

E-FILING INTENTIONS OF INCOME TAX RETURN AND COMPLIANCE BEHAVIOR IN NIGERIA: A PROPOSED FRAMEWORK

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ABSTRACT

Governments worldwide are moving towards utilizing Information Communication Technology (ICT) to make public service more effective and efficient. E-filing is a system of online filing which is conducted through the internet on real time basis. The problem of tax noncompliance posed a serious challenge to tax authorities and hinders revenue generation of the government. The study adopted a systematic Literature review method to ascertain the possibility of applying the Unified Theory of Technology Acceptance and Use of Technology (UTAUT) model as a determinant for Compliance behavior. The study recommends a model to predict the behavior of tax payers distinct from the social, psychological and economic factors that have dominated prior studies on tax compliance. The outcome of the study will be beneficial to the government, tax authorities and other relevant stakeholders in understanding the knowledge of taxpayer's decision making which could lead to better strategic planning and improved revenue performance.

Keywords: Tax Compliance, E-filing and Revenue generation

1. INTRODUCTION

In today's era of globalization, several changes have been made in various aspects of human life. A very visible and contrast changes are the development in the field of technology that experienced rapid development from year to year, especially in the field of Information and Communication Technology (ICT) that brings ease in performing archival tasks. One of the influences of technological progress is e-

government. As mentioned by Abdurrohman, Domai, and Shobaruddin (2015), e-government is an interaction mechanism between general public and government agencies using information technology with the purpose of increasing effectiveness and efficiency of public services.

Taxation is an important source of government revenue globally. In Nigeria, despite concerted effort by successive government and tax authorities, the problem of tax non-compliance still persists in both formal and informal sectors of the economy. Prior statistical data indicated that Revenue from taxation in Nigeria is relatively low compared to other low-income nations (Alabede, 2011). The situation of tax non-compliance at the subnational level of state and local government in Nigeria is awful. These problems have affected most subnational government in Nigeria in their quest for social economic transformation and provision of basic social amenities due to paucity of funds.

Tax is a compulsory payment levied by government or its agents on individuals, corporate bodies as well as on goods and services. The payment of taxes is a civic duty of a citizen in which failure to comply with the tax provisions is punishable by law. Tax compliance is the willingness of a tax payer to pay taxes as at when due in conformity with the relevant tax laws. In contrast, tax non-compliance is the unwillingness of a tax payer to remit the proper amount or fail to comply with the relevant tax laws. This practice of non-compliance poses a serious challenge to tax administrators, hindering higher revenue generation from taxes in most developing nations.

There is an increasing need for the governments to collect more revenue by way of taxes to face its enormous financial obligations and meet budgeted expenditures (Mukura & Phiri, 2020). The government face great challenge in collecting these revenues, which result in a lower tax revenue performance compared to set target. To curb this ugly trend, the study is proposing the use of emerging technologies and electronic tax payment system that are more efficient in order reduce wastages and improve tax compliance. One of these emerging technologies is the electronic tax system.

E- Filing is the submission of tax form data to a tax authority in computer file format online (Edward, 2008). This e- filing platform provides online access for a tax payer

to register, file tax returns, make payments, generate receipt and process tax clearance certificate. Tax e-filing is meant to enhance the quality-of-service delivery by reducing the time taken in the hectic tedious manual documentation, recordkeeping for tax purposes, improve transparency and accountability. The changing trend to electronic filing instead of manual filing system could help the tax authorities in reducing the burden of checking and processing income tax return forms in timely manner. Consequently, the usage of e-filing will also facilitate and expedite the collection of taxes. Thus, the tax authorities could concentrate more on other key tax administrative functions (Ojha, Sahu, & Gupta, 2009).

Early studies on tax compliance consider the economic factors of tax rate, tax penalty and possibility of detection as likely reasons for noncompliance (Allingham & Sandmo, 1972). Later on, more scholars suggested social and psychological factors of fairness, ethics, peer influence, income level, income sources, occupation, age, gender and education (Fischer, Wartick, & Mark, 1992; Fischer, 1993; Jabbar, 2009; Jackson & Millron, 1986; Manaf, 2004; Wenzel, 2004).

This study intends to look beyond these factors by evaluating e-filing intentions and compliance behavior. These factors will be broadly classified into effort expectancy, performance expectancy, Social influence and facilitating conditions. These will provide a different perspective to existing body of knowledge on income tax compliance behavior.

2. LITERATURE REVIEW

Theoretical Review

Theory of Plan Behavior (TPB) model was adopted in the study of Chu and Wu (2004), because they believed that the model could provide more effective guidance to policy-makers in promoting electronic filing. Their study suggested that perceived behavioral control is the most significant variable in determining the acceptance of e-filing, followed by attitude and subjective norms. Later, Hung *et al.* (2006) also used the TPB model to identify factors that influence the acceptance of e-filing. They found that Perceive Usefulness, Perceive Ease of use, perceived risk, trust, compatibility, external influences, interpersonal influence, self-efficacy, and facilitating conditions were the significant determinants of user acceptance of online tax filing.

Fu, Farn and Chao (2006) utilized the Technology Acceptance Model (TAM) to examine whether the model was applicable to e-filing and manual filing. They found that Perceive Usefulness was the main determinant for both types of filing methods, while Perceive Ease of use, social norms and self-efficacy results were different for both methods. They found that PEOU and social norms were only significant for manual submission but not significant for the e-filing method. Self-efficacy was found to be a significant determinant for e-filing but not for manual filing. The association of the demographic items with the usage of e-filing indicated that taxpayers who did not use e-filing had a lower education level, were older in age, had less computer and internet experience, had fewer IT resources, and were connected to the internet less frequently than taxpayers who utilized the e-filing.

In the United States, many of the studies utilized the Universal Theory of Technology Acceptance and Use of Technology (UTAUT) model with an integration of other variables such as trust and security (McLeod, Pippin, & Mason, 2009; Schaupp, Carter, & McBride, 2010). Results for the UTAUT constructs were consistently found to be significant but not for the other variables integrated in the model. Schaupp, Carter, and McBride (2010) and Carter, Schaupp, Hobbs, and Campbell (2011) found that three out of four UTAUT constructs (performance expectancy, social influence, and facilitating conditions) were significant factors that affect the Americans intention to use e-filing. Carter et al. also found that trust factors were a significant determinant of e-filing intention. However, McLeod et al. (2009) found that trust factors (security and privacy) were non-significant factors in the intention to use the e-filing system, which indicates that Americans were willing to exchange trust for convenience. However, all the prior studies concentrated on user acceptance of e filing while this study intend to use the UTAUT construct to predict compliance behavior. These will provide a wider perspective to studies on tax compliance behavior and void the gab in literature.

Empirical review

In Turkey, the perceptions of certified public accountants towards tax e-filing and e-payment were examined using a multiple regression analysis by Ozgen and Turan (2007). They tested eight variables, namely PU, PEOU, compatibility, perceived risk, self-efficacy, subjective norm, technology facilitating conditions and resource facilitating conditions towards behavioural intention. Their findings suggest that PU

and PEOU were the major determinants of e-filing acceptance; this supports the results found by researchers in other countries such as Taiwan.

In India, Ojha, Sahu and Gupta (2009) studied the factors that affect the e-filing acceptance among young professional individuals, while Sharma, Oman and Yadav (2011) focused on more general individual taxpayers. Using multivariate data analysis, both of the studies confirmed that PU and PEOU were statistically significant determinants in India. Besides PU and PEOU, Ojha et al. (2009) found external influences to be a significant determinant but this factor was not significant in the study by Sharma et al. (2011).

In Zambia, Mukuwa and Phiri (2020) examined the effect of e- services on revenue collection and tax compliance in developing countries. The study adopted survey method of data collection. The analysis revealed a significant increase in revenue collection and tax compliance among SMEs in Zambia since the introduction of e-services. Analysis of the literature on e-filing acceptance around the world suggests that PU and PEOU are the two major determinants, with almost all studies finding them to be significant determinants. Nonetheless, findings on other factors such as self-efficacy, external influences or subjective norms and anxiety are not conclusive. The difference in results may be due to different samples, different years, and different tax structures in the relevant countries. These differences allude to the fact that more studies are needed in the research area.

Prior studies in Nigeria

Ojochogwu and ojeka (2012) examined factors that affect tax compliance among small and medium enterprises (SMEs) in north central Nigeria. The study was conducted using SMEs in Zaria, North Central Nigeria to evaluate and rank the factors that encourage non-compliance with tax obligation by SMEs. The result revealed that high tax rate and complex filling procedure are the most crucial factors. Whereas multiple taxation and lack of proper enlightenment affect tax compliance only to some extent. It was recommended that SMEs should be levied lower percentages of taxes to allow enough funds for business development and better chance of survival in a competitive market. However, the study sample area is not adequate enough to generalize the findings of the study and complex filing procedure could be eliminated with the adoption of e-filing by the revenue board.

Tijjani and Ugundeji (2013) examined professional perspective of tax evasion in Nigeria. The study employed survey method of data collection with tax professionals as respondents. This is with a view to ascertain the determinants of tax evasion. The result of the analysis revealed that tax evasion in Nigeria is largely influenced by complexity in the tax structure, perceived financial and economic benefits associated with tax evasion, and lack of trust in government over financial resource utilization. However, the study failed to consider social and psychological factors.

Mansor and Gurama (2016) examined factors influencing tax evasion in Gombe state Nigeria. The study adopted survey research design using questionnaires. The result of the analysis indicated that tax system, income level and educational have significant positive relationship with tax evasion. On the other hand, tax rate and corruption have positive but insignificant relationship with tax evasion.

Daniel and Esther (2019) Examined electronic taxation and tax compliance of fast-food restaurant in Lagos state. The study laid emphasis on the level of awareness of electronic filing among tax payers. A survey method was employed using questionnaire. The result of analysis revealed that level of awareness is significantly positive while perceive ease of use has a positive effect on compliance but statistically insignificant.

Hypothesis Development

Performance expectancy

As reported by Venkatesh et al. (2003), is the degree to which an individual believes that using the system could help individual increase in job performance. Studies revealed that performance expectancy is the strongest predictor in the UTAUT model with an R square ranging from .46 to .59, $p < 0.001$. This variable is the most consistent predictors of behavioral intention where the more individuals expect the technology could improve performance, the more likely the technology introduced is adopted (Venkatesh et al., 2003). Hence, the same pattern and effect of performance expectancy could be expected in compliance behavior. The adoption of e-filing system in corporate taxation could increase the performance of individual tax payer effectively and efficiently. Thus, it is predicting that there is a positive relationship between performance expectancy and compliance behavior in Nigeria.

Effort expectancy

This is the degree of ease associated with the use of the system (Venkatesh et al., 2003). Studies that tested and incorporated the 32 variables into four (4) main variables pointed out that effort expectancy is the weak determinant in the UTAUT model with an R square ranging from .08 to .2, $p < 0.05$. This is because individual expect the technology introduced should be free of efforts. Therefore, when technology is perceived to require more effort to use, then the tendency to intend to use the technology is decreased and vice versa. It is basically due to the perception that less effort is required to use the e-filing system (Davis et al., 1989; Venkatesh, 2000; Venkatesh & Davis, 2000). The same effect is predicted to be on the e-filing system, where less effort could improve as well as attract the individual tax payer to adopt the system. Hence, it is proposed that effort expectancy could result in a positive relationship with behavioral intentions and tax compliance in Nigeria.

Facilitating conditions

This is the degree to which an individual believes that an organizational and technical infrastructure exists to support the use of the system. The result shared in the study of the UTAUT model (Venkatesh et al., 2003) is that facilitating conditions is a significant predictor of usage behavior with R square ranging from 0.05 to 0.18, $p < 0.05$. In this study, on tax e-filing intentions and compliance behavior in Nigeria, the focus is on the intention and not actual use. Even in this case and based on the fact that facilitating conditions significantly affect the usage, yet the determinant is remained in this study. This is because it is believed that if there is an intention to use any new technology or product, certainly there would be facilities and technical support provided by the organization to the users or adopters (Lu et al., 2009). In addition, there is also a need to study on the importance of compatibility factor of the new technology to influence the new adopters. Based on this fact, it is projected that facilitating conditions will result in a positive relationship on compliance behavior in Nigeria.

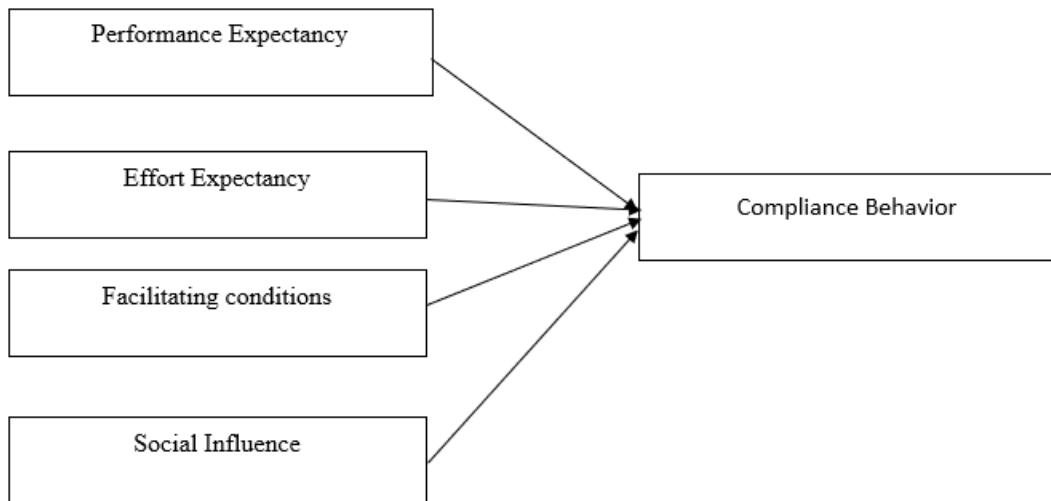
Social Influence

According to Venkatesh et al. (2003), it is the degree individuals perceives that other people believe is considered to be important to them to use the technology. The scholars found that social influence depict low positive relationship in the UTAUT model. This is because in a voluntary condition, social influence constructs are not

significant. Under a mandatory condition, this element of social influence is seemed to be significant only on early stage and turn out to be non-significant as experience increased. Meaning that as individual become familiar with the technology, influences from others have no effect on behavior. However, in tax e-filing intentions and compliance behavior, it is expected to have a positive relationship between social influence and behavioral intention. In Nigeria, tax e-filing is on a voluntary basis, the social influence could indirectly influence the intention to use the system. Thus, the social influence is predicted to have a significant effect on Compliance behavior. Therefore, it is envisaged that there is a positive relationship between social influence and compliance behavior.

Proposed Framework

The research sought to determine the applicability of the Universal Theory of Technology Acceptance and use of Technology (UTAUT) model in predicting SME's e filing intentions of income tax returns and compliance behavior.



Source: Model is developed by Venkatesh, V., Morris, M. G., Davis, G. B., & Davis, F. D. (2003) and modified by the authors.

The basic concept underlying user acceptance model is the behavioral elements in a person to form an intention to act (Ajzen, 1991) which then turn into action to act (Venkatesh et al., 2003). Many studies that measure the usage behaviour of e-filing employ “intention to use” to predict the actual usage behaviour (see, for example, Chu & Wu, 2004; Fu et al., 2004; Fu et al., 2006; Che-Azmi & Bee, 2010). However, this study intends to predict compliance behavior using determinants of intention to use the E-filing system.

CONCLUSION AND RECOMMENDATION

Conclusion

Taxation been an important source of revenue to the government plays a pivotal role in the socio-economic wellbeing of any nation. The revenue accruable from taxation are greatly affected by tax non-compliance behavior among most tax payers. This practice has affected revenue generation drive of government and in turn hinders provisions of social amenities in most developing nations. It has become imperative to study other likely factors that can influence compliance behavior apart from social, economic and psychological factors considered by most prior studies. This will in turn provide a wider perspective to research on tax compliance behavior and void the gab in literature. The result of the study will improve the knowledge and understanding of tax administrators on the likely determinants of e-Filing intentions, as a result, tax authorities can extend and enhance their knowledge of taxpayer’s decision making.

Recommendations

Based on the findings of the study, the Universal Theory of Technology Acceptance and Use of Technology (UTAUT) model can be applied in predicting compliance behavior in Nigeria. Further studies can empirically examine the relationship of the UTAUT variables on compliance behaviour among tax payers in Nigeria.

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