
ELECTRONIC TAXATION AND TAX COMPLIANCE AMONG SOME SELECTED FAST FOOD RESTAURANTS IN LAGOS STATE, NIGERIA (TAX PAYERS PERSPECTIVE)**Akpubi Mudiaga Daniel and Igbekoyi Olusola Esther *Ph.D***Department of Accounting, Faculty of Social and Management Sciences
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ABSTRACT: *This study assessed the effect of level of awareness on electronic tax on tax compliance by small and medium scale enterprises (SMEs) in Lagos state; it also examined the effect of perceived ease of use on tax compliance and determined the effect of electronic tax filing system cost on tax compliance among SMEs in Lagos state; This was done with a view to determine the effect of electronic tax filing system on tax compliance among SMEs in Lagos state Nigeria. The study employed the survey research design. Data were collected from primary sources through the use of structured questionnaire distributed to the SMEs at their place of work. The population of the study consist of nine hundred and fifty (950) small and medium scale enterprises in Lagos state in the fast food restaurants sub sector. A sample size of two hundred and eighty-one was selected using the Taro Yamane formula. Data collected were analysed using descriptive statistics, structural equation model analysis and regression. Analysis of the study revealed that level of awareness (LOA) showed significant positive relationship with tax compliance ($\beta= 0.276$; $t=2.689$; $p=0.008$). It was also revealed that perceived ease of use (PEU) ($\beta = 0.249$; $t= 2.331$; $p= 0.022$) has a positive effect on tax compliance but was statically non-significant. The tax compliance cost (TCC) ($\beta=-0.289$; $t= -2.568$; $p=0.012$) showed a non-significant negative effect on tax compliance. The study therefore concludes that the level at which the tax payers are aware of the electronic tax filing system will determine their compliance rate and the compliance cost may discourage the tax payers from using the system if it is higher. Although the effect of ease of use is non-significant, the positive effect it has indicates that it has the potential to influence tax compliance. The study therefore recommends that government should increase its tax awareness efforts; review the electronic tax filing system to reduce cost of usage and provide a user friendly avenue for using the system.*

KEYWORDS: **electronic tax, tax compliance, small and medium scale enterprises, level of awareness, perceived ease of use, electronic tax filing system cost**

INTRODUCTION

Collection of government revenue through electronic means in developing countries has gained increasing prominence in policy debates recently. Nisar (2013) argue that the recent trend in public taxation, stress the need for developing a system of tax assessment and collection that involves internet services. In developing countries, the government face great challenges in collecting tax revenues, which result in a gap between what they should collect and what they actually collect. To curb these challenges according to Muita (2011), is the embracing of emerging technologies

and tax payment methods that are more efficient so they can reduce wastage. One of the emerging technologies is the electronic tax system which so far has been adopted by the Lagos State Internal Revenue Authority (LIRS). Cobham (2010) opined that electronic tax system has been around globally for the last thirty (30) years.

Wasao (2014), describes electronic tax system as an online platform whereby the taxpayer is able to access through internet all the services offered by a financial authority such as the registration for a personal identification number, filing of returns and application for compliance certificate, a perfect example of such system is the automated invoicing system called Electronic Revenue Assurance System (ERS) that was unveiled on the 22nd of February 2018. According to the Presidential Committee on National tax policy (2008), the central objective of the Nigerian tax system is to contribute to the well-being of all Nigerians directly through improved policy formulation and indirectly through appropriate utilization of tax revenue generated for the benefit of the people. Over the years our tax system has not been able to reach these perceived objectives as a result of some setbacks and challenges some of which include lack of stewardship amongst tax payers, multiplicity of taxes, complex tax payment system and tax offsetting, lack of technological exposure, tax evasion, corruption, government instability which instigates noncompliance with relevant tax laws, poor information base and record keeping.

Tax compliance is a major problem for many tax authorities, especially in Nigeria Mohammed, Derashid, and Ibrahim (2016). Taxpayers will always look for means of reducing their tax liability either through tax evasion or tax avoidance. This may give rise to incorrect filling of their tax returns and loss of revenue to the government (Mohammed, Derashid, & Ibrahim 2016). An unduly complex regulatory system and tax regime enforcement makes tax compliance unduly burdensome and often have a distortionary effect on the development of small and medium scale enterprises (SMEs) as they are tempted to change into forms that offer a lower tax burden or no tax burden at all (Masato, 2009). SMEs usually have to operate in an overbearing regulatory environment with the plethora of regulatory agencies, multiple taxes, cumbersome importation procedure and high port charges that constantly exert serious burden on their operations Lumumba, Migwi, & Magutu, (2010). Existing empirical evidence clearly indicates that small and medium sized businesses are affected disproportionately by these costs when scaled by sales or assets. The compliance costs of SMEs are higher than the larger businesses (Weichenrieder, 2007).

E-filing and e-payment provides many aspects of convenience to tax payers for example tax filing can be conducted at any time, filing can be done in any location, easy use of the system, information search and other online transactions that is not available in the traditional channels. Electronic payment and filing also offers flexibility of time, reduces calculations of errors on tax return forms to the tax payers, taxpayer privacy and security (Agawal, 2006). The recent introduction of the electronic revenue assurance system (ERA) by the Lagos state government has

resulted in the simplification of the processes of tax collection, as well as seamless integration of small and medium state enterprises (SMEs) into the tax system (Babatunde, 2018). It is thus expected that tax compliance among SMEs should improve with the implementation of the Electronic-tax system. Hence, this study seeks to estimate the effect of electronic taxation on tax compliance among small and medium scale enterprise (SMEs) in Lagos state, Nigeria.

STATEMENT OF THE PROBLEM

The amount of revenue to be derived from taxation in every nation is completely dependent on the tax system put in place. This probably influenced the decision of the Federal Government of Nigeria (FGN), which in 1991 set up a Study Group on the Review of the Nigerian Tax System and Administration so as to optimize revenue from various tax sources. In an FIRS press release, it was reported that approximately twelve (12) billion naira traditionally vanishes into the pocket of individuals not to mention the problems of complexity of payment, unavailability of tax statistics and information, and also poor technological exposure on the part of both tax payers and tax authorities. Therefore, government introduced electronic taxation to make payment of taxes easy for tax payers, thus ensuring compliance. Despite the measure taken by government, it is still unclear whether electronic taxation has helped to improve the tax compliance level among small and medium scale enterprises.

The main objective of the study is to ascertain whether electronic taxation has helped to increase tax compliance level among SMEs in Nigeria. While the specific objectives are to; assess the level of awareness about electronic tax on tax compliance by small and medium scale enterprises (SMEs) in Lagos state, examine the effect of perceived ease of use on tax compliance among small and medium scale enterprises (SMEs) in Lagos and determine the effect of electronic tax filing system cost on tax compliance by small and medium scale enterprises (SMEs) in Lagos state.

LITERATURE REVIEW

Concept of Electronic taxation

Electronic Tax System

Electronic tax system is the system of collecting taxes from the taxpayers electronically. This is an online platform whereby the taxpayer is able to access through the internet all the services offered by the tax administration such as the registration for a personal identification number, filing of returns and application for compliance certificate. The Electronic tax system in Nigeria introduced the following e-services; e-Filing, e-Payment, e-Registration, e-Stamp duty, e-receipt and e-TCC. E-filing enables taxpayers file their tax returns through the FIRS' Integrated Tax Administration System (ITAS). E-payment is a service rendered 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 for the registration of new taxpayers with the Internal or Inland Revenue Service for the various taxes. E-stamp duty is for the payment of stamp duties on qualifying documents. E-receipt is for receiving and verifying e-receipts generated for taxes paid through the new e-payment. E-TCC is the platform that enables taxpayers apply for, receive and verify authenticity of their electronic tax clearance certificate (e-TCC), (Deloitte,2017).

Tax Compliance

Verboon & Dijk (2007) stated that tax compliance is the willingness of individuals to comply with relevant tax authorities by paying their taxes. Tax compliance can be defined as an ability of a tax liable body to submit accurate, complete and satisfactory returns in conformity with tax laws and regulations of the state to the authority for the purpose of tax assessment Badara (2012). Sarker (2003) also reported that tax compliance is the degree to which a taxpayer complies or fails to comply with the tax rules of his country. Brown and Mazur (2005) noted tax compliance as a multi-faceted measure and theoretically, it can be defined by considering three distinct types of compliance such as payment compliance, which means timely payment of all obligations, filing compliance, which means the timely filing of any required return, and reporting compliance (the accurate reporting of income and of tax liability). The Organisation for Economic Cooperation and Development (2001) divided compliance into administrative compliance and technical compliance. Administrative compliance refers to complying with administrative rules of lodging and paying. This compliance can also be called reporting compliance or regulatory compliance. The technical compliance refers to complying with technical requirements of tax laws. Tax compliance can be achieved through the application of public relations, tax education, tax consultation and guidance and examination.

Wenzel (2004) states that the interaction between the tax authority and the tax payer creates a good relationship that impacts on the tax payer attitude. Alm and Torgler (2006) Asserts that the trust the tax payers have in the state improves the positive attitude and commitment to paying taxes. The eventual effect is reflected through voluntary compliance by willingly reporting and filling tax returns and as well as paying the tax obligations as and when they fall due.

Tax Awareness and Electronic-taxation

Consciousness is the state of knowing or understanding, whereas taxation is a matter of taxes so that taxation is a state of consciousness to know or understand about taxes (Jotopurnomo and Yenni, 2013). The positive assessment of taxpayers' community toward implementing state functions represented by the government will mobilize the people to comply with obligations to pay taxes (Jatmiko, 2006). According Muliari and Setiawan (2011) awareness of taxation is a condition where a person knows, recognizes, respects and obeys the applicable tax provisions seriously and desires to fulfill his or her tax obligations. While Nugroho (2012) defines

consciousness of paying taxes as a form of moral attitude which gives a contribution to the state to support the development of the country and strive to comply with all rules set by the state and can be imposed on the taxpayer.

Rantung and Priyo (2009) examine three main types of consciousness in terms of taxes payment. First, tax is a form of participation in supporting the country's development. Taxpayers want to pay taxes because they are not disadvantaged of the tax collected. Second, the delayed taxes payment and the reduction of the tax burden are strongly detrimental to the state. Taxpayers want to pay taxes because they understand that the delay in payment of taxes and the reduction of the tax burden over time reduce the financial resources that can lead to delays in the development of the country. Third, tax set by law can be forced. The tax compliance will pay the tax because the tax payment has a strong legal foundation and it is an absolute duty of every citizen.

Taxpayers' awareness with regard to the perception of the taxpayers determines the behavior in compliance with paying taxes. The higher the level of awareness of the taxpayers, the taxpayers will be able to determine their behavior better and in accordance with the provisions of taxation so taxpayers have a high compliance rate (Nalendro, 2014). Muliari and Setiawan (2011) state that the higher level of awareness of the taxpayers to understand and implement tax obligations, the taxpayer compliance will be improved.

Perceived Ease of Use and Electronic-taxation

Perceived usefulness may be described as the degree at which the user believes that the use of a particular system will support his work Davis, (1989). In this research work, PU denotes the perception of tax payers on the usefulness of using an electronic system of paying taxes (e-filing). Perceived ease of use has been empirically verified by researchers on the adoption of new technology. These empirical research were done by Mustapha (2013);Mamta (2012); Othman (2011); Ozgen and Turan (2007) and so on. Perceive usefulness has also been examined in relation to the ability of the system to increase performance, productivity, and effectiveness. The studies found that perceived usefulness is a significant determining factor of intention to use a particular system. The significance of PEU has been well discussed in different fields. It has also been gathered in the previous studies that perceived usefulness has a direct effect on behavioural intention to utilize internet shopping, real-time training on the web, internet banking, e-commerce, and electronic government services like e-filing Ashoori, Noorhosseini, and Alishiri, 2015; Ibrahim, 2012; Mustapha, 2013). E-filing system has been introduced by FIRS to reduce the taxpayers' effort that is needed for the manual process of tax filing. PEU is found in many studies as the primary determinant toward behavioural intention. (Davis, 1989; Venkatesh, Morris & Davis, 2003 and Schaupp & Carter., 2009). It is the main driver for behavioural intention (Fu, Farn and Chao, 2006). Most of the prior studies use the PU as independent variable to explain the behavioural intention (Venkatesh et al., 2003;Carter & Scauppp, 2008, Schaupp & Carter,2009;

Ozgen & Turan, 2007). According to the past literature, PEU always have positive significant results (Wang, 2003; Ozgen and Turan, 2007; Charter and Schaupp, 2009). However, it is found that fewer studies have non-significant results on PEU Wu and Chen, (2005). It is the study conducted in Taiwan which have reveal that only attitude and Perceived Behavioral Control (PBC) are significantly influenced the behavioral intention to use e-filing. The PE is no significant in determining the e-filing behavioral intention among taxpayers in Taiwan during that time.

Tax Compliance Costs and Electronic-taxation

Complexity in tax laws and tax compliance costs are positively interlinked. Marcus (2013), using survey data and secondary data from the US Internal Revenue Service (IRS), found a positive relationship between the level of complexity of income tax and the level of tax compliance costs. Additionally, in self-assessment tax systems, complex tax laws may compel taxpayers to hire paid tax return preparers. In addition, complex tax laws may require sophisticated accounting records, which may necessitate hiring bookkeepers, therefore increasing tax compliance costs Schoonjans, Van Cauwenberge, Reekmans, & Simoens, (2011). Taxpayers incur two main types of compliance costs: gross monetary compliance costs and psychological costs. Gross monetary compliance costs include both actual money paid and opportunity costs relating to the time and other resources expended when complying with tax laws Evans and Tran-Nam, (2014). Psychological costs, on the other hand, involve the estimation of stress and anxieties resulting from complying with tax laws, normally measured using a Likert scale Evans and Tran-Nam, (2014).

Tax compliance costs can arise for many reasons. Shaw, Slemrod and Whiting (2008), who reviewed the causes of tax compliance costs in the UK, and Shekidete (1999), who also studied the causes of tax compliance in Tanzania, established that tax compliance costs decreased with a reduction in the number of tax rates, coupled with the harmonisation of definitions and compliance procedures. Likewise, KMPG (2006) in the UK, and Evans (2003) in the UK and Australia, reported that tax compliance costs decrease with an increase in the stability of tax laws coupled with less frequent introduction of new tax laws, because taxpayers incur fewer costs and lose less time as they become conversant with the existing tax laws. A report by Ramboll Management Consulting, the Evaluation Partnership and Europe Economic Research (2013) for the European Union on the methods of measuring tax compliance costs methodologies suggested that reducing tax compliance costs might increase voluntary tax compliance costs. Tax systems with high tax compliance costs might appear to be procedurally unfair and, when taxpayers from SMEs know that they are in a disadvantageous position, they may find the tax system vertically unfair.

Empirical Review

Jankeeparsad, Jankeeparsad, and Nienaber (2016) in their study, acceptance of electronic method of filing returns by South African tax payers: An exploratory study utilised the decomposed theory

of planned behaviour with factors adjusted specifically for South Africa as a developing country to identify the possible determinants of user acceptance of the e-Filing system among taxpayers. The study was an exploratory study and was conducted by means of a questionnaire survey. For taxpayers using the manual method, lack of facilitating conditions such as access to computer and internet resources was the most significant barrier to e-Filing usage, while taxpayers using the electronic method reported perceived usefulness as the primary determinant in their decision to use e-Filing. The target population consisted of taxpayers located in Durban and Pretoria during the period 1 August 2013 to 1 October 2013. This period was specifically chosen as it was tax filing season.

Ayodeji (2014) studied impact of electronic tax systems on tax administration in Nigeria. The purpose of this study was to assess the impact of electronic taxation on tax administration in Nigeria. The researcher argued that the dwindling global fortune occasioned by the fall in the price of crude oil, the major source of wealth for Nigeria shifted the attention of the government and major stakeholders in the country to the revenue generated locally. But the daunting task of boosting the Internally Generated Revenue necessitates the adoption of electronic tax systems technologies to drive Tax administration and concluded that electronic tax systems plays an important 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 African continent at large

Oriakhi and Ahuru (2014) examined the relationship between federally collected revenue and specific tax revenue generation sources such as custom and Excise Duties (CED), value added tax (VAT), petroleum profit tax (PPT), company income tax (CIT). Secondary data were collected for each of the tax sources from 1981 – 2011. The study employed advanced econometric analysis such as regression, co-integration, error correction modelling and pairwise granger causality tests. The various income taxes were used as the independent variables while federally collected Revenue was used as the dependent variable. The study concludes that the various income taxes were statistically significant and have positive relationship with federally collected revenue. The Granger causality shows that custom and excise Duties and value-added Tax granger causes federally collected revenue.

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METHODOLOGY

Research Design

The study used survey design to obtain information about electronic-tax and tax compliance in Lagos state. Data were collected from primary sources through the use of a well-structured questionnaire distributed to the target respondents randomly. The questionnaire was designed to apply to a heterogeneous population, where the respondents come from the general open public, with no bias to gender, education, background and profession. The questionnaire was distributed to respondents in fast food restaurants. The data gotten from fast food restaurants were those that had full-fledged branch of their restaurant in the mainland only. The filled questionnaire was collected back from the respondents immediately on the spot.

Research Instrument

A structured close ended questionnaire was used for data collection for this study. The questionnaire was divided into section (A&B), where A consist of background information about the respondents, while section B covered questions/statements that points to obtaining information about the perception of respondents on electronic-tax, both from the tax payers end, in line with the variables; awareness, perceived ease of use and tax compliance cost. The questionnaire was designed using a five (5) Likert scale of strongly agree, Agree, Undecided, Disagree and strongly Disagree in such a way that a set of questions/statement was used to assess each of the variables.

Population, Sample size and Sampling Technique

The study population consists of nine hundred and fifty (950) Association of fast food and confectioners (2018) small and medium scale enterprises in Lagos state. The study focused on fast food restaurants in Lagos state. The sample size of the study was determined using the multistage sample technique. The technique was used to first group Lagos state into island and mainland axis using stratified sampling technique. The mainland axis was purposively selected using purposive sampling technique because most SMEs are concentrated in this axis. This criteria was also used to select the fast food restaurants in Lagos state, because they had the highest patronage and concentration in Lagos state. Considering the heterogeneous nature of the population, the Taro Yamane formula was used to determine the sample size of two hundred and eighty one (281).

Determination of sample size

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n= sample size

N= population under study

e= margin of error

$$n = 950 / (1 + 950[0.05]^2)$$

$$n = 950 / (1 + 950[0.0025])$$

$$n = 950 / (1 + 2.375)$$

$$n = 281$$

Model Specification

The model is specified in line with theories and literatures reviewed. The model is tailored in line with the model developed by Gekonge and Atambo (2016) in their study, effects of electronic- tax system on the revenue collection efficiency of Kenya revenue authority: a case of Uasin Gishu County. which has been adopted by various studies. The functional model is therefore stated as follows

$$TC = f (E-T) \text{ ----- equation (i)}$$

$$TC = f (AW, PEU, TCC) \text{ equation (ii)}$$

The broad model is represented as:

$$TC = \beta_0 + \beta_1 LOA + \beta_2 PEU + \beta_3 TCC + \epsilon \text{ ----- equation (iii)}$$

Where;

TC= tax compliance

LOA = Level of awareness

PEU= Perceived Ease of Use

TCC= Tax compliance cost

ε = Error term

Measurement of Variables**Table 3.2 Summary of Variables, Measurement and Sources of data (Primary data)**

Variables	Description	Measurement	Source of Data
Level of awareness (LOA)	The level of awareness of electronic tax filing system by SMEs	Response to question 1-10 in section B	Questionnaire
Perceived Ease Of Use (PEU)	The degree at which users (SMEs) believe that the electronic tax filing system will support their work.	Response to question 1-12 in section B	Questionnaire
Tax compliance cost (TCC)	The cost incurred by SMEs in complying for cost	Response to question 1-11 in section B	Questionnaire

Researcher's Compilations (2019)

Dependent Variable

Tax compliance	The willingness of SMEs to comply to the relevant tax authorities by paying tax	Response to question 1 and 8 for the last objective in section B	Questionnaire
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Researcher's Compilations (2019)

Data Analysis Techniques

Data were analysed using descriptive and inferential statistics. Frequencies and percentage distribution were used to analyse data on the respondents' profile and background information. Although the validity of the questionnaire was tested before distribution to respondents; at the time of analysis the component analysis test was conducted to determine the validity of each of the questions/statements used to arrive at the finding of the study. Mean score of responses to the question was derived so as to convert the qualitative responses supplied by the respondents to quantitative data using the weights of the five likert scale; this was done in order to make the data suitable for regression analysis. The structural model equation analysis was conducted to determine to interactions between the variables in order to determine if the independent variables (Electronic-tax) explains the dependent (tax compliance).

RESULTS

Despite frantic effort made to retrieve all filled questionnaire on the spot, 251 out of the 281 questionnaire distributed were collected back; this represent about 89% response rate and was used for analysis. The effect of the lost data 30 (11%) is insignificant and therefore does not affect the result of the study.

Background Information of Respondents

Table 4.1 is the representation of the background information of the respondents, from the table, a total of 251 questionnaire were returned from the sampled SME's, from the sampled SME's, 110(43.8%) of the respondents are male while the remaining 141(56.2%) are female respondents. 110(43.8%) have NCE/OND certificate, 83(33.1%) have first degree, 58(23.9%) have master's degree. 149(59.3%) are within 31-40 years age bracket, 75(29.7%) are within 41-50 years age bracket and only 27(11.0%) are within 51-60years age bracket. 194(77.1%) of them have 1-5years business experience, 44(17.8%) have 6-10years business experience and the remaining 13(5.1%) only have over 10 years business experience. From the table, 213(84.7%) of the SME's are registered tax payers and the remaining 38(15.3%) only are not registered tax payer. From the registered tax payers, 147(58.5%) have registered since 5 years, 19(7.6%) have registered since 10years while remaining 85(33.9%) have registered for over the past 11 years. 236(94.1%) of the respondents are aware they can pay tax via internet and the remaining 15(5.9%) only are not aware. Similarly, table 4.1 reveals the response on internal revenue staff member's as they show that 52(51.5%) of the tax payers have very good attitude to paying tax, 29(28.7%) of the tax payers have good attitude to paying tax, 15(14.9%) of the tax payers have fair attitude to paying tax and the remaining 5(5.0%) of the tax payers have poor attitude to paying tax. The table confirms normality and even distribution of the questionnaire. The demographic profile of the respondents is interpreted in the Table 4.1

Table 4.1: Respondent Background Information

SME's			
Variable		Freq.	%
Gender	Male	110	43.8
	Female	141	56.2
	Total	251	100
Literacy	NCE/OND	110	43.8
	First Degree	83	23.9
	Master's Degree	58	43.8
	Total	251	100
Age	31-40	149	59.3
	41-50	75	29.7
	51-60	27	11
	Total	251	100
Years in Business	1-5 Years	194	77.1
	6-10Years	44	17.8
	11 Year and above	13	5.1
	Total	251	100
Registered tax payer?	Yes	213	84.7
	No	38	15.3
	Total	251	100
Years of Registration	1-5 Years	147	58.5
	6-10Years	19	7.6
	11 Year and above	85	33.9
	Total	251	100
Aware you can pay tax via internet?	Yes	236	94.1
	No	15	5.9
	Total	251	100

Source: Author's Computation (2019)

Test of Variables

Exploratory factor analysis

The exploratory factor analysis was conducted to identify the item that is applied to a specific component for the SME's through the principal component analysis. Kaiser-Meyer-Oklun (KMO) and the Bartlett test were used in evaluating the data for factor analysis. For the SME's, the test of

(KMO) value is 0.679. High values (close to 1.0) generally indicate that a factor analysis may be useful with our data. If the value is less than 0.50, the results of the factor analysis probably won't be very useful (Cerny & Kaiser, 1977). The Bertlet's test of sphericity is significant at (Chi-square = 1445.736, df = 528, and P= 0.000). This indicates that the data is good enough to proceed for the factor analysis. Table 4.2 demonstrate the detail

Table 4.2: KMO and Bartlett's Test

KMO and Bartlett's Test		SME's
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.679
Bartlett's Test of Sphericity	Approx. Chi-Square	1445.736
	Df	528
	Sig.	.000

Source: Author's Computation (2019)

To achieve the factor analysis, the 33 items for SMEs was subjected to principle component analysis with varimax rotation to check for the applicability. The result indicates that the 33 questions loaded above the 0.50 threshold claimed by Hair *et al* (2010). Hence, the 31 items produced eleven components with eigenvalue higher than one(1) as evident from the scree plot (i.e. figure 1 below), level of awareness (loa) with eigenvalue of (6.332), (1.502), (1.679) and (1.301), perceived ease of use (peu) with eigenvalue of (2.664), (1.918) and (1.599), tax compliance cost (tcc) with (2.166), (1.679), (1.253) and (1.1.411). The overall variance explained by these components is 69.439% for SME's as seen in the Principal Component Analysis with Varimax Rotation in the appendix, these exceed the threshold of. 60%, which is appropriate for the data.

Principal Content Analysis

The mean values of the level of awareness variable ranged from 3.97 to 4.94 for SMEs, reflecting high levels of agreement from the respondent to the variable. On average the respondent agreed with all the statement in the construct. While from the standard deviation there seems to be a fair range of response. Overall the score brackets believe to range from 0.587to 0.952. On the variable perceived ease of use, it shows that the mean values range from 3.98 to 4.75 for SMEs, reflecting high levels of agreement from the respondent to the question. The respondent agreed with all the statements in the variable. While from the standard deviation there seems to be a fair the value range from 0.510 to 0.798 for SMEs. The third variable is tax compliance cost with the mean value ranged between 3.98 to 4.09 for SMEs, while the standard deviation shows a fair value ranging from 0.676 to 0.879 for SMEs.

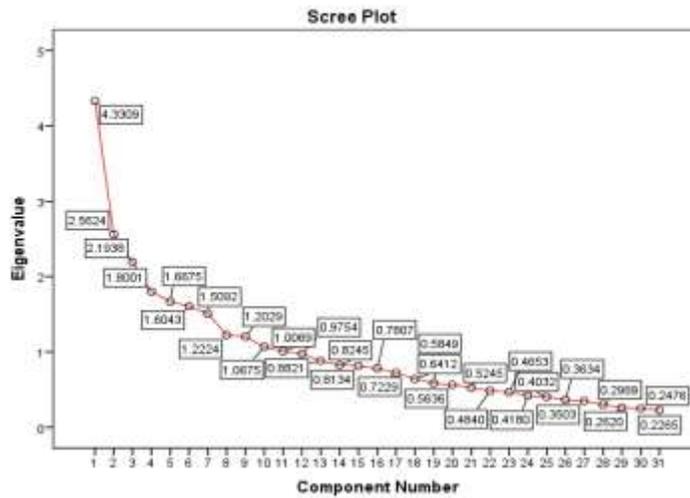


Figure 2: Scree Plot to show the principal content analysis of data

Source: Author’s Computation (2019)

Table 4.3: The Result of the Principal Component Analysis.

Component [SME]	Items Loading	@	Mean	Std. Dev.
Do you agree that tax adds value to the Nigerian economy? loa	.822	.726	4.74	.591
Do you agree that tax can be paid electronically? Loa	.139		4.12	.587
Tax officials usually inform you about new innovation loa	.864		4.00	.952
The method/procedure of tax payment is tedious/difficult loa	.747		4.01	.779
Electronic-tax system is a popular method of tax payment that everybody knows about loa	.776		3.97	.842
Do you agree that the level of sensitization about the Electronic-tax system is enough among SMEs in Lagos state? Loa	.263		4.12	.797
I know about the Lagos state internal revenue website loa	.354		4.08	.812
I have been well educated about the benefits of using Electronic-tax system loa	.985		3.94	.798
I would use the electronic-tax system if I get good knowledge of its usage/application loa	.104		4.02	.827
Have you ever mad euse of the online tax system loa	.250		4.02	.716
I understand the electronic tax filing system very well peu	.841		.726	4.75
Electronic tax filing system is fast and convenient compared to the old manual system peu	.514	4.29		.556
The electronic-tax platform is user friendly peu	.595	4.59		.644
I can assess my tax obligations accurately using the electronic-tax filing system peu	.156	4.22		.572

I can pay my taxes at my convenience using the electronic-tax filing system peu	.010	.719	4.38	.715
Slow internet connection and power interruption affects the use of the electronic-tax system peu	.261		4.16	.640
The system is reliable and effective irrespective of the level of user traffic peu	.581		4.41	.798
Not likely to experience malfunctioning while using the platform peu	.585		4.10	.646
Do you think it is possible to have cases of tax evasion with this new method of tax assessment? Peu	.390		4.34	.754
My knowledge of computer affects the use of electronic-tax filing system peu	.057		4.07	.713
The risk of hackers and other electronic vices affect my mindset about electronic-tax system. Peu	.067		4.09	.795
Everyone has access to the electronic-tax platform peu	.858		3.98	.784
This process has reduced the amount of money you spend filing tax returns tcc	.863	.772	4.08	.879
The electronic-tax filing system has fostered tax payment transparency tcc	.669		3.99	.722
Cost of paying taxes manually is cheaper compared to using the electronic-tax filing system tcc	.581		4.14	.727
Cost of training of staff for the use of electronic-tax system is high tcc	.767		4.09	.867
Electronic-tax filing system is an additional cost to the company tcc	.397		4.09	.679
The convenience of using the internet to pay will prompt you to pay taxes regularly tcc	.414		4.04	.697
The electronic-tax filing system gives you satisfaction tcc	.137		4.03	.691
All processing cost paid during the manual era have been reduced by the electronic-tax filing system. Tcc	.193		4.02	.751
Cost of purchasing computers and other equipment will affect the use of the system tcc	.608		4.04	.767

Source: Author's Computation (2019)

Effect of electronic tax system on tax compliance in Lagos among SMEs

Structural Equation modeling (SEM) tests relationships between observed and latent (unobserved) variables to quickly test hypotheses and confirm relationships. In figure 2, the maximum likelihood (ML) method of estimation is used in order to maximize the obtainable value to predict the applicability of the data. Hence, the hypothesized model was analyzed using the structural equation model (SEM) to test the joint relationship between electronic tax components and tax compliance. The independent variables i.e. level of awareness (loa) has ten questions, perceived ease of use (peu) has twelve questions and tax compliance cost (tcc) has nine questions for SMEs. Similarly,

the dependent variable i.e. tax compliance (tc) for SMEs are two questions (i.e. questions 1 & 8 of objective 3 of SMEs questionnaire) they're are depicted on the research model in figure 3.

Based on the result in figure 3, it indicates that there is a direct positive relationship between components of electronic tax and tax compliance in Lagos Nigeria with a statistically significant value of 0.95. This value shows that one-time improvement in the components of electronic tax will lead to 95% increase in the standard deviation of tax compliance in Lagos state. The multiple regression result further confirms this result with F-Value of 2.602 for SMEs which was significant at 5% with 0.007 significant value as shown in table 4.6, this proves further credence to the fact that electronic tax components have joint statistical significant relationship to tax compliance in Lagos state.

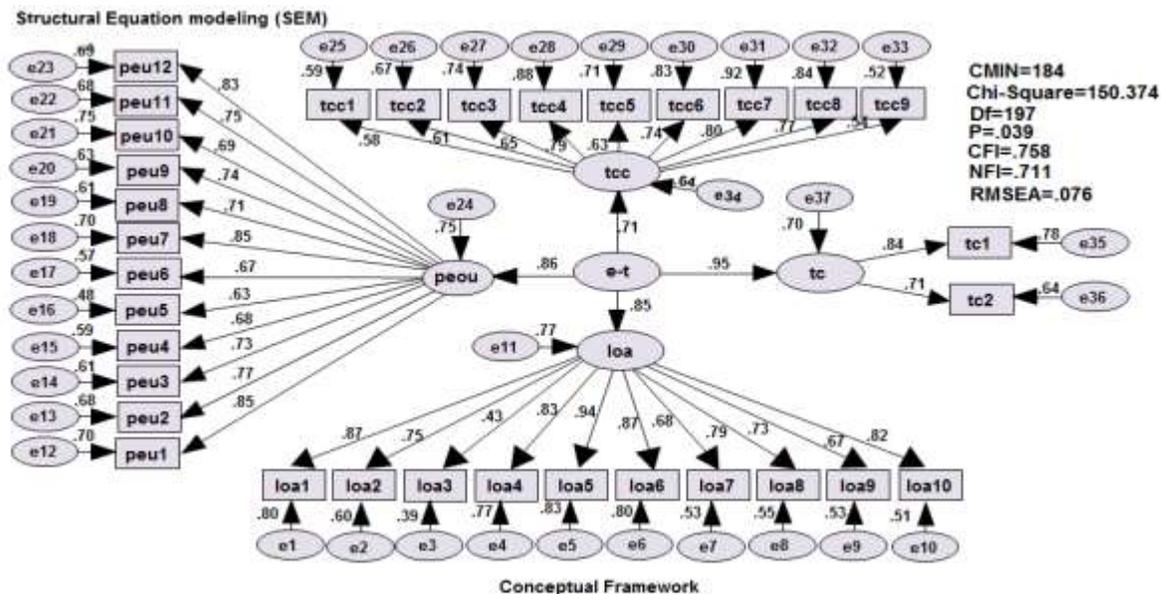


Figure 3: Effect of electronic tax system on tax compliance among SMEs in Lagos state

Source: Author’s Computation (2019)

Level of awareness about electronic-tax among SMEs in Lagos state

The effect of the level of awareness about electronic-tax among SMEs in Lagos state was investigated using the regression analysis; which was conducted using ANOVA. The effect of the level of awareness (LOA) about electronic-tax among SMEs in Lagos state revealed in the regression result in table 4.6 show a beta coefficient of 0.276; t-statistics (2.689); and significance (0.008). The implication of this result is that the level of awareness about electronic-tax by SMEs is positively significant to tax compliance. A one-time improvement in level of awareness will increase tax compliance by approximately 27.6%.

The finding conforms to the study conducted by Ahmad, Ine, Muhsin, and Sumiadji, (2018) on the influence of tax understanding, tax awareness and tax amnesty toward taxpayer compliance. Where it was proposed that the understanding of taxation, awareness of taxpayers proved to have a positive and significant impact on taxpayer compliance. Geetha and Sekar (2012) also conducted a study on E-Filing of Income Tax: Awareness and Satisfaction level of individual Tax payers in Coimbatore city, India. Where it was revealed that a small population of users of the system were satisfied with it as it saves their time, energy and cost, but most of the individual tax payers are not awareness of the e-filing and e-payment procedures which has made full adoption of the system difficult.

The effect of perceived ease of use on tax compliance among SMEs in Lagos

The effect of perceived ease of use on tax compliance among SMEs in Lagos revealed in the regression result in table 4.6 show a beta coefficient of 0.249; t-statistics (2.331); and significance (0.022) for SMEs. The implication of this result is that perceived ease of use of the electronic-tax system is positively significant to tax compliance. The coefficients suggests that a one-time improvement in perceived ease of use will increase tax compliance by approximately 24.9%.

The finding conforms to the study conducted by Bojuwon (2013) on the impact of perceived ease of use and perceived usefulness on an online tax system. It was found that there is positive relationship between the technology factors and online tax system in Nigeria based on the respondent perception and the statistical with the use of the structural model.

The effect of electronic-tax filing system on tax compliance cost incurred by SMEs in Lagos state.

The result of the effect of electronic tax filing system cost on tax compliance among SMEs in Lagos state as shown in table 4.6 below revealed for SMEs, beta coefficients of -0.289; t-statistics (-2.568); and significance (0.012). These indicate that tax compliance cost has a negative impact on tax compliance. Such that one-unit increase in tax compliance cost will reduce tax compliance by approximately 28.9%.

The finding conforms to the study conducted by Sifile, Kotsai, Mabvure and Chavunduka, (2018) on Effect of electronic-tax filing on tax compliance: A case of clients in Harare, Zimbabwe. It was found that respondents had a very positive attitude towards e-filing. This was indicated by the respondents' knowledge of the benefits that e-filing brings to them. However, this positive attitude is diluted by a number of factors that makes e-filing difficult or not easy to use.

Table 4.4: Regression Result

Model	Coefficients ^a				
	SMEs			t	Sig.
	Unstandardized		Standardized		
	Coefficients		Coefficients		
B	Std. Error	Beta			
(Constant)	0.280	0.852		0.329	0.743
TCC	-0.289	0.113	-0.274	-2.568	0.012
PEU	0.249	0.107	0.249	2.331	0.022
LOA	0.276	0.103	0.252	2.689	0.008
[Summary Stat.]: R²=0.699, DW Stat.= 1.932, F=2.602, Sig.= 0.007					

a. Dependent Variable: TC

Source: Author's Computation (2019)

CONCLUSION

Based on the literatures explored, data analysis, interpretations and scope of this study, the study concludes Electronic-tax has generally increase the tax compliance level of SMEs in Lagos state. In as much as there are challenges of utilising electronic-taxation in tax administration, the gains of electronic-taxation outweigh the perceived and practical challenges. From the result of the analysis, it can be concluded that (SMEs) agree that the level of awareness of tax payers about Electronic-taxation has a positive impact on tax compliance. It was also established from the tax payers (SMEs) point of view that perceived ease of use was also a major determinant in ensuring tax compliance in Lagos state. Finally, it was also established from the tax payers (SMEs) point of view that Tax compliance cost is a major determinant in ensuring tax compliance in Lagos state. The tax payers (SMEs) agreed that a slight increase or decrease in the cost of compliance can lead to an increase or decrease in the level of compliance from the tax payers.

RECOMMENDATIONS

From the findings and conclusions of this study, the following recommendations which can be extracted for policy statements for government and management are made;

- i. Federal government through the Federal Inland Revenue Services (FIRS) should conduct more enlightenment seminars in other states of the country to increase the knowledge on the use and adoption of Electronic-tax.
- ii. The FIRS can introduce a Mobile version of FIRS electronic tax portal made available for different types of mobile operating system such as Android, Windows and Apple OS. This will no doubt increase the adoption rate and compliance by tax payers as mobile phones are being increasingly used.

- iii. The Lagos state government should try to upgrade the electronic-tax servers to calm down the pressure on the current servers as new users are registering on the portal almost every day.
- iv. Finally, Government on their own part should release fund which will help in making all the necessary technological material available needed in E- tax system.

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