

The Impact of Taxpayers' Perception of Competence and Integrity of Tax Officials on Companies Income Tax Compliance Level in Nigeria.

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Abstract: The way public perceived an organisation may impacted on the success or failure of the organisation, depending on the nature of the perception either positive or negative. This was paper was aimed to assess the impact of taxpayers' perception of the competence and integrity of tax officials on companies' income tax compliance level in Nigeria. The paper relied on the primary source of data, 436 samples were successfully cleaned and analysed. Due to the nature of data observed, ordered logistic regression model was employed to analyse the data. The empirical result obtained revealed a positive relationship between companies income tax compliance propensity and companies income, positive relationship between companies' income tax compliance propensity and taxpayers' perception of the competence of tax officials, and also a positive relationship between companies income tax compliance propensity and integrity of tax officials. The paper further revealed that on the average the companies' income tax compliance propensity, tax payers perceptions 'on the integrity of tax officials and tax payers perceptions 'on the competence of tax officials are 44.898 percent, 37.982 percent and 38.734 percent respectively. Finally the paper recommended that The Revenue Authority should take strict measures on any tax officials found wanting and the measures taken should be publicize. The Revenue Authority should take necessary measures that will improve the good images of the organisation and its staffs in the eyes of the general public, this will help in enhancing companies' income tax compliance level in Nigeria.

Key words: Companies' Income Tax, Tax Compliance, Principal Agent Theory, Competence, Integrity and Ordered Logistic Regression.

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I. INTRODUCTION

The ability of many governments to raise sufficient tax revenue, and used taxation program as a tool for both micro and macroeconomic policies and to control cyclical upswing and downswing has been challenge by the problem of tax compliance; more ever there are emerging evidences that are indicating that taxpayers perception on the competence and integrity of the officials of government revenue generating agencies plays an important role in determining the level of a tax compliance in a particular economy. According to Todaro (2011), administrative competence, honesty and integrity of the government revenue generating agencies is one of the five important determinants of tax potential of a country. An effective tax administration is obviously critical to enhanced compliance outcomes... There are number of possible strategies that can help to achieve a more effective tax administration, including strategies related to: organizational and institutional reform; management strengthening; nuts and bolts reform; and building integrity and tackling corruption (McKerchar and Evans, 2009). According to Brautigam (2008), a key component of any tax system is the manner in which it is administered. "No tax is better than its administration, so tax administration matters – a lot". And an essential objective of tax administration is to ensure the maximum possible compliance by taxpayers of all types with their taxation obligations. Unfortunately, in many developing countries, tax administration is "usually weak and characterized by extensive evasion, corruption and coercion. In many cases overall tax levels are low, and large sectors of the informal economy escape the tax net entirely". . Bahl and Bird (1986), said that the integrity of its staff and systems is a vital component of any effective revenue administration, and yet – as point out – corruption and taxation have always been associated in history – and not just in developing countries.

Cowell (2004), tax administration charged with the responsibility to collect taxes, needs to distinguish between different classes of taxpayers and apply appropriate compliance strategies to each class. All taxpayers need to be treated fairly and with respect. However, potential evaders (or gamblers, according to the basic economic compliance model) need harsher measures to deter them from cheating. However, taxpayers are not a

homogenous class. Not all of them will cheat as long as there is an opportunity to cheat. Some of the taxpayers are guided by moral principles and by the need to fulfill their duties as citizens in their taxpaying decisions (Alm, Jackson, McKee, 1992). Honest taxpayers should not be subjected to undue pressure or harassment but rather treated as a valuable client, offered help and positive encouragement to comply (Smith, 1992). The perceived or real unfairness of administrative procedures may actually crowd-out honest taxpayers' propensity to comply (Feld and Frey, 2002).

According to Martini (2014), Corruption in tax administration in Africa remains a fundamental barrier to effective and fair taxation and to building trust between government and citizens. There are very few recent studies assessing the extent to which and how corruption affects tax administration in Africa, but surveys on citizen experience and perceptions of corruption within tax administration paint a worrying picture, with more than 50% of respondents who were in contact with tax administrations having reported experiencing corruption when dealing with tax and custom officials in several African countries. Studies and anecdotal examples also demonstrate that corruption in tax administration takes different forms, from bribery to patronage, to revolving doors and regulatory capture. Similarly Fjeldstad (2013), said that tax administration and law enforcement institutions in Africa often suffer from high levels of corruption, making the collection and management of public resources very challenging, in fact, according to experts, weak and often corrupt revenue administration remains a fundamental barrier to effective and fair taxation and to building trust between government and citizens in many countries. According to Business Anti-Corruption Portal report (2013), in many countries revenue fraud through the undervaluation or under declaration of goods (using fraudulent invoices) is facilitated by tax and / or customs officials. They also may be involved in smuggling activities allowing often illegal goods to be commercialized without taxes being paid. For instance, several companies operating in the informal sector in Nigeria resort to smuggling instead of legal trade to avoid paying taxes, with the support of tax officials. Martini (2014), tax/customs officials may take advantage of the lack of knowledge of taxpayers regarding tax laws. They can use their power and threat in order to extort illicit payments from tax-payers.

Sometimes the taxpayers were forced by circumstances to offer bribe to tax officials as Martini (2014), opined. Complex rules and burdensome procedures also act as an incentive for taxpayers to offer bribes to cut their tax burden or speed up procedures, or to tax officials to manipulate and extort tax-payers who do not know their rights. According to the Afrobarometer report (2013), a majority of respondents reported finding it (very) difficult to find out what taxes or fees they were required to pay. However Reports produced by the World Bank and by the African Development Bank (2014), also demonstrate how lengthy and cumbersome tax administration procedures are in African countries. For instance, according to data compiled within the framework of the Doing Business survey, businesses operating in Sub-Saharan Africa are expected to make 38 payments per year (compared to 12 in OECD countries) and are expected to spend an average of 314 hours per year to comply with their tax obligations (compared to 175 hours in OECD countries). In some countries, the complexity of the tax system is particularly worrying. In Nigeria, for example, the average number of hours a company spends annually paying taxes is nearly three times higher than the regional average. Child (2008), the consequences of corruption are obvious. It is a cancer that destroys an organisation itself and undermines all other aspects of society. It erodes confidence in the tax system and encourages evasion. It increases the costs of doing business and distorts the level playing field that should be available. And to the extent that there is a political limit as to the amount of tax that people will bear in a developing countries (and that there is therefore a substitution effect between taxation and corruption), it reduces the amount of formal tax that can be collected. Similarly Bahl and Bird (2008), said that corruption may be systematic – involving groups of employees acting together in a corrupt fashion and often led by senior staff – or individual; and may or may not involve external “clients”. Examples are not difficult to cite: charging for services that should be free; diverting cash; making false repayment claims; losing files; and receiving payments to complete tax returns or bribes to favourably settle audits.

The tension in the relationships between the tax administrator and the taxpayer is inherent in their respective roles in tax collection process. The tax administrator's role is to collect the maximum amount of legally due tax revenue at the least cost. The taxpayer, on the other hand, is interested in maximizing his own utility by reporting the least amount of income to the tax administrator (Allingham and Sandmo, 1972). To Visockaitė (2013), the ethical problems arise when tax administrators and taxpayers depart from ethical conduct. Though the tax administrator is charged with a duty to collect the maximum amount of taxes legally due, he or she may not exceed the bounds of the law or exercise undue pressure to extract the maximum amount (legally due or otherwise) from taxpayers. Similarly, the tax administrator cannot use his position of power over the taxpayer to receive side-payments or other favours. On the other hand, the taxpayer also has an obligation to comply with the tax law and pay taxes on time and in full. They have to keep records, file tax returns and provide information necessary to determine their true tax liability. The taxpayer cannot obstruct tax administrator's efforts to carry out professional duties of a tax collector. Flatters and MacLeod (1995), said that collusions between taxpayers and tax collectors are central to tax evasion in developing countries. There is also evidence that corruption in tax administration takes place in a more organised manner with tax officials and tax-

payers acting together to systematically evade taxes (Kabera 2008). In Ghana, for instance, the 2009 Global Corruption Report found that some high-ranking tax officials were covering up tax evasion and conducting secret dealings (Transparency International 2009).

Bridi (2010), By paying bribes to public officials with the hope of diminishing tax obligations, not only are a state's revenue directly affected but bribes can also have the result of reducing voluntary compliance with tax laws and regulations. If an honest taxpayer sees that paying taxes would only further lead to inequities by transferring tax dues to a corrupt and inefficient tax administration, he or she would rather avoid being burdened by this competitive disadvantage and seek to either evade taxes or bribe an official to pay less. Sometimes weak political will to investigate and punish tax-payers and tax officials involved in corruption contributes to a culture of impunity in tax administration in many developing countries, for example Fossat and Bua (2013), said that tax administrations in Africa have a very low-track record of investigating internal fraud and corruption, particularly in cases where senior officials are involved. This paper was aimed to examine the impact of taxpayers' perception of the competence and integrity of tax officials on Companies Income Tax compliance level in Nigeria.

II. LITERATURE REVIEW

2.1 Conceptual Literature Review

2.1.1 Concept of Tax Compliance

Jackson and Million (1986) defined tax compliance as the reporting of all incomes and payment of all taxes by fulfilling the provisions of the tax laws, regulations and court judgments. It could be seen here that failure to declare all incomes and payment of taxes according to the provisions of the laws, obey the court judgments and payment of the tax at the right time will amount to non-compliance. Similarly Roth, Cholz and Willan (1989), defined tax compliance as a situation in which the taxpayer files all required tax returns at the proper time and that the returns accurately report tax liability in accordance with revenue laws, regulations and courts decisions applicable at the time the return is filed.

McKerchar and Evans (2009) A compliant taxpayer is one who fulfills every aspect of their tax obligations including: registering with the revenue authority as required, filing the required returns on time, accurately reporting tax liability (in the required returns) in accordance with the prevailing legislation, rulings, return instructions and court decisions, paying any outstanding taxes as they fall due, and a non-compliant taxpayer is one who fails to satisfy any one or more of these aspects and poses a risk to revenue collection. Research has shown that non-compliance may be as a result of a deliberate decision by the taxpayer, or it may be unintentional.

2.1.2 Tax Officials

According to Bridi, (2010), Tax officials are those who are responsible for the administration of tax collection and enforcement, including the registration and removal of tax-payers from the national registry, the collection of tax dues (filling, payment and processing), the identification prosecution of alleged tax offences. Similarly OECD report (2014), said that tax officers also play an important role in combating corruption as in the course of their work they may uncover corruption and other wrongdoings.

2.1.3 Integrity

Skidmore (1995) and Laufer, (1996), said that Organisations are said to display integrity when they demonstrate a capacity to engage in ethical decision-making. This capacity involves an awareness of the moral issues in play, an openness to grapple with their complexity, resolve to embed moral responsibilities within business plans, and the follow through to put morally responsible decisions into practice. A system operating within the public sector can be said to have integrity if it has unity and soundness of purpose, and if it has processes in place to reflect on and evolve that purpose in response to community needs. Unity infers neither singleness of purpose nor institutional simplicity. Instead, it conveys connectedness in that an organization's many goals are pursued and its many processes are implemented with awareness of and responsiveness to each other. In sum, unity implies at least loose coordination among parts such that, through reasoning and reflectiveness, an operational story can be told as to how the parts combine to form a valuable and purposeful whole (Gregory, 1999; Denhardt and Denhardt, 2000).

According to Calhoun (1995), the level of the individual, integrity involves more than developing coherent well-reasoned positions on issues and standing by these commitments. Integrity, so conceived, can be deemed self-indulgent. The extra element that needs to be considered to sharpen this analysis of integrity is a social dimension. Integrity requires a person not only 'to stand by' a position, but also 'to stand for' that position when faced with others whose deliberations may have led them to a different outcome. The integrity that taxpayers observe in the tax system and its administration may not be the same as the integrity that tax officers see from within. When integrity is perceived to exist in the system by tax officials and those who are experts in

its operation, it may be claimed that the system has passed the test of internal integrity. In the eyes of those who know the system well, the components are connected in such a way that high performance in one part enhances, or at least does not detract from performance in other parts, the overall purpose is sound, and the organisation is responsive, able to evolve to meet community needs.

2.1.4 Competence

Oxford English Dictionary defined competence as the ability to do something successfully or efficiently. Can also be define as the demonstration of characteristics that enable performance of a job, for properly doing the job, the individual requires skills and knowledge essential for the set duties. A competency is a set of defined behaviors that provide a structured guide enabling the identification, evaluation and development of the behaviors in individual employees. Kameling (1999), said that a tax administration needs competences to execute its statutory duties. These competences may have directly been laid down in the law, or may be ensue from the legal obligation of a taxpayer or a third party. In the latter case, the competences of the tax administration are the mirror image of the obligations imposed by law on the taxpayer or the third party.

Competency of a tax officials include: ability to understand and applied tax laws of a country, ability to interpret financial information, ability to detect vital information conceal or omitted in a financial statement, acquiring and application of tax compliance skills and understand micro and macro-economic variables and their impact on businesses and tax revenues.

2.1.5 Tax Corruption

Nguyen, Doan and Tran-Nam (2017), tax corruption is a strict subset of corruption. Furthermore, tax corruption is necessarily intertwined with tax evasion (and tax avoidance to a lesser extent) because taxpayers who bribe are often motivated by tax evasion/avoidance and tax officials who receive bribes will find it necessary to hide their receipt of illegally obtained income. Thus, tax corruption involves a very important intersection of corruption and tax evasion. Furthermore Fjeldstad (2005), said that in relation to tax administration, corruption risks can be identified in three major forms, namely: tax evasion committed by taxpayers, collusion between tax officers and taxpayers, and corruption by the tax officers themselves, without any direct taxpayer interaction.

According to Nguyen, Doan and Tran-Nam (2017), for any given specific definition of tax corruption, exact measurement of tax corruption is impossible for a number of obvious reasons. First, due to its secret and illegal nature, direct and systematic observations of tax corruption are not possible. Secondly, tax corruption has several different dimensions and it may not be possible to combine these aspects into a single measurement or index. Thus, it is very problematic to arrive at a set of measures of tax corruption which are comparable across countries and consistent over time. Broadly speaking, there are two different approaches in measuring tax corruption, namely objective measurement and subjective measurement. An objective measurement of tax corruption may include, for example, the frequency and the amount of bribery that a taxpayer makes to tax officials. Such information can in principle be collected from taxpayers through the means of a questionnaire- or interview-based survey. In addition to the conventional data problems arising from survey research, it is unclear whether respondents truthfully reveal the full extent of their bribery behaviours. An objective measurement of tax corruption can be further categorized into an absolute measure (e.g., the average dollar value of the tax-related bribes) or a relative measure (e.g., the ratio of bribe payments to official tax liability or the ratio of bribe payments to firm's total costs or profits).

A subjective measurement of tax corruption seeks to obtain (normally informed) views/perceptions of relevant stakeholders such as tax officials, business entities, institutional agencies (including donors) and individuals through questionnaire-based surveys. This is by far the most widely-used approach in gauging the level of tax corruption in countries around the world, including Vietnam.

Objective and subjective measurements of tax corruption discussed above constitute direct measures of tax corruption. An additional means to assess the extent of tax corruption is to rely on a set of indirect measures, which can be either objective or subjective. For example, it is well known that tax corruption often occurs as a result of the interaction between tax officials (inspectors and auditors) and taxpayers. Thus, in the case of tax corruption, indirect measures may include the Paying Taxes indicators compiled by the World Bank. Similarly, aggregate measures such as tax collection (tax revenue/GDP) or tax effort can also be loosely used as indirect, macro measures of tax corruption.

This paper will use subjective method of measuring tax corruption, taxpayers were asked to rank the integrity and competence of tax officials from 1 (the lowest) to 10 (the highest) based on their personal's experiences in dealing with the tax officials.

2.2 Empirical Literature Review

Abdul and Wang'ombe (2018), carried out a study to examine the influence of measures of tax compliance costs on tax compliance behaviour among medium and large corporate taxpayers in Kenya. The

study used Structural Equation Modelling (SEM) technique to establish the key cost drivers built using survey data, while controlling for key attributes of the tax system as well as firm characteristics. The results indicate that tax compliance in Kenya significantly declines with increase in tax compliance costs, particularly those related to understanding of the existing complex tax laws, changes in tax rules as well as general costs of meeting the compliance and regulatory requirements. The model constructs account for about 40% of variations in tax compliance behaviour in Kenya, which is above the empirically accepted minimum for exploratory studies. Similarly Jahnke (2017), conducted a study to examine how petty corruption affect tax morale in sub Saharan Africa. The paper uses micro-level data from the Afrobarometer to analyse how petty corruption erodes tax morale. A mediation analysis shows that petty corruption directly reduces tax morale and also diminishes trust in the tax department and hence indirectly affects tax morale. The effect on tax morale is more severe in countries and regions where fewer people are affected by petty corruption and becomes insignificant if extortion of bribes is particularly prevalent.

Rosid, Evans and Tran-Nam (2016), conducted a study to examine how perceptions of corruption may influence personal income taxpayer compliance behaviour in Indonesia. Adopting a sequential mixed-methods approach. Initially, a qualitative phase was carried out by conducting semi-structured in-depth interviews with nine participants (three taxpayers, three tax agents and three tax officers). The second phase of the research involved extensive data collection using a mixed-modes field survey conducted through 12 tax offices across four Indonesian regions. A total of 397 respondents were surveyed, comprising 196 self-employed and 201 employed taxpayers. The findings have emerged from the data, suggest that high levels of perceived corruption were evident in Indonesia. Second, the quantitative findings clearly demonstrate that perceptions of corruption undermine taxpayers' intention to report actual income. Third, the findings ultimately suggest that high levels of perceived general corruption (that is, abuse of entrusted power by public officials for private gain), grand corruption (that is, corruption involving high-level public officials) and grand tax-corruption (that is, corruption involving high-level tax officials) were influential on intentional tax underreporting behaviour. The present empirical results support the notions that perceptions of corruption are important determinants and have a negative impact upon tax compliance behaviour. The results also imply that combating corruption, especially grand corruption, would have a beneficial effect on voluntary tax compliance in Indonesia.

Another study was conducted by Dang et al. (2016), to examine the factors that influences tax evasion in Vietnam. The study utilised a qualitative research method. Primary data were collected using a questionnaire-based survey. A random and proportional sampling was applied resulting in an effective sample of 525 household businesses in eight regions of Vietnam (out of 4.09 million households businesses in 2013). The empirical result revealed that: while the respondents complained that tax officials use their prerogative and authority with a view to demanding more tax payments, bribes often result from a process of negotiation and collusion rather than extortion. About 70 per cent of the respondents indicated that they always or often colluded with tax inspectors for mutual benefits. Correspondingly, only 11 per cent of the respondents agreed that tax inspectors often harass them for unofficial payments whereas 43 per cent of the respondents disagreed with it; the scale of corruption is petty. About 67 per cent of the respondents stated that the average amount of unofficial payment per inspection visit is one million VND or less (about 45 USD at the April 2017 exchange rate). Similarly Alm, Martinez-Vazquez and McClellan (2016), conducted a study to examine relationship between corruption and firm tax evasion, using firm-level data obtained from the World Enterprise Survey and BEEPS covering 8,000 observations and 32 countries, applied the instrumental variable method to control for the potential endogeneity of corruption and tax evasion. As a robustness check, the method of propensity score matching was also employed. Their results indicated that it is corruption that largely drives tax evasion. The study further revealed that requests for bribes reduce reported taxable sales, and larger bribes result in higher levels of tax evasion.

Aiko and Logan (2014), conducted a survey in 35 African countries to measure social, political and economic atmosphere and also perceive corruption among tax officials. Using Afrobarometer survey. The descriptive statistics result revealed that 35% of respondents perceive that most tax officials are involved in corruption, and close to 40% believe that at least some of them are involved in corruption (Afrobarometer 2012). Perceptions of corruption among tax officials are highest in Cameroon and Nigeria (59% each), followed by Sierra Leone (57%), and Benin (54%), and whereas only 9% in Mauritius, 11% in Cape Verde and 13% in Botswana say corruption is widespread. Another Similar research was conducted by World Bank and IFC (2013), the descriptive statistic result revealed that, business people reported having to pay bribes in their encounter with tax administration in African countries. Approximately 17% of companies surveyed by the World Bank & International Finance Corporation (IFC) Enterprise Survey reported having to give gifts when meeting with tax officials in Sub-Saharan African countries. The percentage is even higher in the Middle East and North Africa, where close to 26% of respondents reported expecting to give gifts to tax officials.

Armah- Attoh and Awal (2013), conducted a study to investigate how taxpayers perceived Ghanaian Revenue Authority (GRA) officials. The descriptive statistic result implied that, the integrity of Ghana Revenue Authority officials is very low in the eyes of Ghanaians. Half of Ghanaians (50 percent) perceive "some" tax

officials to be involved in corruption. Another 41 percent also consider "most or all" of these officials to be corrupt. Thus, to the ordinary Ghanaian, the country's tax administration stinks with graft. It is not surprising therefore to find that 58 percent have little or no trust at all in the GRA; just 40 percent trust the institution.

III. METHODOLOGY

3.1 Theoretical Framework

This paper adopted Principal Agent Theory as its theoretical framework, the theory was chosen due to its relevance to all the variables under consideration. Principal-agent problem occurs when one person or group of persons (agent) is able to make decisions on behalf of, or that impact, another person or group of persons (principal). This dilemma exists in circumstances where agents are motivated to act in their own best interests, which are contrary to those of their principals, and is an example of moral hazard. The problem arises where the two parties have different interests and asymmetric information (the agent having more information), such that the principal cannot directly ensure that the agent is always acting in their (the principal's) best interest, particularly when activities that are useful to the principal are costly to the agent, and where elements of what the agent does are costly for the principal to observe (see moral hazard and conflict of interest). Often, the principal may be sufficiently concerned at the possibility of being exploited by the agent that they choose not to enter into the transaction at all, when it would have been mutually beneficial: a suboptimal outcome that can lower welfare overall. The deviation from the principal's interest by the agent is called "agency costs".

Jensen and Meckling (1972) said that it is a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. There is a good reason to believe that the Agent will not always act in the best interest of principal". Therefore there three major types of costs emerged by this interaction: the monitoring expenditures by the Principal, the bonding expenditures by the Agent and the residual loss. There are, then, others phenomena as the Hazard Moral and the Adverse Selective every time that the Agent has more information compared to the Principal and has the opportunity to use this Asymmetry Information to procure itself an advantage. Donato (2016), Principal-Agent Theory (hereinafter: PAT) was initially used to analyze organizational behavior and corporate governance, and it has been applied in a high number of disciplines. Most of general economic literature has also adopted PAT to illustrate criminal behavior as a result of rational choice, which involves a group consisting of three actors: principal (State or government), agent (public officials or tax authorities), and client (stakeholders or taxpayers). The theory serves as a useful and at times powerful framework for detecting corruption and tax evasion.

The theory was used by Reinganum and Wilde (1985), to analyse income tax evasion in USA. They first assumed that income is random variable, second income is observed by the taxpayer at costless, but can only observed by the Revenue Authority if a cost is incurred (audit cost), third the main objective of the Revenue Authority is to maximize expected revenue net of audit cost. In this paper the principal is the Tax Authority Management, the agent is the tax official, and the client is the taxpayer. The tax officials interacts as an agent with the taxpayer on behalf of the principal. Based on Economic theories, tax officials and taxpayer are rational utility maximizers. Their decisions to behave honestly or illicitly are based on calculations of costs and benefits of their behaviour. The main objective of the principal is to maximize expected tax revenue and minimise tax revenue compliance cost.

The process began, when a tax payer attempts to make a choice whether to pay taxes as required by law, or to evade the taxes by concealing whole or part of his income. The tax payer knows that if the tax authority caught him, the net gain of tax evasion will vanish and he may lose additional resources to pay penalties. The problem of the tax payer is the measurement of the probability of detection by tax authority, through tax audit (the taxpayer measure the probability subjectively, by considering or by observing what happened to the other taxpayers he knows engaged in tax fraud). The taxpayer's decision will be based on weighing the benefits from successful evasion against the risky prospect of detection and punishment. The taxpayer's behaviour is influenced by factors such as the difference between the amount of the tax that is to be paid without evasion and the tax payment with fraud (which determines the benefits of evasion), and the probability of detection and the penalties for fraud (which determine the costs).

It was assumed that the tax official can be corrupt, when his expected net benefit from corruption exceeds the expected benefit from behaving honestly. If detection leads to dismissal and the probability of the detection is high, the tendency of the tax officials to engage in corruption will reduce (the tax officials measures his probability of detection subjectively, by observing what happened to other tax official engaged in tax corruption). The value of the tax official's loss if detected is the difference between the discounted value of his future earnings stream as a tax official, and the earnings stream he would expect in alternative employment , plus the expected gain per transaction from fraudulent activities, that is., the monetary value of the financial gain accruing from corruption. The factors motivating the tax officials 'decision are his risk preference, the size of the potential gain, the likelihood of detection, and the consequences of detection. Moreover high level of

corruption in tax collection may (partly) be explained by poor and inefficient monitoring and tax auditing, resulting in low risk of being detected and punished.

Figure 1: Companies Income Tax Compliance Determinants Chart.



3.2 Source of Data

The paper relied on primary source of data, which confidential questionnaires were distributed to the respondents.

3.3 Population of the Study

The population of the paper, are all companies registered with the Federal Inland Revenue Service (FIRS) of Nigeria, for tax purposes. According to the FIRS portal as at 12th of September, 2018, there are 1,631,614 registered corporate taxpayers.

3.4 Sample Size

The paper used Taro Yamane Method (1967), to determine the sample size of the study. The formula is given as:

$$n = N / (1 + N (e^2))$$

Where:

n = Sample Size

N= Population of the study.

e = Error Margin (0.05 was adopted)

$$n = 1,631,614 / (1 + 4,000,000 (0.05)^2) = 400.$$

Therefore the sample size for the paper is 400 taxpayers.

3.5 Sampling Technique

The paper used Cluster Sampling to collect the required data; the study population was first divided into clusters (which are the six geo political zones of the country), such that each item in the population belongs to one and only one cluster. After the clusters were formed, a simple random sampling was taken from each cluster.

3.6 Technique of data analysis

Due to the nature of the variables under study, the paper employed Ordered LogisticRegression as the technique for the data analysis. The ordered logistic regression model is a regression model for an ordinal response variable.

3.7 Model Specification

Ordered LogisticRegression Model was used to examine the relationship between the dependent variable and the independent variables. Thus, the model is specified as:

$$\text{Taxc} = f(\text{ICM}, \text{ITG}, \text{COM}) \quad 1$$

$$\text{Taxc} = b + b_1 \text{ICM} + b_2 \text{ITG} + b_3 \text{COM} \quad 2$$

$$\text{Taxc} = b + b_1 \text{ICM} + b_2 \text{ITG} + b_3 \text{COM} + E_i \quad 3$$

Where Taxc = Companies Income Tax Compliance Level

ICM = Taxpayers' (companies') annual income/ turnover for 2017 Business Year

ITG = Integrity of the tax officials as per the perception of the taxpayers
 COM = Competence of the tax officials as per the perception of the taxpayers

IV. RESULT AND DISCUSSION

Several confidential questionnaires were distributed to the respondents, 452 were returned and 463 were successfully cleaned and analysed.

4.1 Summary of the Variables

Table 1: Statistics Summary

Variables	Observations	Mean
TAXC	436	4.489826
ITG	436	3.798165
COM	436	3.873853

Author's Computation 2018: Stata 13.0

The above table shows the mean or average of the variables under consideration. The mean of companies' income tax compliance level is approximately 4.489 odd rank out of 10 odd rank, this mean that the average compliance level for companies' income tax is 44.89 percent.

The mean of tax payers' perception of the integrity level of tax officials is approximately 3.798 odd rank out of 10 odd rank, this mean that the average integrity of tax officials in the eyes of tax payers is 37.98 percent. While the mean of tax payers' perception of the competence level of tax officials is approximately 3.873 odd rank out of 10 odd rank, this mean that the average competence level of tax officials in the eyes of tax payers is 38.73 percent.

4.2 Impact of Tax Payers' perception of the Integrity and Competence of Tax Officials

Table 2: Ordered Logit Regression Result

Dependent Variable: TAXC

Method: ML - Ordered Logit (Quadratic hill climbing)

Variables	Coefficient	Prob.	Others	Coefficient
ICM	0.163521	0.0353	Pseudo R squared	0.480388
ITG	1.778386	0.0000	LR statistic	771.1231
COM	0.988736	0.0000	Prob(LR statistic)	0.000000

Author's Computation 2018: Eviews 8.0

4.2.1 Discussion of Result

The coefficient of the variable Companies Income/revenue (ICM) is 0.163521, which indicates a positive relationship between company's income/revenue and companies' income tax compliance level. If the companies' income/revenue increases by 1 odd rank, then the companies' income tax compliance level will increase by 0.163521 odd rank or any 10 percent increase of companies' income/revenue will lead to 1.63521 percent increase in companies' income tax compliance level. The P Value of the variable is 0.0353 which is less than 0.05, this means that companies' income/revenue is a statistically significant variable that influences or determines the companies' income tax compliance in Nigeria. This result is consistent with reality, because as the income/revenue increases the probability of being hidden from revenue authorities decreases, and the chances of detecting tax fraud by revenue authorities increases.

The coefficient of the variable tax payers' perception of the integrity of tax officials (ITG) is 1.778386, which indicates a positive relationship between the integrity perception and companies' income tax compliance level. If the integrity perception increases by 1 odd rank, then the companies' income tax compliance level will increase by 1.778386 odd rank or any 10 percent increase in integrity perception will lead to 17.78386 percent increase in companies' income tax compliance level. The P Value of the variable is 0.0000 which is less than 0.05, this means that the integrity perception is a statistically significant variable that influences or determines the companies' income tax compliance level in Nigeria. Similarly, this result implies that if integrity perception falls, companies' income tax compliance level will also fall, because the probability of connivance between the tax payers and the tax officials to comprise tax compliance increases, and the probability of imposing sanctions or economic deterrence against the defaulting tax payers' decreases.

The coefficient of the variable tax payers' perception of the competence of tax officials (COM) is 0.988736, which indicates a positive relationship between the competence perception and companies' income tax compliance level. If the competence perception increases by 1 odd rank, then the companies' income tax compliance level will increase by 0.988736 odd rank or any 10 percent increase in competence perception will lead to 9.88736 percent increase in companies' income tax compliance level.

compliance level will increase by 0.988736 odd rank or any 10 percent increase in competence perception will lead to 9.88736 percent increases in companies' income tax compliance level. The P Value of the variable is 0.0000 which is less than 0.05, this means that the competence perception is a statistically significant variable that influences or determines the companies' income tax compliance level in Nigeria. Similarly, this result implies that if competence perception falls, companies' income tax compliance level will also fall, because there is a positive relationship between the probability of detecting tax fraud by a tax official and his competence level, the lower the competence the lower the probability of a tax official to detect tax fraud committed by a taxpayer, and consequently lower the taxpayer's compliance probability.

The Log likelihood Ratio (LR) Statistic value is 771.1231, the high LR Statistic is implying that the combination of the variables can give good explanation of the variation of Companies Income Tax Compliance Level in Nigeria. The P Value of the LR Statistic is 0.0000, which is less than 0.05, meaning that the combination of the three variables are statistically significant in explaining the variation of Companies' Income Tax Compliance In Nigeria. The Pseudo R-Squared of the model is 0.480388, which is 48.0388 percent. The result means that the Ordered Logit Regression model was able to explain 48.0388 percent of the Companies Income Tax Compliance level variation in Nigeria, while the remaining percentage might be explained by other variables, such as tax rate, tax policies, tax administration cultural, laws, political and economic settings of the country.

Furthermore, from the survey 342 (78.44 percent) respondents claimed that they were once asked by FIRS officials to offer bribe, 308 (90.06 percent) of the 342 respondents, claimed that they eventually paid the bribe. Similarly 172 (55.84 percent) of the 308 respondents said that they offered the bribe so as to speed up the process for obtaining tax clearance certificate, while the remaining 136 (44.16 percent) said that they paid the bribe so as to wipe off additional companies income tax liability. However 403 (92.43 percent) of the respondents claimed that they had once met some people who told them, that they offered bribe to FIRS officials. 392 (89.91 percent) of the respondents believe that it is possible for FIRS officials to compromise if offered bribe. 378 (86.70 percent) of the respondents believe that FIRS officials can wipe off additional tax liabilities if offered bribe. In an open remark, 192 respondents that is 45.4 percent of the 436 respondents praised the professionalism, honesty and courage that some FIRS officials exhibited while discharging their duty. Surprisingly 221 respondents that is 50.68 percent of the total respondents commended and said they have confidence in the FIRS tax dispute resolution mechanism.

V. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Evidence obtained from the paper's empirical result revealed that companies' income tax compliance level, taxpayer's perception on the integrity of tax officials and taxpayer's perception on the competence of tax officials in Nigeria are 44.898 percent, 37.982 percent and 38.734 percent respectively. The empirical results also found out that companies' income, taxpayer's perception on the integrity of tax officials and taxpayer's perception on the competence of tax officials are statistically significantly influencing companies' income tax compliance level in Nigeria.

5.2 Recommendations

Based on the empirical results, the paper proffers the following as a means of increasing companies' income tax compliance level, good image of tax officials in the eyes of the public and consequently improving companies' income tax revenue generation in Nigeria.

- 1- The Revenue Authority should take strict measures on any tax officials found wanting and measures taken should be publicized.
- 2- The Revenue Authority should take necessary measures that will improve the good images of the organisation and its staffs in the eyes of the general public, this will help in enhancing companies' income tax compliance level.
- 3- The Revenue Authority should increase the rate of training for its staffs, particularly in the area of examination of financial returns and detection of financial fraud, this will enhance the probability of detecting tax fraud committed by the taxpayers.
- 4- The process of desk examination and tax audit should be properly controlled and monitored.
- 5- The tax compliance process should be more simplified and the rate of contact between the taxpayers and tax officials should be reduced, through full automation of all compliance processes.
- 6- The remuneration and other conditions of service of the tax officials, should be improved. Improving the remuneration and the condition of service will increase the cost of connivance and may offset any benefit from the connivance.

- 7- There is need of external monitoring of the activities of Revenue Generating Agencies, the government and supervisory ministry should be periodically investigating the activities of the tax officials and the management of the Agencies.

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