

Perception of Rural Dwellers towards Payment of Personal Income Tax in Ogun State

Soluade Olayiwola¹ and Ogunbiyi Joseph Olukayode²

¹Tai Solarin University of Education, Ijebu-Ode, Ogun State, Nigeria.

²Kogi State University, Anyigba, Kogi State, Nigeria

soluadeola@gmail.com; soluadezo@tasued.edu.ng

Abstracts

In recent times government have been finding it difficult to fulfill her social responsibilities and ensure the growth and development of the society. One of the major factors that are responsible for this is the level of tax compliance behaviour of the non-formal sector of the economy and the rural dwellers. This paper examined the perception of the rural dwellers in Ogun state towards compulsory payments of personal income tax. The study adopted descriptive survey research design. The subjects for the study comprise of three rural communities within the three senatorial districts of Ogun state. Stratified random sampling procedure was used in selecting three rural areas within the geographical location of Ogun state and two hundred and sixty-five (265) adults for the study. Three research questions were raised to guide the study and one instruments tagged "Rural Dwellers Perception on Tax Payment Questionnaire" (RDPTPQ)($r=.73$) was used to elicit information from the respondents. Data were analysed using descriptive statistics of simple percentage, mean and standard deviation. The results showed that most of the rural dwellers do not see reasons for paying taxes and factors such as misappropriation of taxes by government officials and taxes paid not used for the interest of the rural dwellers discouraged them from paying taxes. Government should provide necessary infrastructures in the rural areas so as to build trust in them and encourage them to see themselves as part of the entity called Nigeria; entrench policy of free education and highly subsidies health care services in the rural areas and give assistance to the farmers and the traders to boost their business and aids farmers towards agriculture mechanization.

Keywords: Rural Dwellers; Tax; Personal Income Tax.

Introduction

One of the cardinal responsibilities of the citizen in any country of the world is the payment of taxes and rates as at when due. Tax revenue generation is key to the nation economic growth and development. Taxes are specifically used to enhance governance, execute communal projects, provide peace and security and promote economic growth and development. The primary aim of taxation is to generate revenue with which to finance public administration and provide economic and social services for the public (Egwaikhide & Udoh, 2012). Ocheni, (2015) stressed that tax revenue generation is key to economic growth and country's development whereby nation's development depends on the amount of revenue that can be generated by the government and applied on public infrastructure and other economic activities for the benefits of the citizens. The payment of tax is a civic duty and an imposed obligation by government on her subjects and companies to enable her finance or run utilities and perform other social responsibilities (Eiya, Ilaboya & Okoye, 2016). However, the willingness of the taxpayers to voluntarily comply with tax laws has been a major impediment to government generating enough funds to finance her developmental projects in all areas of her jurisdictions.

Individual morale is low in most part of the nation's rural areas because of government failure in providing the necessary social infrastructure with the earlier taxes and rates collected which might lead to the prompt payment of taxes by the rural dwellers. Most of the rural areas in Nigeria lack factually all social amenities and where it is present it was achieved through communal efforts. Lack of government accountability and government taken responsibilities of the lapses has become a major impediment to tax payment by the people. Willingness to pay tax has become a general problem in most part of the rural areas in Nigeria and this has also been a major impediment to government generating enough funds to finance developmental projects for the benefits of the populace.

Despite the benefits of tax revenue to a country's economy, some citizens consider tax as undesirable levy imposed on them by government and accuse the government of not utilizing the tax revenue in a manner that achieves efficiency, economy and effectiveness of spending (Ekoja & Saratu, 2014). This has led to high level of tax evasion by most of the citizens. Tax evasion has been conspicuous most especially in the non-formal sector and the rural areas due to some factors as lack of public accountability, non-utilizing the tax revenue to enhance growth and development of the community etc. While giving reason for tax evasion by the citizen Oluyombo and Olayinka (2018) were of the opinion that if tax payers feel that their interests are served by the government, their willingness to pay tax may grow. In developing countries such as Nigeria characterized by government insensitivity to the plight and aspirations of the citizens, fiscal recklessness, corruption, low standard of living and infrastructural decay, the willingness to pay tax is at the lowest ebb. Low tax compliance rate limits the government's ability to raise revenue for the provision of public goods and services (Radae & Sekhon, 2017). Higher rates of tax evasion have continued to hindered government collecting of required tax revenue so as to be able to fund the provisions of public goods.

Taxes are the major source of revenue to government as it assists in infrastructure development at all levels of government (Oluyombo & Olayinka, 2018). Government needs tax revenue to assist them in fulfilling their social obligations. Taxes are compulsory levies imposed by the government to raise revenue for government expenditures. Taxes are paid by individuals and companies to government which serves as source of income to the government and enable her to perform various legitimate function of the state (Olaoye, Ashaolu & Adewoye, 2009). Tax is a compulsory levy that must be paid without regards to equivalent return of goods or services rendered by the government (Akalu, 2016). Therefore, taxes are presumably collected for the welfare of taxpayers as a whole.

Income tax is the normal tax which is paid on your taxable income: such income include remuneration, profit or losses from a business or trade, investment income, rental income or losses, income from royalties, annuities, pension income, certain capital gains etc(www.sars.gov.za/taxtypes). Adebisi and Gbegi (2013) defined personal income tax as a compulsory levy on employment income and any other income received by individuals. Individuals here are those in paid employment and those in self-employment. Income tax are taxes imposed on individual or entity (tax payers) that varies with respective income profits (taxable income) (<https://en.m.wikipedia.org>).

Kiabel and Nwokah (2009) stated that the proportion of personal income taxes to the Nigerian government's total revenue has been on the decline and one of the reasons for this has been attributed to tax non-compliance. Despite all efforts geared towards tax collection and administration, tax compliance is still yet to significantly improve (Odusola, 2006). Tax evasion most especially in the developing nations of the world is a general problem. Many factors has been identified by scholars as reasons for tax evasion these factors includes; corruption from the tax collectors and the government, weak tax administration, low purchasing power of taxpayers, unstable political environment and misappropriation of tax collected, size of the informal sector of the economy, heavy tax burden and selfish decision by the taxpayer not to meet up with the tax obligations (Ariyo, 1997, Odusola, 2002, Sani, 2005). Tax contributes about 7% to the gross domestic product (GDP) in Nigeria as against 15% expected of a comparable country (Okonjo-Iweala, 2014). The tax compliance has been an issue in many developing countries. Tax payment is always a thing that is not cherished by individuals because nobody like paying taxes (Adekoya, Enyi & Akintoye, 2019). The perception of tax injustice by the citizens may likely frustrate the tax system. It may likely reduce the success of the tax system by encouraging noncompliant attitude (Abiola & Asiweh, 2012). Lack of public trust, and confidence had become the major challenge to tax payers' voluntary compliance. The individual morale is always low where it is observed that government failed in providing the required public goods with the earlier tax payment and this is could be an indication of public distrust which might lead to a decline in voluntary tax compliance (Adekoya, Enyi & Akintoye, 2019).

The study is situated on equity theory popularised by the work of Adams (1963). Equity theory stressed that fairness and equity are key components of a motivated individual. He therefore suggested that if someone perceives an unfair environment, he will be de-motivated, while his perception of fair environment will motivate him (Douglas, 2015). Citizens are motivated by fairness, and equity in the ratio of the taxes paid with the infrastructures developed in their areas they will try to adjust their input to reach their perceived equity. The theory is relevant to the study because if the citizens perceived government to have been using the generated revenue judiciously, they will be motivated to pay taxes as at when dues.

Eiya, Ilaboya and Okoye (2016) examined the influence of religiosity and tax compliance: empirical evidence from Nigeria. They found no significant difference in the tax compliance behaviour of Christians and Muslims in Nigeria; religious values alone do not play a significant role to make the taxpayers liable for tax compliance and Nigerian tax payers are not strongly influenced by the threat of punishment employed by the tax authority but by other factors that are more influential in encouraging their willingness to voluntarily comply with tax laws. Oluyombo and Olayinka, (2018) assessed the tax compliance and government revenue growth in Nigeria. The findings revealed that tax compliance have significant effect on boosting tax revenue generation and that tax default can cause significant variation in government revenue. The variable in the model is significant at the 5% critical level and the regression coefficient reveals that 88.8% of the total variation in revenue is accounted for by tax compliance with other variables in the stochastic term accounting for the remaining 11.2%.

Adekoya, Enyi and Akintoye (2019) examined government accountability and voluntary tax compliance behaviour in selected states in South-West, Nigeria. The study revealed that accountability positively influenced voluntary tax compliance among taxpayers in the study states; There was evidence that trust in government and employment status have significant relationship with voluntary tax compliance behaviour in the study states while gender, age and educational level do not have significant relationship with voluntary tax compliance respectively. Oseni, and Ehimi (2019) investigated effects of tax fairness on personal income tax compliance in Nigeria. The study found a positive and statistically significant relationship between tax fairness and personal income tax compliance in Nigeria and that tax fairness is positively and statistically related to personal income tax compliance in Nigeria. Several studies have been done on issues of taxes in Nigeria some have focused on examining the effect of tax compliance on economic growth and development in Nigeria; effect of tax revenue on economic growth; tax compliance and government revenue growth in Nigeria. However, not much have been done on the perception of the people in the rural towards tax complaints as most issues of tax evasion have concentrated on the formal sectors and the people in the urban areas of Nigeria. This study therefore examined the perception of the rural areas towards payment of personal income tax in Ogun state, south west, Nigeria.

Objectives of the Study

The objectives of this study are to:

- (i) Find out if the rural dweller sees payment of personal income tax as one of their responsibilities.
- (ii) Examined the factors hindering the rural dwellers from paying tax.
- (iii) Assessed what can be done to improve tax payment by the rural dwellers.

Research Questions

Based on the above objectives the following research questions were raised to guide the study:

- (i) Should the rural dwellers pay tax?
- (ii) What factors discourages rural dwellers from prompt payment of taxes?
- (iii) What can be done to motivate rural dwellers to pay taxes?

Methods and Materials

The study employed the descriptive survey design. The population for the study comprises of inhabitants of rural areas in the three senatorial district of Ogun state. The area of the study was selected using simple random sampling procedure. Two hundred and sixty-five adults were selected using stratified random sampling procedure. 80 respondents were selected from Atan-Ijebu-Ode in Atan Local government, 65 from Tube in Ipokia local government and 120 respondents were selected from Olodo in Odeda local government. The instrument used for this study was a questionnaire tagged “Rural Dwellers Perception on Tax Payment Questionnaire”. To establish the content and face validity of this instrument copies were presented to two experts in the field of test and measurement for further scrutiny and modification. This was to ascertain the suitability of the instrument in terms of language, presentation, clarity and applicability. Based on their comments necessary modifications were made. Also, a field trial of the instruments was carried on randomly selected adults in another rural areas and local government outside the areas used for the field work. Cronbach Alpha was used to determine the reliability coefficient of the instrument which was found to be 0.73. Data Collected were coded and analysed using descriptive statistics.

Results and Discussion

Research Question 1: Should the rural dwellers pay tax?

Table 1: Opinion of rural dwellers on payment of tax.

| S/N | Items | N | Mean | SD | Decisions |
|-----|---|-----|----------------------------------|-------|----------------|
| 1 | There is no need to pay tax since government will not spend the money to develop our area | 265 | 4.59 | 1.902 | Strongly Agree |
| 2 | Money realised in other sectors is enough to provide infrastructure therefore rural dwellers should not pay tax | 265 | 4.35 | 1.535 | Strongly Agree |
| 3 | It is good to pay tax for government to carry out her social responsibilities | 265 | 2.35 | 2.031 | Disagree |
| 4 | Payment of taxes should be compulsory | 265 | 2.01 | 2.023 | Disagree |
| 5 | Taxes should be made optional | 265 | 4.32 | 2.032 | Strongly Agree |
| | Total | | 17.62 Grand Mean = 3.52 | 9.523 | |

Table 1 shows the opinions of rural dwellers on the payment of taxes. Item 1 which stated that there is no need to pay tax since government will not spend the money to develop our area has the highest mean of 4.59 (SD=1.902). followed by item 2 which stated that money realised in other sectors is enough to provide infrastructure therefore rural dwellers should not pay tax with mean of 4.35 (SD=1.535). Item 4 which stated that payment of taxes should be made compulsory recorded the lowest mean score of 2.10

(SD=2.023). The grand means of the items is 3.52 and the standard deviation also show high spread rate of the scores in all the items, this shows that most of the rural dwellers do not see reasons for paying taxes

Research Question 2: What factors discourages rural dwellers from prompt payment of taxes?

Table 2: Factors that affect voluntary payment of taxes by rural dwellers

| S/N | Items | N | Mean | SD | Decisions |
|-----|---|-----|-----------------------|--------|----------------|
| 1 | Misappropriation of taxes by tax officials and government | 265 | 4.92 | 1.484 | Strongly Agree |
| 2 | Heavy tax burden | 265 | 3.45 | 1.380 | Strongly Agree |
| 3 | Taxes paid are not used for the interest of the payers | 265 | 4.71 | 1.284 | Strongly Agree |
| 4 | Corruption | 265 | 4.88 | 1.281 | Strongly Agree |
| 5 | Low standard of living | 265 | 3.78 | 1.139 | Strongly Agree |
| 6 | Infrastructural decay | 265 | 4.89 | 1.477 | Strongly Agree |
| 7 | Low purchasing power of tax payers | 265 | 3.45 | 1.479 | Strongly Agree |
| 8 | Unstable political environment | 265 | 3.25 | 1.601 | Strongly Agree |
| 9 | Lack of public accountability | 265 | 3.56 | 1.139 | Strongly Agree |
| | Total | | 36.89 GM = 3.69 | 12.264 | |

Table 2 above shows the responses of the respondents on the factors that affect voluntary payment of taxes by the rural dwellers. Item 1 which stated that misappropriation of taxes by tax officials and government has the highest mean score of 4.92(SD=1.484), closely followed by item 6 which suggested infrastructural decay within the rural areas as one of the factors that affect voluntary tax payment by rural areas with mean score of 4.89 (SD=1.477) and item 4 which stated that corruption within the system as a factor that discourage tax payment within the rural area with mean score of 4.88 (1.281). However, item 8 with mean score of 3.25 (SD=1.601) recorded the lowest significant mean score. The grand means score of 3.69 shows that factors that discourages rural dwellers from paying taxes varies and all the factors contributed to rural dwellers tax evasion.

Research Question 3: What can be done to motivate rural dwellers to pay tax?

Table 3: Suggestions on how government can motivate rural dwellers to pay tax.

| S/N | Items | N | Percentage |
|-----|--|-----|------------|
| 1 | Government should minimize corruption and punished corrupt government officials | 15 | 5.66% |
| 2 | Judicious usage of the tax collected | 18 | 6.79% |
| 3 | Tax attached to development of an area | 25 | 9.43% |
| 4 | Government should give incentives to tax payment compliances | 27 | 10.19% |
| 5 | Provision of infrastructures in the rural areas | 46 | 17.36% |
| 6 | Sensitization on the importance of payment of tax | 10 | 3.78% |
| 7 | Government should entrench policy of free education and highly subsidies health care services in the rural areas | 33 | 12.45% |
| 8 | Government should give assistance to the farmers and the traders to boost their business. | 39 | 14.72% |
| 9 | Government aids farmers towards agriculture mechanization. | 29 | 10.94% |
| 10 | Youths in rural areas should be empowered with interest free loans. | 23 | 8.68% |
| | Total | 265 | 100% |

Table 3 shows the suggestions giving by the rural dwellers on how government can motivate them to pay tax. Most of the rural dwellers see provision of infrastructure as critical to encourage them to pay tax. 17.36% of the respondents were of the opinion that provision of infrastructure is the major step the government can take to motivate them to pay taxes. This is followed by another suggestion that government should give assistance to the farmers and the traders to boost their business. 14.72% of the respondents agreed that when government aids them in their business that will encourage them to pay tax and rates. 12.45% of the respondents are of the opinion that government should entrench policy of free education and highly subsidies health care services in the rural areas to motivate them to pay tax. Various suggestions had showed that when suggestions such as government should aid farmers towards agricultural mechanization 10.94% ; attached to development of the area that pay taxes 9.43%; government empowered youths in rural areas with interest free loan to empowered them 8.68% and judiciously used the tax collected 6.79% the motivation to pay taxes will be developed among the rural dwellers.

Discussion of Findings

The result of the research question one revealed that the rural dwellers perceived the payment of taxes as not necessary as the money even if paid will not be judiciously used for their areas. This corroborated the findings of Ekoja and Saratu, 2014 and Oluyombo and Olayinka, 2018 submission that citizens have been

accusing the government of not utilizing tax revenue in a manner that achieves efficiency, economy and effectiveness of spending. This finding might be due to the fact that all areas of the research lack necessary infrastructures.

In addition, the findings of research question two revealed the factors that discourages rural dwellers from paying taxes varies and all the factors contributed to rural dwellers tax evasion. This supported the findings of Ariyo, 1997, Odusola, 2002, Sani, 2005 and Oluyombo and Olayinka, 2019 findings that factors such as corruption from the tax collectors and the government, weak tax administration, low purchasing power of taxpayers, unstable political environment and misappropriation of tax collected, size of the informal sector of the economy, heavy tax burden and selfish decision by the taxpayer not to meet up with the tax obligations discourages citizens from paying taxes. This finding might be due to the fact that all the factors raised are major issues that discourage citizens to pay taxes in the area of researcher interest.

Finally, the results of research questions three shows that government should encourages the rural dwellers so as motivate them to pay tax as see taxes as their civic responsibilities. Government must judiciously use taxes collected to the collective interest of the areas that contributes the money to national purse, empower farmers, traders and youths so that they can have sense of belonging into the nationhood. This finding corroborates the findings of Adekoya, Enyi & Akintoye (2019) who suggested that government should build trust in the citizen to encourage them to pay taxes.

Recommendations

1. The government needs to change the method of enforcement by considering the attitude aspect of tax payers in addition to the application of tax laws to sanction and fine tax defaulters so as to increase the amount of taxes collected.
2. Government should give incentives to tax payment compliances; this will help to develop the attitude of paying taxes to tax defaulters.
3. Government should provide necessary infrastructures in the rural areas so as to build trust in them and encourage them to see themselves as part of the entity called Nigeria.
4. Government should entrench policy of free education and highly subsidies health care services in the rural areas.
5. Government should give assistance to the farmers and the traders to boost their business and aids farmers towards agriculture mechanization.
6. Government should empower the youths in rural areas with interest free loans so as to make them self-reliance and in turn pay their taxes for the development of their areas.
7. Government should embark on sensitizing the rural dwellers on the importance of payment of tax.

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