



## TAXPAYERS' AWARENESS, TAX PENALTIES AND TAX ADMINISTRATION IN NIGERIA

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### **Abstract**

*Discourse on tax administration in terms of taxpayers' awareness and tax penalty is germane because governments at all levels depend on revenue generated through taxation to drive their programmes. It is against this background that this study empirically evaluated the influence of taxpayers' awareness and tax penalties on tax administration in Nigeria. Cross-sectional survey design was used for the study. The population for the study comprised all registered corporate taxpayers in the six geopolitical zones of Nigeria. A total of one hundred and fifty (150) corporate taxpayers whose tax files are domiciled in North-Central and South-West FIRS zonal offices were selected as sample for this study. The selection of the sample size was based on stratified random sampling method; copies of questionnaire were therefore distributed to the selected respondents. Quantitative data obtained were analysed using partial least square – structural equation modelling (PLS-SEM). The findings revealed that there was positive and significant relationship between taxpayers' awareness and tax administration in Nigeria ( $\beta = 0.050$ ,  $t=1.532$ ,  $p < 0.05$ ) and positive influence of tax penalties on tax administration in Nigeria ( $\beta = 0.075$ ,  $t = 1.984$ ,  $p < 0.05$ ). The study therefore concluded that taxpayers' awareness and tax penalties are good predictors of tax administration in Nigeria. The study recommended that FIRS should further embark on strong campaign on the need for corporate taxpayers to fulfill their tax obligations to enable government to finance public expenditures. Tax penalties should also be strengthened to serve as deterrent mechanism against noncompliance by embarking on regular tax audit to minimize tax defaults.*

**Key Words:** Tax, Tax Administration, Taxpayers' Awareness, Tax Penalties, Corporate Taxpayers

### **INTRODUCTION**

The role of tax as domestic revenue is very dominant globally. Taxes are mandatory contributions to the state, owed by individuals or corporate entities that are coercive based on law, by not getting direct benefits and are used for a country's needs for the greatest prosperity of the citizens. A key component of any tax system is the manner in which it is administered, and no tax is better than its administration, so tax administration matters a lot in any economy (Bahl & Bird, 2008). An essential objective of tax administration is to



ensure the maximum possible compliance by taxpayers of all types with their tax obligations. Unfortunately, in many developing countries, especially Nigeria, tax administration is characterized by extensive evasion, corruption and coercion. In many cases, overall tax compliance levels are low and large proportion of the informal sector of the economy escapes the tax net entirely (Oladipupo & Obazee, 2016).

However, high tax awareness by the citizens would encourage them to fulfil their obligations to register as taxpayers, while reporting and paying taxes properly are forms of national and civic responsibilities. Most citizens do not have much understanding of what tax laws mean and why the tax system is structured and administered as it is (Yan, Arokiasamy & Suat, 2010). Also, taxpayers' awareness means that taxpayers are willing to carry out their tax obligations such as registering, calculating, paying and reporting the amount of tax payable, in line with this, Nurkhin, Novanty, Muhsin and Sumiadji (2018) stated that taxpayer awareness has a real influence on compliance and non-compliance. Taxpayers with high awareness tend to be more obedient in paying taxes compared to taxpayers with low awareness.

Lack of awareness and compliance of taxpayers in Nigeria is triggered by various factors such as inadequate understanding of taxation, the assumption that paying taxes is a loss because it reduces income, the assumption that the allocation of tax use is not transparent and there are cases of tax fraud, which aligns with the study by Listyowati, Samrotun & Suhendro (2018).

Also, Husin, Hamid and Bulan (2021) stated that to achieve tax target, the taxpayer must know that there are sanctions in the taxation namely tax penalties. Taxpayers will comply with taxes if the penalties will be more detrimental. The more tax arrears that must be paid by taxpayers, it is harder for taxpayers to pay off the obligations. Therefore, it is important to research tax penalties (fines) in tax laws to assist the government in raising public awareness about taxpayer compliance, which will lead to effective tax administration. If the taxpayer is aware of the importance of taxes and the procedures for implementing taxation, it can increase tax compliance (Kamil, 2015). Awareness to pay taxes is the behaviour of taxpayers in the form of a person's views based on the knowledge they have accompanied by reasoning to behave following applicable tax provisions (Rahmawati & Yulianto, 2018). Besides the awareness of taxation which arises from within the taxpayer, there must also be an intention that comes from sanction that will make a taxpayer to behave obediently or not towards taxation.



Towards promoting tax compliance among taxpayers in Nigeria, the Federal Inland Revenue Service (FIRS) publish yearly approved rates of penalty and interest to be applied as sanctions as stipulated by relevant tax laws and in pursuance to the provision of section 32(1) of FIRS (Establishment) Act. This provision of the Act states that unpaid tax shall carry interest at the prevailing Central Banks of Nigeria (CBN) minimum rediscount rate, plus a spread to be determined by the Minister. Nigeria as a developing country with massive informality has had to combat with getting taxpayers to fulfil their tax obligations. Tax audit and penalty are popular apparatus used to ensure compliance in most tax jurisdictions, especially where the rate of compliance is poor (Oghuma, 2018). Also, Doran (2009) opined that penalties are geared towards discouraging taxpayers from infringing on the tax laws and that their compliance to tax payments would be high if the penalties are more detrimental. Therefore, he concluded that tax penalties serve as an instrument for promoting tax compliance. Therefore, the tendency to evade tax is reduced if the taxpayers are aware of the penalties involved in tax offences.

It is worrisome to note that despite the huge resources (human and capital) on tax awareness and penalty, no serious question had been asked as to their influence on tax administration and consequently generation of increased tax revenue in general. It is, therefore, necessary for the influence of these measures to be examined to pave way for more resources or otherwise for the development of Nigerian Tax Administration. Also, as far as literature searched, most of the studies related taxpayers' awareness and tax penalties to tax compliance. None of the previous studies related the influence of taxpayers' awareness and tax penalties to tax administration, for example: Ephrem (2016); Tutik and Monot (2017); Rahayu, Setiawan, Troena and Sudjanto (2017); Niway and Wondwossen (2017); Richard (2018); Dusa and Atin (2018); Akpubi and Igbekoyi (2019); Omondi and Theuri (2019); Riani (2019); Anindita, Oman and Negina (2019); Lalo, Sudarma, Kartini and Syamsuddin (2019) and Violitta, Mirna, Rosalina, Bambang and Sedi (2020). It is against this backdrop, this study examined the influence of taxpayers' awareness and tax penalties on tax administration in Nigeria. Thus, this paper seeks to test the following hypotheses:

**H0<sub>1</sub>**: There is no significant relationship between taxpayers' awareness and tax administration in Nigeria.

**H0<sub>2</sub>**: Tax penalty has no significant relationship with tax administration in Nigeria.

## **LITERATURE REVIEW**

Literature review for purpose of this study consists of three parts: conceptual review, empirical review and theoretical framework.

### **Conceptual Review**



The three main concepts of the study, tax administration, taxpayers' awareness and tax penalties are reviewed and presented concisely.

### **Tax Administration**

Tax administration is a mechanism used to verify compliance with the rules and also apply the sanctions against tax criminals provided for in the rules and regulations of taxation (Bird, 2015). In addition, Saliza, Abobakr and Salem (2018) stated that tax administration is a key mechanism for collecting tax revenues in developed and developing economies. Tax administration is the process in which relevant tax authority applies tax laws and, in general, the practical interpretation of laws (Oladipo, Nwanji, Eluyela, Godo & Adegboyegun, 2022). According to Olaoye and Kehinde (2017), the government programs and adequacy of the tax policy is the primary concern of the tax system in any country while tax administration is to guarantee the proper application of relevant tax laws and also ensure that all the revenue generated are paid directly into the government account. In achieving anticipated objectives, sound policies, rules, and regulations must be put in place, and it is also crucial to entirely execute these policies, rules, and regulations judiciously. In Nigeria, the administrative organ of the tax authority is responsible for the implementation of tax policies.

### **Taxpayers' Awareness**

Taxpayers' awareness is the attitude exhibited by corporate or individual taxpayers to understand the meaning, function and purpose of tax payments. Taxpayer awareness also means that when taxpayers realize, and obey all applicable tax provisions and have the desire to comply with taxes (Rahmayanti, Sutrisno & Yeneye, 2020). Furthermore, taxpayer awareness is a condition where taxpayers know, acknowledge, respect and obey the applicable tax provisions and have seriousness and desire to fulfil their tax obligations. Sawitri (2017) also stated that awareness of taxpayers is a condition where taxpayers understand and understand the meaning, function, and purpose of paying taxes to the state. With a high awareness of taxpayers will give effect to improve tax compliance better. Awareness of taxpayers is where taxpayers recognize, respect, and obey the applicable tax provisions and have seriousness or desire to fulfill their tax obligations (Nurkhin, *et al.*, 2018).

Furthermore, Rahayu, *et al* (2017) stated that taxpayer awareness is an effort or action accompanied by self-encouragement and willingness to perform the rights and obligations of taxation in accordance with the regulations. Taxpayer awareness is understood if the taxation regulation has been known, acknowledged, respected and obeyed. If the tax regulation is still limitedly known, then, the taxpayer's awareness is still low. The low



awareness of taxpayer is caused by the minimum knowledge and understanding of tax regulations. The indicators of taxpayer awareness are measured by knowing tax functions, understanding taxpayers' rights and obligations, being able to calculate taxes, being able to pay taxes, and being able to report taxes.

### **Tax Penalties**

Tax penalty is an action in the form of punishment given to taxpayers who break tax laws (Idris, 2022). Penalties are needed so that regulations or laws are not violated. Tax penalties are guarantees that the provisions of tax legislation are complied with, in other words taxation penalties are a means of preventing taxpayers from violating tax norms (Mardiasmo, 2016). There are two types of taxation penalties, namely administrative penalties consisting of fines, interest and increases, and criminal penalties consisting of criminal fines, and imprisonment. Indicators of taxation penalties are criminal sanctions, administrative sanctions, heavy sanctions, tax sanctions imposed on offenders without tolerance, although tax penalties for tax violations can be negotiated.

Furthermore, tax penalties are enforcement of regulations in taxation that are imposed for the creation of tax compliance (Rahmayanti, *et al.*, (2020). Also, tax penalty is a punitive measure that the tax law imposes for the performance of an act that is proscribed, or for the failure to perform a required act such as failure to timely file return or filling wrong or undervalued returns etc. If a taxpayer is required to file an income or excise tax return and fails to timely do so, a late filing penalty may be assessed. The penalty is 5% of the amount of unpaid tax per month (or partial month) if the return is late, up to a maximum of 25% (Oladipupo, *et al.*, (2016). With tax penalties, it is expected that taxpayers can carry out their obligations properly. So that with tax penalties there is hope that will increase compliance in paying taxes by taxpayers (Listyowati, *et al.*, 2018)

### **Theoretical Framework**

This study is anchored on economic based theory which was postulated by the works of Becker (1968) and has evolved over a period of years with different researchers looking at different variables and challenging the findings made by the predecessor. According to the Becker he viewed economic theory in terms of economic theory in relation to crime. This stipulates that individuals are driven by purely self-interest. Economic or deterrence theory means that there are factors that prevent individuals from achieving full compliance levels due to some harbouring factors such as the cost benefit effect of the same. The works of Becker were challenged by the works of Allingham and Sandmo (1972) which stated that taxpayers usually want to maximize their gains. The economic based theory also known as deterrence theory place emphasis on rewards and incentives obtained from the process.



Economic based theory basically places emphasis on economic factors such as costs incurred, the probability of detection and punishment that an individual may get due to failure to comply with some regulations. Core objective of most businessmen is to incur less cost and in cases where they are detected and fined they can pay when penalty is less, they tend to overlook the compliance aspect. Furthermore, the best way to prevent deterrence is by increasing fines and penalties once a taxpayer has been identified for the acts of omission and or commission.

According to Yitzhaki (2002), the taxpayer's attitude and behavioural aspects towards risk, whether risk averse or risk taker influences the level of compliance in that risk aversion decreased with increase in the level of income. Thus, due to the varying opinions on what actually should be done to improve compliance level within the small scale traders, this study would be useful in further determining what actually can deal with the gaps in the various theories and increase the knowledge gap.

The economic based theory links to this study in that, despite there being the knowledge of penalties and fines and the taxpayer's attitude towards risk, the compliance level of the corporate taxpayers have not improved which is negatively affecting tax administration in Nigeria. The knowledge of how the fines and penalties affect taxpayers' compliance level would actually be important in understanding their compliance level. Slemrod, Blumenthal and Christian (2001) noted a weakness in relation to this theory in that it had inability to deal with items with different situations of a taxpayer. Other studies suggested a system comprising of both the punitive and persuasive measures may counter the problem of deterrence and therefore improve compliance level (Fauziati, Minovia Muslim & Nasrah, 2016).

### **Empirical Review**

Ephrem (2016) examined the relationship among tax audits, tax fines, tax penalties, tax education, tax knowledge and tax compliance behaviours in Addis Ababa. The researcher used descriptive research design as a study guide. The study collected and used primary and secondary data. Primary data were obtained using adopted questionnaire, copies of which were administered on the respondents selected randomly from the study population. These data were analysed using descriptive statistics, and inferential statistics. The inferential statistics used included correlation matrix and regression analysis. Empirical findings revealed that tax compliance behaviour is positively and significantly influenced by tax audit, tax knowledge and tax education. In the same way, results had it that the



influence of tax fines and tax penalties on tax compliance behaviour is positive and significant.

In contrast, Tutik and Monot (2017) empirically examined the influence of taxpayers' awareness, knowledge of taxation, and taxpayers' attitude on docility taxpayers in KPP Pratama Boyolali. Relevant data for the study were collected from primary source through questionnaire used for data collection purpose. Two hundred copies of the instrument were distributed to the respondents who formed the sample size, out of which one hundred and ninety-six copies were properly filed and used for the analysis. Data obtained were analysed using regression analysis, and findings revealed that tax awareness and taxpayers' attitude positively and significantly affected tax compliance, except tax knowledge that has no significant impact on tax compliance behaviour.

More so, Niway and Wondwossen (2017) empirically investigated how tax awareness and taxpayer's perception of how tax administration affect tax compliance attitude in Ethiopia. Relevant data for the study were collected from primary and secondary sources. Primary data were obtained from copies of questionnaire distributed to the selected respondents, while secondary data were obtained from relevant documents. Data obtained were analysed using descriptive statistics. Empirical findings revealed that tax awareness was the major problem for voluntary tax compliance attitude and most taxpayers viewed the current tax rate and penalty rate as high and they also believed that existing tax administration is unfair. Besides, the study showed that taxpayer's positive perception towards tax administration and government spending also encouraged voluntarily tax compliance.

Furthermore, Lalo, Sudarma, Kartini and Syamsuddin (2019) analysed the effect of tax authorities services on taxpayers' awareness; the effect of tax sanctions on taxpayer awareness; the effect of tax audits on taxpayer awareness; the effect of taxpayer awareness on mandatory compliance; the effect of tax authorities services on taxpayer compliance; the effect of sanctions on taxpayer compliance; the effect of tax audits on taxpayer compliance; the role of mediating the awareness of taxpayers in the influence of tax authorities services on taxpayer compliance; the role of mediating the awareness of taxpayers in the effect of tax sanctions on taxpayer compliance and the role of mediating taxpayer awareness in the effect of tax audits on taxpayer compliance. The research sample was 100 active taxpayers in the regional office of the director general of taxes in South Sulawesi. Data were analysed using the Structural Equation Modelling method with the help of the Smart-PLS 3.0 program. The results of the study showed that tax sanctions and tax audits have a direct effect on taxpayers' compliance, while the services of tax authorities do not affect direct taxpayers' compliance. The interesting result in this study



is that the service of the tax authorities is not significant towards taxpayer compliance, but the positive influence fully mediates the effect of tax authority's services on taxpayer compliance through taxpayer awareness.

Nevertheless, Riani (2019) examined how much influence tax knowledge, taxpayer awareness and tax administration effectiveness has on taxpayer compliance in Cikarang Region of Bekasi. The population of this study is 7,355 private business taxpayers in the Cikarang Region of Bekasi, while 93 respondents were used as sample for the study. The analytical method used was quantitative and analytic statistics and adopted multiple linear regression analysis, using SPSS v.25. The results showed that the awareness of taxpayers did not affect the compliance of taxpayers while tax knowledge and the effectiveness of the taxation system affected the compliance of individual business taxpayers in the Cikarang region.

Also, Violitta, Mirna, Rosalina, Bambang and Sendi (2020) investigated the effect of taxpayers' awareness and modernization of tax administration system on personal taxpayer compliance in Rwanda. The research method used was descriptive method. The population in this study was 136,366 taxpayers. The sample of this study consisted of 103 taxpayers. The data used in the research was the primary data. Data analysis method used in this research was multiple linear regression analysis. The results showed that taxpayers' awareness has no effect on taxpayer compliance, and modernization of tax administration system has effect on taxpayer compliance. Simultaneously, taxpayers' awareness and modernization of tax administration system has effect on personal taxpayers' compliance.

## **METHODOLOGY**

### **Data Collection and Analysis**

The study employed cross-sectional field survey design to generate quantitative data which were obtained through structured questionnaire. The questionnaire was built on five Likert scales of very high extent (VHE), high extent (HE), extent (E), low extent (LE) and very low extent (VLE). With this type of questionnaire, the respondents were asked to select appropriate options from within the two extreme points based on what the respondents considered best to represent the perception about the phenomenon of the study. The questionnaire was divided into two sections. Section A contains the background information of the respondents while Section B focused on the core issues relating to the research objectives namely: taxpayers' awareness; tax penalties and tax administration. The questionnaire employed in collecting the data was subjected to Cronbach Alpha reliability test in checking the internal consistency of the items used in measuring each of the variables. The Cronbach Alpha coefficient values of the variables: taxpayers'



awareness; tax penalties and tax administration are 0.727, 0.747 and 0.801 respectively which compare favourably with a stipulated standard of above 0.70 for reliability test. This therefore, indicates that all the items in the questionnaire have internal consistency; hence, the research instrument is reliable.

The target population for the study comprised all corporate taxpayers in the six geopolitical zones of Nigeria. However, due to the large number and the geographical spread of the population, the study was restricted to North-Central and South-West geopolitical zones. A list of corporate taxpayers containing the names and addresses was obtained from the sampled zonal offices of the Federal Inland Revenue Service. The taxpayers were classified into three strata according to the amount of tax paid. One hundred and fifty (150) corporate taxpayers were randomly selected equally from each of the three strata and copies of questionnaire were distributed to the selected respondents.

This study employed both descriptive and inferential statistics. Specifically, mean and standard deviation values were used to analyse and summarize the responses obtained from the respondents. However, for purpose of inferential statistics, the study employed the use of Partial Least Square Structural Equation Modeling (PLS-SEM) because PLS-SEM is designed to handle multiple regression models simultaneously.

**Model Specification**

This study hypothesized that tax administration (TAD) is influenced by taxpayers’ awareness (TPA) and tax penalties (TPL). Therefore, two models are specified in line with the phenomena of the study:

**Model 1:** This model shows statistical relationship between taxpayers’ awareness and tax administration in Nigeria.

$$TAD = \beta_0 + \beta_1 TPA + e \dots\dots\dots 1$$

**Model 2:** This model shows statistical relationship between tax penalties and tax administration in Nigeria.

$$TAD = \beta_0 + \beta_2 TPL + e \dots\dots\dots 2$$

Where:

TAD is the Tax administration.

TPA is the Taxpayers’ awareness, and

TPL is the Tax penalties

$\beta_0$  is the intercept term- constant which would be equal to the mean if all slope coefficients are 0.  $\beta_1$  and  $\beta_2$  are the coefficients associated with the independent variables.

## RESULTS AND DISCUSSION

### Descriptive Statistics of the Variables

This section contains the descriptions of tax administration, taxpayers’ awareness and tax penalties. A total of 150 questionnaires were administered for this study out of which 135 were found usable, amounting to 90%. Dependent variable was proxy by tax administration while the independent variables were proxy by taxpayers’ awareness and tax penalties. The results are presented in the Tables 1-3:

**Table 1 Descriptive Statistics of Tax Administration**

Items	Description	Mean	Std. Dev
TAD1	Filing of returns of corporate tax	3.38	0.814
TAD2	Supply of business information that affect my tax	3.84	0.770
TAD3	Computation of tax liability	4.03	0.669
TAD4	Submission of information on employee	3.56	0.828
TAD5	Filling of returns Value Added Tax	4.05	0.742
TAD6	Filling of returns on Withholding Tax	4.17	0.680
TAD7	Filing of returns on information technology tax	3.83	0.781
	Overall mean and standard deviation	3.84	0.755

**Source: Author’s Computation, 2022**

From Table 1, the mean ranges between 3.38 and 4.17. Also, all the items’ standard deviation scores are above 0.5. More so, the overall mean of 3.84 shows that the level of tax administration is moderately high. The result however, shows that the respondents agreed to the adequacy of tax administration, particularly filling of returns on withholding tax, VAT and the computation of tax liability.

### Descriptive Statistics for Taxpayers’ Awareness

The descriptive statistics of the variable, as presented in Table 2, shows the mean values and standard deviation of taxpayers’ awareness and its respective items.

**Table 2 Descriptive Statistics for Taxpayers’ Awareness**

Items	Description	Mean	Std. Dev
TPA1	Filling their tax returns.	3.74	0.735
TPA2	Penalty on violation of tax laws	3.89	0.836
TPA3	Tax laws update	3.82	0.764
TPA4	Assessment procedure	3.23	0.896
TPA5	Appeal procedure	3.82	0.762
TPA6	Settlement of tax liabilities	3.74	0.727

**Source: Author’s Computation, 2022**



The descriptive statistics for the variable, taxpayers’ awareness show that the mean ranges from 3.23 and 3.89. The standard deviation scores are above average, which implies that the majority of the corporate taxpayers agreed that the measuring items of taxpayers’ awareness are good measuring items. Furthermore, the overall mean of 3.64 is moderate.

**Descriptive Statistics for tax penalties**

The descriptive statistics of the variable, tax penalties as presented in Table 3 shows the mean values and standard deviation of its respective items.

**Table 3 Descriptive Statistics for Tax Penalties**

Items	Description	Mean	Std. Dev
TPL1	The level of penalty for tax default makes us to pay taxes at the right time	4.30	0.925
TPL2	Enforcement team’s conduct is enough to make us fulfil tax obligations	4.73	0.510
TPL3	Most of the fines we pay are from tax penalties	4.43	0.806
TPL4	Tax penalties for noncompliance in Nigeria are not serious like in other Countries	3.60	0.986
TPL5	Existing scale of penalties for tax defaults is fair in relation to the nature of default(s)	3.89	0.959
TPL6	The penalty rate for default in tax payment facilitates our compliance	3.24	0.861
TPL7	The possibility of additional tax liability resulting from tax penalty is Significant.	3.63	0.957
Overall mean and standard deviation		3.97	0.858

**Source: Author’s Computation, 2022**

The descriptive statistics for the variable, tax penalties show that the mean ranges from 3.24 and 4.73. More so, the overall mean of 3.97 shows that the level of tax penalties is moderately high. The standard deviation scores are above 0.5, which implies that the majority of the corporate taxpayers agreed that the measuring items of tax penalties are good measuring items.

**Restating and Test of Hypotheses**

Test of hypothesis for purpose of this study is in line with model specifications. Each of the models is used to test the hypothesis for the study.

**Test of Hypothesis One**

Model 1 is established upon the assumption that tax administration is predicted by taxpayers’ awareness. This assumption forms the basis for hypothesis one (H0<sub>1</sub>) for this study, which state that there is no significant relationship between taxpayers’ awareness and tax administration in Nigeria.

**Table 4 Model 1: Test of Hypothesis One**

	$\beta$	Std Error	T-Value	P Values	Confidence Interval	
					5.00%	95.00%
TPA -> TAD	0.050	0.033	1.532	0.043	0.001	0.106

**Source: Author’s Computation, 2022**

As displayed in Table 4, tax administration was predicted significantly and positively by taxpayers’ awareness with ( $\beta = 0.050$ ,  $t = 1.532$ ,  $p < 0.05$ ). However, since  $p < 0.05$ , it implies that taxpayers’ awareness significantly relate with tax administration, this study therefore rejects the null hypothesis.

**Test of Hypothesis Two**

Model 2 is established upon the assumption that tax administration is predicted by Tax penalties. This assumption forms the basis for hypothesis two ( $H_{02}$ ) for this study, which state that tax penalty has no significant relationship with tax administration in Nigeria.

**Table 5 Model 2: Test of Hypothesis Two**

	$\beta$	Std Error	T-Value	P Values	Confidence Interval	
					5.00%	95.00%
TPL -> TAD	0.075	0.038	1.984	0.024	0.014	0.136

**Source: Author’s Computation, 2022**

As shown in Table 5, tax administration was predicted significantly and positively by tax penalties with ( $\beta = 0.075$ ,  $t = 1.984$ ,  $p < 0.05$ ). However, since  $p < 0.05$ , it implies that tax penalty has significant relationship with tax administration; this study therefore rejects the null hypothesis.

**Discussion of Findings**

One of the objectives of this study is to examine the relationship between taxpayers’ awareness and tax administration in Nigeria. The result showed that taxpayers’ awareness positively and significantly influenced tax administration. For Model 1, taxpayers’ awareness influenced tax administration in Nigeria at  $p < 0.05$ , significantly. The implication of the findings is that taxpayers’ awareness enables taxpayers to understand that payment of tax is a responsibility and not just a matter of give and take. This will increase compliance with tax payment and boost revenue generation for the government. Proper awareness programme could lead to efficiency and effectiveness of tax administration, consequently, increasing the tax revenue of the country at large.



Enlightened taxpayers reduce firms' misconception about tax policies and procedures, and educate them on the importance of keeping proper records.

More so, when taxpayers are aware of the importance of paying taxes, they will voluntarily comply, which increases the number of taxpayers that will be motivated to pay (Lubua, 2017). Therefore, increased awareness of tax payment by the government will help to increase compliance level and improve accountability significantly. The increase in tax revenue is significantly related to the level of taxpayers' voluntariness in payment, which is also a factor of level of awareness. When taxpayers gain some knowledge on the importance of paying tax, they become motivated to pay. The knowledge on the payment of tax involves a learning process that shapes the behaviour of such taxpayers. For instance, certain factors such as availability of enlightenment programmes on mass media, internet, school debates and other informal learning process will increase the knowledge of taxpayers and leading to less complexity in collection (Anita & Abdul, 2017).

This finding also corroborates other previous findings on the influence of tax awareness for the public and tax administration. Simon, Maxwell, Peter and Redruth (2020) found taxpayers' enlightenment to be significantly related to effective tax compliance and revenue through a study conducted in Northern Ghana. The taxpayers' enlightenment in this regard also connotes taxpayers' awareness. The result suggests that taxpayers' awareness contributes significantly to the rate of collection and also expands the tax net of the government.

Similarly, this study's finding also support the findings of Nwanna and Richards (2010) on the investigated of the importance of basic tax education in the United States. They discovered that enlightened taxpayers are less opposed to taxes, less rebellious toward government tax policy, less antagonistic to the IRS, and more compliant. Therefore, it leads to increased government revenue and efficient tax administration.

Second, this study found that there was a positive and significant relationship between tax penalties and tax compliance by corporate income tax-payers. This finding is consistent with the finding of Arifin (2015) who investigated the effect of effectiveness of tax administration, tax awareness and tax sanctions on the compliance of individual taxpayers in Perbanas. However, the finding is contradictory with the findings of Oladipupo *et al* (2016). Their study revealed that tax penalty showed no significant positive influence on tax compliance and has encouraged tax payers to become less compliant which they suggest is an indication of rebellious act towards government. The positive relationship between perceived enforcement of penalties and tax compliance could be explained by the



worth of the penal tax saved (tax saved) and if the penalty procedure is always strictly followed and enforced. When the taxpayers notice that the government is fully committed to identify and reprimand non-compliant taxpayers, the degree of compliance tends to increase, which affects tax administration positively. Therefore, enlightening taxpayers and ensuring that they are well informed at all times of the penalties for noncompliance could be a more effective strategy in ensuring high level of tax compliance and hence efficient tax administration in Nigeria.

### **CONCLUSION AND RECOMMENDATION**

The findings on taxpayers' awareness showed that taxpayers' awareness positively and significantly influenced tax administration in Nigeria. Administrators should further embark on strong campaign on the need for taxpayers to fulfil their obligations, to enable the government finance public expenditure and development so as to enhance the general welfare of its citizens. Apart from mobilization and sensitization, it is equally important for the government to show what taxes are used for to stimulate the interest of citizens in paying taxes. The sensitization should be done in different local languages, rather than just English language in order to capture more individuals and organizations into the tax net.

Findings from the study revealed that tax penalties are positively related to tax administration in Nigeria. Based on the findings of the study, therefore, tax penalty should be strengthened to serve as deterrent mechanism against non-compliance. This can be achieved by ensuring that necessary amendments are made to relevant sections of applicable tax laws to make tax evasion and outright avoidance unattractive and highly punitive in nature. Tax audit exercise should also be carried out frequently, at least, once in three years on all corporate taxpayers, as this will expose tax defaulters on regular basis.

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