean value of 5.12 indicates that the respondents on average agreed that the revenue service receives tax payments promptly and generates more tax revenue from e-payment system.

In the same vein 37.70% respondents strongly agreed that Eelectronic payment arrangements such as Internet or other online payment methods (via electronic funds transfer or online payment by debit/credit card), Automatic Teller Machines are available and used by taxpayers for payment of total core tax collections, 34.60% respondents agreed, while 17.80% respondents partially agreed, but 1.60% of the respondents partially disagreed, 6.00% disagreed, and 1.30% strongly disagreed. The mean value of 4.88 indicates that the respondents on average agree that Eelectronic payment arrangements such as Internet or other online payment methods (via electronic funds transfer or online payment by debit/credit card), Automatic Teller Machines are available and used by taxpayers for payment of total core tax collections.

Furthermore 41.10% respondents strongly agreed that electronic payment of taxes has reduced or eliminated the several visits to the tax revenue collecting agencies by taxpayers, 33.20% agreed, 15.40% partially agreed to the statement, while 2.40% respondents partially disagreed, 6.50% respondents disagreed, and 0.8% respondents strongly disagreed. The mean value of 4.96 indicates that the respondents on average agreed that electronic payment of taxes has reduced or eliminated the several visits to the tax revenue collecting agencies by taxpayers.

In addition, 43.70% respondents strongly agreed that the revenue service has dedicated collection enforcement units with full-time specialist staff trained in collection techniques, customer (debtor) relationships, and negotiation, 41.40% respondents agreed to this statement, 10.50% respondents partially agreed, while respondents 2.10% partially disagreed, 0.50% disagreed and 0.80% strongly disagree to the statement. The mean value of 5.19 indicates that the respondents on average agreed with the statement.

Test of Hypothesis

Table 2: Regression Analysis

Variable	Coefficient	Std. error	t – stat	Prob.
(constant)	3.330	0.249	13.373	0.001
TASS	0.138	0.034	0.215	0.001
TCOL	0.041	0.026	1.436	0.152
TREM	0.155	0.043	3.587	0.001
R – Squared	0.122			
Adjusted R^2	0.115			
f- Statistics	17.405			
prob (f – stat)	0.001			
Observation	382			

Dependent Variable: TLP; Obs.: 382 ***significant at 5%**

Source: Researcher's Field study (2022)

TLP = 3.330 + 0.138TASS + 0.041TCOL + 0.155 TREM

Interpretation

In Table 2 Tax administration effect on the timely payment of taxpayers in Lagos, Ogun and Oyo SIRS in Nigeria is not significant. The result shows that tax assessment, tax collection and tax remittance have a positive effect on timely payment, which is specified by the boundaries of the coefficients which are β_1= 0.138, β_2 = 0.041 and β_3= 0.155. This corresponds with *a prior* expectation. This implies that a percentage increase in TASS would lead to a 13.8% increase in timely payments of taxpayers, also a percentage increase in TCOL would result in an increase in timely payments of taxpayers by 4.1%, while a percentage increase in TREM would give 15.5% increase in timely payments of taxpayers. The bearing of the coefficient signifies those enhancements to better-quality tax assessment, tax collection and tax remittance would result in increase in timely payment of taxpayers.

The adjusted R^2 which is the coefficient of determination is 0.115 (12%), this suggests that only 12% variation in the timely payments of taxpayers in Lagos, Ogun and Oyo States is elucidated by the proxies of tax administration while 88% is attributed to other variables outside this study. At the 0.05 level of significance, the F-statistics is 17.405, where the p-value of the F-statistics is 0.001 which is less than 0.05 level of significance adopted for this study, which connotes that the null hypothesis is rejected and the alternate hypothesis which states that tax administration significantly impacts the timely payment of taxpayer's declaration in Lagos, Ogun and Oyo SIRS in Nigeria is accepted.

Discussion of Findings

In Table 2, the hypothesis predicted a positive and significant relationship between the dependent and independent variables. Consequently, the null hypothesis is rejected and resolved that a significant relationship subsists between tax assessment, tax remittance and tax collection on the timely payment of taxpayer's declaration in Lagos, Ogun and Oyo State Internal Revenue Service in Nigeria.

E-payment, as a measure of timely payment as used in this study, is positively affected by tax administration. This position is affirmed in Irefe-Esema and Akinmade (2021), that tax administration has a positive and significant effect on timely payment of taxpayers thereby increasing tax revenue accruing to the government, also in Roger (2021) e- payment has influenced positively tax revenue generation in Rwanda. Similarly, in Mukuwa and Phiri (2019), the study found out that e-payments has a significant effect and has enhanced increased revenue collections in Zambia. The study of Awai and Oboh (2020) found out that electronic tax payments significantly influence tax revenue collections, this implies that automation of tax administration functions enhances increased tax revenue collections. In the study of Olaoye and Atilola, (2018), the effect of e-payment on revenue generation, using a pre and post e – payment analysis, the study revealed that e- payment has a negative and insignificant effect on value added tax and capital gains tax, this implies that the tax administration has no significant influence on revenue generation upon introduction of e-payment in Nigeria. Likewise in the study of Onuselogu and Onuora (2021), the results of the study also show a negative and insignificant effect on value added tax and capital gains tax in Nigeria. Similarly, in Koessler, Torgler, Feld, and Frey (2019) the study found out that financial or nonfinancial reward enhances compliance to make timely tax payments of taxes.

5.0 Conclusion and Recommendation

The conclusion of the study is that tax assessment, tax remittance and tax collection contribute significantly to timely payment of taxpayers' declaration in Lagos, Ogun and Oyo States. The study recommends that State governments should enhance and fortify e-payment systems by providing advanced and up to date technology in all their workstations. The government should continuously train and retrain its staff in information technology locally and internationally, also the government should ensure that all its tax stations are adequately automated.

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