Tax Compliance and Voluntary Disclosure among SMEs in Nigeria

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ABSTRACT

Purpose– This paper examined tax compliance and voluntary disclosure among SMEs in Nigeria. **Design/methodology/approach–** Based on the registered SMEs lists obtained from SMEDAN, 400 SMEs were sampled for data collection. Regression was used to estimate the relationships between the variables of tax compliance and voluntary disclosure among SMEs in Nigeria.

Findings– The results of the analysis revealed that Complex tax laws, Quality of Management, Trust in Government, Tax Education and Tax Amnesty have significant relationship with voluntary disclosure of SMEs in Nigeria.

Originality/value–To the best knowledge of the authors, this paper is the first to investigate tax compliance using Quality of management and tax amnesty as variables to measure voluntary disclosure among SMEs in Nigeria. Therefore, this study makes a modest contribution to empirical studies that Quality of management and tax amnesty are some of the variables that can enhance voluntary disclosure of information by SMEs in Nigeria.

Keywords Voluntary Disclosure, Quality of Management, Tax Amnesty, Tax compliance,

Paper type Research paper

INTRODUCTION

Globally, voluntary disclosures have been a controversial issue and the level of compliance is still uncertain even when the yearning for financial information disclosure is increasingly needed by every stakeholder (Theophilus &Ademola 2020). Naturally, private entities are not obligated by law to meet some mandatory disclosure requirements, unlike public entities and corporate organization which must publicly make available some specific information disclosure requirements that are material relevant for shareholders and the other entire stakeholders. Perhaps, one of the benefits some entities are remaining private is to avoid mandatory disclosure of vital financial and non-financial information (Farre-Mensa, 2017; Rizzato, Busso, Fiandrino& Cantino, 2019). Mandatory disclosures are the minimum material information which the law requires from the listed companies in their financial statements (Abdullah, Evans, Fraser &Tsalavoutas, 2015). Voluntary disclosure refers to the release of information that are not explicitly required by Generally Accepted Accounting Principles (GAAP), Company law or Security and Exchange Commission (SEC) rules. (Syeliya 2017) Define 'voluntary disclosure', as any additional information beyond the mandatory disclosures required by law, rules, or standards, and/or other government and securities rulings, provided by a company in its annual report. It can also be referred to as the act of taxpayers voluntarily coming forward to declare any previously unreported or underreported income or taxes. It allows taxpayers to rectify any errors or omissions in their tax affairs without facing severe penalties or legal consequences (Adegbie, 2018). Fernandes and Lourenco (2018) posited that the increase in the number of compulsory disclosure requirements associated with the International Financial Reporting Standards (IFRS) and the global adoption of the standards in recent time has resulted in considerable growth in the number of literatures on the voluntary or mandatory disclosure and their compliance. The mandatory disclosure requirements in Italy demand the disclosure of the business transparency model connected governance policies and outcomes, risks, and opportunities, financial and non-key financial performance indicators associated with five vital categories of environmental, social, employee, human rights, and anti-corruption (Cahan, DeVilliers, Jeter, Naiker & VanStaden, 2016; Rizzato, Busso, Fiandrino & Cantino, 2019). In Brazil, a reasonable level of voluntary disclosure of social and environmental still exist, as the corporate social responsibility of the companies beyond the minimum requirements have been reported (Rufina & Machdo, 2015). Within the jurisdiction of Brazil, the mandatory disclosure specifies the least and minimum acceptable information the companies are expected to make public as the voluntary reflects the exposure companies selectively make public beyond the mandatory requirements, irrespective of the acclaimed voluntary disclosure reported, due to the discretional nature of voluntary disclosure in Brazil, many studies have raised questions on the levels and measure of voluntary disclosure by the companies in Brazil in recent times (Rufinas & Machdo, 2015). Further studies from the advanced economies have shown that financial information disclosure requirements vary from voluntary to mandatory based on a particular country strong regulatory enforcement level. In some countries like Sweden, Norway, The Netherlands, France, Australia and Denmark, there is evidence of strong mandatory requirement regulations for companies in reporting corporate social responsibilities activities (Khurram & Zhang, 2018). However, in countries where a high level of financial information reporting is voluntary in nature, the companies operating in those countries are still under pressure to ensure that they are seen to be performing optimally in their firm performances, as well as performing corporate social responsibilities (Lone, Ali, Khan, Eweje & Sajiad, 2016). Studies from other developing economies, affirm the potency of information in enhancing transparency, improved reputation, and trademark values (Figge, & Hahn, 2016). From the Nigerian perspective, good and reliable financial statements and financial information is highly expected by the stakeholders, hence the information needs, and reliable financial information is the heartbeat of every financial report user, to meet users' ultimate information needs from all Small and Medium Enterprises (SMEs) in Nigeria. The unpleasant experience case of Enron, WorldCom, Pamalet and Cadbury Nigeria had left a lasting bitter taste among investors in Nigeria and world over. Therefore, it requires a strong regulatory guidelines and uncompromising regulatory body in Nigeria to obliterate the stains, restore confidence from the context of shareholders' framework (Damagum & Chima, 2013). Mandatory disclosure in Nigeria is the least and minimum guidelines and regulatory requirements that are expected in the preparation and presentation of financial and non-financial information in reported annual financial statements as required by law and regulatory bodies (Sufian,2016). The Nigerian Stock Exchange (NSE), Securities and Exchange Commission (SEC) and Financial Reporting Council of Nigeria (FRCN) expect that the public corporate organization strictly comply with the mandatory disclosure requirement in place in Nigeria, for the safeguard and protection of the stakeholders' interest. Basically, a low-quality financial reporting system and discretionary disclosure report certainly impedes expected effective investment decision making and reduces company's value. There is a need to motivate managers to a voluntary and comparable financial report in line with the current global best practices, this improves companies' quality of information reports that could lead to the internationalization of financial reports from Nigeria (Awoyemi & Jabar, 2014; Ogbenjuwa, 2016; Owolabi & Iyoha, 2012, Terzi, Oktem, Sen, 2013). Non-disclosure or insufficient information disclosure in reported financial statements in SMEs in Nigeria has damaging consequences on the corporate image and loss of confidence relying on them for serious investment decisions for local and foreign investors. It does not only reduce the level of confidence of the public in such reports but creates a wider gap in the international community acceptance of Nigerian prepared financial statement. Since Nigerian's adoption of International Financial Reporting Standards in 2011, there seems an improvement in the level of information disclosure as monitored by the Financial Reporting Council of Nigeria (FRCN) (Ofoegbu, Odoemelam & Okafor, 2018). However, the level and extent of financial disclosure been reported from the global viewpoint and in Nigeria are uncertain and unclear whether voluntary disclosure or mandatory (Unuagbon & Oziegbe, 2016). Voluntary information disclosures are what stakeholders requires to assist them in making informed investment decisions. It can help them have a clear picture of the financial and nonfinancial exposures and contingent liabilities their intending investment is likely to face. Unfortunately, the present information disclosure by some companies left nothing to be desired, limiting their disclosure to the minimum legal requirements whereas others still went further providing additional information voluntarily, providing directors shareholding in the company and the statement of corporate social responsibilities (Fernandes & Lourenco, 2018). The adoption of IFRS has been instrumental to mandatory disclosure, yet the level of disclosure by companies in their financial statements even after IFRS adoption is still not clear and

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indeterminate and worrisome because the quality and confidence of the stakeholders greatly depend on it, hence reliability, transparency, and quality of financial statements of corporate entities in Nigeria depends on underlying realities of nondiscretionary disclosure by these companies. From the shareholder's perspective in this aspect is quite critical because there is still, some perception that mandatory disclosure is still far being a reality even with the adoption of IFRS in Nigeria since 2011 (Ofoegbu, Odoemelam & Okafor, 2018). Survey report of 2016 (KPMG, 2017).

Tax compliance refers to the act of taxpayers fulfilling their obligations to pay their taxes in accordance with the rules and regulations set by the tax authorities (Ayodele, 2017). It encompasses reporting income, filling tax returns, and paying taxes on time and accurately. Tax compliance rate is an issue of great concern in Africa. The act of tax compliance across climes and cultures in developing countries is still low despite lots of efforts to improve the rate of tax compliance among the taxpayers in various African countries (Atawodi 2012). Taxation is a complex concept that has been discussed by various authors throughout history (Olufemi 2018). Different authors provide varying perspectives on the meaning of taxation. While some view tax as a necessary means for funding government service and public goods, others see them as an instrument of social and economic policy (Enoch 2023). Taxation is as old as humanity as the foremost ever known system of taxation was in earliest Egypt around 3000 – 2800 BC in the first reign of Egypt (Adeoti, 2020). Taxes are thus mandatory levies backed up by government authority which are paid on the income and properties of individuals, businesses as well as corporate organizations and the taxpayers do not expect to get something specific in return (Cornelius, Ogar & Okar, 2016). Taxes and taxation are indispensable elements of endeavors to build a progressive nation including cases of emerging and transitional economies (McKerchar & Evans, 2009). Since government across the world uses tax to fund its operation and to control the economy, the need for tax compliance among individual and organizations become vital to enable the government to live up to its responsibility.

Tax compliance in Nigeria refers to the degree to which individuals and businesses adhere to the country's tax laws and regulations. It involves accurately reporting income, filing tax returns, and paying the correct amount of taxes on time. The Nigerian tax system is governed by several laws and agencies, including the Federal Inland Revenue Service (FIRS) and the State Internal Revenue Service (SIRS).

The Nigerian government has recognized the importance of increasing tax compliance, particularly among small and medium size enterprise (SMEs), as they constitute a significant portion of the economy. Compliance strategies have been adopted in different shades to move taxpayers into the tax net in different parts of the world including Africa. This approach rests on the use of tools such as tax audit, fines and other forms of deterrence measures which can increase the probability of detection of defaulting taxpayers Ali, Merima, and Fjeldstad Odd-Hedge, (2013). However, the efforts have produced varying degrees of compliance levels among taxpayers, and this becomes a main source of concern for economies in Africa (Custers, 2019).

Some SMEs in Nigeria are not registered and recognized by the corporate affairs commission. Non-registration can be attributed to avoidance of tax payments, harassment by the local and state governments in Nigeria (Ugochukwu, Ekesiobi, & Obiorah, 2016). The government makes various regulations and policies that either positively or negatively affect multiple sectors of the economy, SMEs inclusive. SMEs are essential to every economy. SMEs create employment, help to check rural-urban drift, help in international trade, provide services and support to big companies, help in the diversification of the economy. Tax Laws frequently change in Nigeria. Some SME do not have adequate knowledge about tax laws. Lack of adequate knowledge sometimes results in low tax compliance (Atawodi & Ojeka, 2012). Tax compliance is essential for any country as it ensures the government has the necessary funds to provide public goods and services. Tax compliance at the business level has not been extensively examined, although most of the bulk of taxes in countries are obtained from firms, with the firms constituting a significant portion of tax evaders (Alshira'h et al. 2020; Carsamer and Abbam 2020). Evading taxes leads to economic costs, slowing down the growth of the economy and mitigating the ability of the government to furnish sufficient goods and services to the public (Alshira'h 2019; Randlane 2016). In other words, tax evasion is among the main issues that the developing nations have been facing (Alshira'h et al. 2020).

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Encouraging voluntary disclosure among SMEs in Nigeria is essential. SMEs often face challenges in their tax compliance efforts, such as lack of knowledge, limited resources, and complex tax regulations. By implementing effective voluntary disclosure programs, tax authorities can create a conducive environment for SMEs to rectify their non-compliance, foster trust, and promote a culture of tax compliance.

It is evident from the background that tax compliance and voluntary disclosure among SMEs remains a new field in the accounting profession, and one cannot deny the fact that studies have been conducted on factors determining tax compliance hence the motivation behind the study. The study looks at quality of management, incentive for voluntary disclosure among SMEs in Nigeria and tax compliance as a means of increasing voluntary disclosure in Nigeria.

LITERATURE REVIEW

VOLUNTARY DISCLOSURE: Voluntary disclosure refers to the act of taxpayers voluntarily coming forward to declare any previously unreported or underreported income or taxes. It allows taxpayers to rectify any errors or omissions in their tax affairs without facing severe penalties or legal consequences (Adegbie, 2018). A voluntary disclosure implies that an individual reports all income on which he or she evaded taxes to the authorities. Voluntary disclosure simply means providing much more information than are required by law. That is, disclosing information about corporate activities in addition to the minimum requirements (Boesso & Kumar, 2007). In the view of Nyahas, Ntayi, Kamukama and Munene (2018), any material in annual reports that is mostly outside the requirements of International Financial Reporting Standards (IFRSs) or the Nigerian Company and Allied Matters Act is considered voluntary disclosure. Unregulated communications between firms and their stakeholders are known as voluntary disclosures (Cotter, Lokman & Najah, 2011).

TAX COMPLIANCE: Tax compliance is an issue that has a broad reach, and in effect, researchers have defined it based on their studies' natures and objectives. Tax compliance refers to a taxpayer's ability and desire to abide by different tax regulations, as dictated by the political, ethical, and legal environment, as well as other situational elements relevant to a specific time and place (Palil & Mustapha, 2011). According to Marti (2010), tax compliance means carrying out tax obligations as indicated by the law freely and completely. In both developed and developing countries, taxes are considered elements of total domestic government revenue. On a global scale, countries boost their economies through the two kinds of taxes (direct and indirect) as evidenced by (Obaid et al., 2020; Tehulu and Dinberu, 2014; Palil, 2005). James and Alley (2004) also defined tax compliance as the willingness of individual and other taxable entities to act in accordance with the spirit as well as the letter of tax law administration without the application of enforcement activity." In relationship to this, compliance with tax payment is compulsory for all, including both corporations and individuals, but some still fail to do so (Ozili, 2020; Kirchler., 2014). To guarantee that people comply with tax payments, taxpayers should have a hand in the decisions and expenditures of governments (James et al., 2019; Alm et al., 1993) and the establishment of penalties and tax audit (Alm and Torgler, 2011). However, although tax compliance has been an issue that has long been addressed, its complexity still exists and, unless resolved, will remain so. Furthermore, no standard definition has been reached on the concept of tax compliance in the literature. Among several definitions, tax compliance has been defined as the ability and willingness of the taxpayer to adhere to the tax laws, with ethics, legal environments, and other situational factors as the determinants for a specific period and place (Carsamer and Abbam, 2020; Palil and Mustapha, 2011). Tax compliance has also been compared to a game that largely hinges on the reciprocal interactions among several entities; the taxpayer and tax authority, taxpayer trust in tax law and the tax system fairness (Kirchler et al., 2006). The concept has different measures, and Brown and Mazur (2003) named them as reporting compliance, filing compliance and payment compliance. Tax compliance matter is a behavioral issue; it is either a taxpayer pays voluntarily or coerced to pay (Fagbemi & Abogun, 2015). Level of trust in Government has a significant influence on the level of tax compliance. The higher the level of confidence the greater the level of Compliance and vice-versa (Fagbemi & Abogun, 2015). Tax compliance is the degree of voluntary agreement by taxpayers to fulfill their tax obligations to the government without the use of force (Andreoni, Erard & Feinstein, 1998). According to Abiola and Asiweh (2012), the level of taxpayers' compliance is greatly influenced by usage of funds generated for services by government, level of fraud and corruption by government officials and the efforts of the government to fight corruption and fraud. Perception of taxpayers on the issue of accountability, tax

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administrative procedures, and structures, awareness by taxpayers influence the level of compliance by taxpayers in any country (Fagbemi, Ajibolade, Arowomole & Ajadi, 2011). Knowledge of tax is essential in tax compliance, especially under the self-assessment system (Nkwe, 2013). Kirchler & Niemrowski; (2006) asserted that knowledge would lead to higher tax compliance. OECD (2010) suggests that tax compliance can be divided into two categories, administrative compliance otherwise referred to as procedural reporting or regulatory compliance. This is lodgment and payment. The second category according to OECD (2010) is the technical compliance. This relates to tax calculations in paying taxes. According to Atawodi & Ojeka (2012), high tax rates and complicated filing procedures are the two most vital factors making SMEs in Northern Nigeria not to comply with tax laws and regulations.

Complex Tax Laws and Voluntary Disclosure: Small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises. Reducing the compliance costs and tax rate increases the small enterprises profit margin Ojochogwu and Stephen (2012). It also increases the Government's tax revenue, since the simplified provisions for small and medium enterprises reduce the size of the informal economy and the number of non-complying registered taxpayers (Vasak, 2008). Furthermore, SMEs usually must 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. An overly complex regulatory system and tax regime or one opaque in its administration and enforcement makes tax compliance unduly burdensome and often have a distortionary effect on the development of SMEs as they are tempted to morph into forms that offer a lower tax burden or no tax burden at all (Masato, 2009), and this results in a tax system that imposes high expenses on the society. A poorly executed tax system also leads to low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources (Farzbod, 2000). 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 for large businesses.: Nzotta (2007) posits that the Nigerian tax administration is deficient, thus creating rooms for non-compliance by taxpayers. He continued further by naming the administrative weaknesses to include inadequate tax collection officials, absence of functional tax credit and investigation, outdated tax laws, inadequate staffing poor funding of tax boards, lack of adequate data base and ineffective tax assessment.

In addition to the above, frequent changes in tax laws, the complexity of tax forms, technical language, cash flow problems, costs of hiring tax consultants, cumbersome registration procedures, unrealistic tax laws, a high cost of doing business, hostile business environment are other factors affecting tax compliance among SMEs. In Nigeria, obstacles to tax compliance among SMEs include poor record keeping, a high tax rate, lack of transparency, cumbersome tax procedures (Seidu et al.; 2015). Another significant barrier to tax compliance by SMEs is that sizeable amount of their transactions are cash based, which makes their transactions challenging to track. A considerable number of transactions are done outside banking medium (Obara & Nangih, 2017). Effective deterrence measures are another factor that affects SMEs tax compliance behavior Gupta (2007) in his words posits that increase in the penalty rates of evading taxes would induce taxpayers to report a greater fraction of their income. The opposite will be the case when there is a decrease in the penalty rates. In Nigeria, the issue of tax compliance has not been seriously addressed by the relevant authorities (Okoye, et al, 2012). They stated further that although the Nigerian tax laws specify various penalties for non-compliance (Section 95 of PITA (2004); Section 93 0f PPTA (2004)). Unfortunately, these penalties are not strictly applied tax offenders are hardly prosecuted, this worsens the situation on the long run. Complexity and frequent changes in tax laws affects compliance greatly. Voluntary disclosure has to do with knowing what is the minimum information to be disclosed and making further disclosure beyond the minimum requirement.

H01: There is no significant relationship between complex tax laws and voluntary disclosures of SMEs in Nigeria.

Quality of Management and Voluntary Disclosure: This entails having the required people with the required educational qualification and experience manning strategic offices in an organization. This will enhance effective decision making that will provide stakeholders with the required information.

Quality of management in an organization is crucial for its success. Effective management involves setting clear goals, making informed decisions, and allocating resources efficiently. Good managers also communicate well, adapt to changing circumstances, and prioritize the organization's long-term health. Poor management can lead to inefficiencies, low employee morale, and overall negative impacts on the organization. It is important for businesses and institutions to invest in developing strong management skills and practices to achieve their objectives (Ali, Asifa, Waseem, and Jawad 2022).

Organizational performance is important to consider when it comes to the existence of any organization in the market (López- Cabarcos, Vázquez-Rodríguez, & Quiñoá-Piñeiro, 2022). It is important to understand that for the organization's performance, the role of management is important because the performance of the organization is directly dependent on management. In this way, effective organizational performance would be when the management is efficient. However, if the management is not capable and not working in the right direction, it would be completely difficult for the organization to move in a developing way. The role of management is to ensure that all the departments of the organization are working effectively in the target market and that the competitive advantage of the organization is achieved (Muñoz-Pascual & Galende, 2020). Until and unless, if one organization is not effectively working, it is the failure of the management in this regard because the performance is based on the management skills. In the top organizations of the world, it is the management that is working effectively for better performance to achieve a sustainable goal. At the same time, it is important to understand that for organizational performance, the role of teamwork is important because if there were no teamwork, then the performance would decline (Ullah et al., 2022). The management of the organization must consider the values and sustainable goals of the organization that would effectively work for the organization including complying with the laws and voluntarily given information for proper decision making. Not only the traditional but, at the same time, the modern online business organizations performance is also based on the organizational culture and the working pattern of the management. It is believed that if the management is hardworking and a proper timeline of target achievement was available, then it would be sustainable and reliable for the organization to grow productively. In this regard, the board of directors and CEO of the organization should consider the important role of management and recruit employees that are sincere and hardworking (Ahmad, Shafique, & Jamal, 2020). In this way, not only would the performance of the organization be increased, but at the same time, it would develop a competitive advantage in the business sector. Management quality enhances the performance of an organization. Management mixed in the right quality helps an organization to determine what form of information to disclose and which want to withhold.

H02: There is no significant relationship between quality of management and voluntary disclosure of SMEs in Nigeria.

Trust in Government and Voluntary Disclosure: Trust in government is the citizens' trust towards the performance of government, how the citizens perceived the various public goods and services provided by the government. Trust is based on how the resources contributed by the citizens are managed by the government, whether it is fair or not. Trust is the most expensive things in the world. It takes a lot of times or years to build but it can be lost easily and quickly within a matter of second. Robbin and Judge (2009) defined trust as positive expectations that another, will not through words, actions, or decisions, act opportunistically. Trust means taxpayers believe that government and its institutions are compassionate, corruption free, govern for the wellbeing of the citizens, all these develop moral obligation to willingly pay taxes (Mas'ud et al. 2019). According to Gangl Hofmann and Kirchler (2015), trust is vital to social life as trust is individual willingness to take risk. Nunkoo (2015) viewed trust in government as a form of social capital democracy, effective legitimacy, good governance and political sustainability, and power for decision making. Kirchler, Hoelzl and Wahl (2008) also reported that trust is an opinion by citizens that the tax authorities are transparent, reliable and trustworthy in carrying out their work for the wellbeing of the citizens. Furthermore, Byaro and Kinyondo (2020) asserted that trust in government is to achieve a synergistic climate between the tax authorities and taxpayers. Synergistic climate will make the tax authorities believed that taxpayers would pay their taxes voluntarily, while the taxpayers also have the believed that tax revenues will be used by the government in their best interest. Alm, McClelland and Schulze (1992) postulated that taxpayers' trust or mistrust in government has a significant effect on tax compliance, this is based on principle of accountability,

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transparency and trustworthy. Torgler (2003) asserted that when government's honesty is in doubt, individual taxpayers will be reluctant to pay tax, this leads to high rate of tax non-compliance. Therefore, trust is a motivation to pay tax and a key to tax compliance behavior. Ortega, Ronconi, and Sanguinetti (2016) reported that tax compliance will be enhanced where the government is seen by taxpayers to be responsive, transparent, and efficient in the provision of public goods. However, where mistrust on tax revenues is alarming, taxpayers will have alternative opinion that hard earned income should not be paid as taxes to government. According to Isbell (2017), mistrust in government occurred where taxes paid do not enhance public goods and services. However, in an honest, transparent and trustworthy government, citizens will be willing to comply with relevant tax laws and regulations, this will boost high level of tax compliance rate and also minimize tax collection cost arising from audit and enforcement.

H03: There is no significant relationship between trust in government and voluntary disclosure of SMEs in Nigeria.

Tax Education and Voluntary Disclosure: According to Adeleke C. (2019) Education, when viewed as a demographic factor, refers to the general knowledge possessed by the taxpayer. It highlights the taxpayer's capability to understand, basically, what the tax laws are saying and to be able to abide by such laws because of such basic understanding. For a taxpayer to hand over his hard-earned money willingly, it is important that he understands why he ought to be doing so. Taxpayer education, however, goes beyond education as a demographic factor, because it provides comprehensive tax education and information that promotes partnership and voluntary compliance with the objective of maximizing revenue collection for national growth and development. Voluntary compliance will appear to do the state government a lot of good with respect to the volume of revenue generated from taxation. According to Olowookere and Fasina, (2013) Taxpayers' education can be described as a method of educating the people about the whole process of taxation and why they should pay tax. Taxpayer education assists taxpayers in meeting their tax obligations to the government. The primary existence of taxpayer education is to encourage voluntary compliance amongst taxpayers, but the theory needs to be developed further to establish whether taxpayer education in isolation can impact on compliance. Before this phenomenon can be explored, the components of voluntary compliance need to be examined. Most taxpayers want to do the right thing and pay their fair share of tax. They do not, however, want to pay more than is necessary.

Voluntary compliance amongst taxpayers is heightened when taxpayer education and enforcement functions are balanced to achieve the desired output in tax compliance (Misra, 2004). Tax administration is a key public sector responsibility that touches the lives of citizens and their businesses on a daily basis. Failure to understand the taxation system leads to less compliance since most people will avoid it because they do not know what they should pay as and why they should pay tax. Misra (2004), the objectives of taxpayer education are to support the revenue service in achieving their collective business objectives; provide the key interface between revenue service and taxpayers by means of education and information access; and to optimize the use of educational resources to build a culture of compliance, awareness, service, and responsible taxpayer empowerment. Tax education involves any informal or formal program put together by the tax authority, government, or other agencies by which to encourage taxpayers in filing tax returns correctly and to cultivate awareness of their responsibilities in respect of the tax system (Mckerchar, 2007 as cited in Palil, 2010). Such program can become important instruments in encouraging taxpayers to comply voluntarily with tax laws and serve as a means of reaching out to taxpayers to properly educate and inform them on all that has to do with taxation and tax payment. According to United Nations (2000), effective taxpayer services include the development of educational programs to inform existing and potential taxpayers.

H04: There is no significant relationship between tax education and voluntary disclosure of SMEs in Nigeria.

Tax Amnesty and Voluntary Disclosure: A tax amnesty is an opportunity given to taxpayers to write off an existing tax liability, including in certain cases interest and penalties, usually by paying a defined amount (Marchese 2019). A tax amnesty may be exceptional and available for only a limited period of time, or it may be inbuilt as a permanent feature of a tax regime where a taxpayer fulfills certain conditions. Tax amnesties may be general – covering all taxes and all taxpayers – or restricted to certain groups of taxpayers or taxes, and usually involve waiving criminal and civil penalties (Marchese 2019). Given the global nature of tax compliance challenges, tax amnesties in one form or another have been used by virtually all revenue authorities around the world. Some tax amnesties have been applied in a formal manner through amendment of the tax law, creating a temporary or permanent application process and documentation that is advertised by the tax authority. Others are not advertised – most revenue authorities waive or do not apply some penalties for taxpayers who ascribe their non-compliance to administrative error, or who voluntarily declare and pay tax and interest on previously undeclared income (Leonard and Zeckhauser 1987). Under a tax amnesty, the tax authority may not collect payments through standard means, such as audits, injunctions or litigation in courts. Tax amnesties are therefore usually limited to taxpayers not yet under audit or investigation – where the collectible revenue has not yet been ascertained by the tax authority. However, tax amnesties sometimes include situation where the ordinary collection process has already commenced, and where the taxpayer has already been assessed. In these instances, the ensuing opportunity cost may be considerably larger (Marchese 2019). Tax amnesties are usually supported by other interventions that range from reform of the tax system, to specific provisions aimed at strengthening tax enforcement powers. The underlying rationale is to accompany the carrot of amnesty with the stick of strict enforcement, in order to mitigate any negative effects on compliance. These interventions often include harsher penalties for non-compliance, increasing the capacity of tax auditors and investigators, modification of laws regulating tax shelters, and sometimes directing a portion of funds collected through the amnesty towards financing increased enforcement activities (Marchese 2019).

H05: There is no significant relationship between tax amnesty and voluntary disclosure of SMEs in Nigeria.

Research method

Study area

The study sought to investigate tax compliance and voluntary disclosure among SMEs in Nigeria. The population of the study consist of managers of SMEs, Accountants of the SMES and the internal Auditors of the 39,654,385 SMEs in Nigeria (SMEDAN, 2023). The reason for the choice of the target population is that they are in a better position to provide the relevant information on tax compliance and voluntary disclosure status of the organizations. The sample size used to collect the data was 400 out of which 312 responses was received.

Sampling

This study employs simple random sampling to sample the population. The sample was collected in Nigeria by considering the six geo-political. From four (4) geo political zone such as North-west, North-East, North-central and South-West zone considered 67 respondents each while south-South, South-East selected 66 respondents from the zone. This was done to give all the SMEs in Nigeria Equal chance of being selected for the study.

Method of data analysis

This study used linear regression to test the hypothesis with the aid of the Statistical Package for Social Sciences (SPSS). Regression analysis describes and evaluates the relationship between a specified dependent variable and one or more independent variable. Linear regression is an approach for modelling the relationship between a dependent variable (Y) and one or more independent variables (X). One benefit of using this is that it can indicate if an independent variable has a significant relationship with a dependent variable.

Model Specification

$Y = f(X)$………………………………………………………………………………. (1)

Y = Dependent Variable

X = Independent Variable

VD= f (CTL, QM, TG, TE and TA)

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Where: VD = Voluntary Disclosure

CTL = Complex Tax Laws

QM = Quality of Management

TG = Trust in Government

TE = Tax Education

TA = Tax Amnesty

Y = Voluntary Disclosure

And X = (x_1, x_2, x_3, x_4, x_5)

Where: X = Tax Compliance

x_1 = Complex Tax Laws (CTL)

x_2 = Quality of Management (QM)

x_3 = Trust in Government (TG)

x_4=Tax Education (TE)

x_5 =Tax Amnesty (TA)

Functional Relationship

PER = F (CTLQM, TG, TE, TA) ………………………………………………….… (2)

PERF= $B_0 + \beta_1 CTL + \beta_2 QM + \beta_3 TG + \beta_4 TE + \beta_5 TA + \mu_e$... (3)

B0= Constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$=Model Coefficient

μ_e= Error term

RESULTS AND DISCUSSIONS

Summary characteristics of SMEs

Descriptive statistics such as percentages, and frequencies were used in analyzing respondents' demographic information.

Table 4.1 shows that 226 respondents representing 72.4% are male, while 86 respondents representing 27.6% are female. The table also shows that 77 of the respondents were aged between 25 and 35 which represent 24.6%, 124 of the respondents were aged between 36 and 40 representing 39.7% and 111 of the respondents were aged 41 and above representing 35.7%. The respondents in terms of their position in the organization, 65 of the occupy the manager position, representing 20.8%, 200 of the respondents were accountants representing 64.1% and 47 were auditors representing 15.1%. On working experience, 20 of the respondents had less than 2 years of working experience representing 6.4%, 59 of the respondents had work experience of between 2 to 5 years representing 18.9%, 99 of the respondents have work between 6 to 9 years representing 31.7% and 134 of the respondent have 10 years and above experience representing 43%.

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Factors influencing tax compliance and voluntary disclosure among SMEs in Nigeria.

Table 4.2 shows the result of the summary of the correlation coefficient, R-Square, adjusted R-Square, standard error of estimated and the Durbin-Watson. In an ordinary least square regression model, the R-square shows the proportion of the total sample variation in the dependent variable that is explained by the independent variable. The coefficient of determination $r^2 = 0.9$ shows a 90% contribution of complex tax laws in affecting voluntary disclosure. The result also indicated that there is auto- correlation since the Durbin-Watson value is approximately 4.4, The coefficient of determination $r^2 = 0.8$ shows an 80% contribution of quality of management in affecting voluntary disclosure. The result also indicated that there is auto- correlation since the Durbin-Watson value is approximately 3, The coefficient of determination $r^2 = 0.8$ shows an 80% contribution of Trust in Government in affecting voluntary disclosure. The result also indicated that there is auto- correlation since the Durbin-Watson value is approximately 2, The coefficient of determination $r^2 = 0.9$ shows a 90% contribution of Tax Education in affecting voluntary disclosure. The result also indicated that there is auto- correlation since the Durbin-Watson value is approximately 4.2. The coefficient of determination $r^2 = 0.91$ shows a 91% contribution of Tax Amnesty in affecting voluntary disclosure. The result also indicated that there is auto- correlation since the Durbin-Watson value is approximately 4.4

Table 4.1

Feature	**Frequency**	**Percentage**
Gender		
Male	226	72. 4%
Female	86	27.6%
Total	**312**	**100%**
Age	**Frequency**	**Percentage**
25- 35	77	24.6%
36-40	124	39.7%
41 and above	111	35.7%
Total	**312**	**100%**
Position	**Frequency**	**Percentage**
Manager	65	20.8%
Accountant	200	64.1%
Auditor	47	15.1%
Total	**312**	**100%**
Work Experience	**Frequency**	**Percentage**
Less Than 2 Years	20	6.4%
2- 5 Years	59	18.9%

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6- 9 Years	99	31.7%
10 and above	134	43%
TOTAL	**312**	**100%**

Table 4.2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
CLT	.948[a]	.899	.898	2.79420	.899	2750.290	1	310	.000	.044
QM	.897[a]	.805	.804	3.87685	.805	1279.708	1	310	.000	.030
TG	.897[a]	.780	.779	4.11998	.780	1097.619	1	310	.000	.015
TE	.943[a]	.890	.889	2.91654	.890	2498.918	1	310	.000	.042
TA	.951[a]	.905	.905	2.70752	.905	2949.361	1	310	.000	.044

a. Predictors: (Constant), CTL

b. Predictors: (Constant), QM

c. Predictors: (Constant), TG

d. Predictors: (Constant), TE

e. Predictors: (Constant), TA

f. Dependent Variable: VD

The regression results of the relationship between tax compliance and voluntary disclosure among SMEs in Nigeria.

The table 4.3 present the correlation results for the relationship between the independent variables and the dependent variable voluntary disclosure of SMEs in Nigeria. The result shows that the Pearson correlation value stood at 0.95 (95%) at a significant level of 0.00 which is less than 0.05 level of significance showing a strong relationship between complex tax laws and voluntary disclosure of SMEs. Thus, there is relationship between complex tax laws and voluntary disclosure of SMEs in Nigeria.

The table 4.3 present the correlation results for the relationship between quality of management and voluntary disclosure of SMEs in Nigeria. The result shows that the Pearson correlation value stood at 0.90 (90%) at a significant level of 0.00 which is less than 0.05 level of significance showing a strong relationship between quality of management and voluntary disclosure of SMEs. Thus, there is relationship between quality of management and voluntary disclosure of SMEs in Nigeria.

The table 4.3 present the correlation results for the relationship between Trust in Government and voluntary disclosure of SMEs in Nigeria. The result shows that the Pearson correlation value stood at 0.88 (88%) at a significant level of 0.00 which is less than 0.05 level of significance showing a strong relationship between Trust in Government and voluntary disclosure of SMEs. Thus, there is relationship between Trust in Government and voluntary disclosure of SMEs in Nigeria.

The table 4.3 present the correlation results for the relationship between Tax education and voluntary disclosure of SMEs in Nigeria. The result shows that the Pearson correlation value stood at 0.94 (94%) at a significant level of 0.00 which is less than 0.05 level of significance showing a strong relationship between Tax Education and voluntary disclosure of SMEs. Thus, there is relationship between Tax Education and voluntary disclosure of SMEs in Nigeria.

The table 4.3 present the correlation results for the relationship between Tax Amnesty and voluntary disclosure of SMEs in Nigeria. The result shows that the Pearson correlation value stood at 0.95 (95%) at a significant level of 0.00 which is less than 0.05 level of significance showing a strong relationship between Tax Amnesty and voluntary disclosure of SMEs. Thus, there is relationship between Tax Amnesty and voluntary disclosure of SMEs in Nigeria.

Table 4.3: Correlation result on relationship between complex tax laws (CLT), Quality of Management (QM), Trust in Government (TG), Tax Education (TE) Tax Amnesty (TA)and voluntary disclosure of SMEs in Nigeria.

Voluntary Disclosure	1
Complex Tax Law	.948**
Quality of Management	.897**
Trust in Government	.883**
Tax Education	.943**
Tax Amnesty	.951**

**. Correlation is significant at the 0.01 level (2-tailed).

CONCLUSION AND RECOMMENDATIONS

In this study, empirical analysis was conducted to determine the relationship between complex tax laws, quality of management, trust in government, tax education and tax amnesty and voluntary disclosure by SMEs in Nigeria. Based on the findings of the research, conclusion is drawn with specific reference to SMEs in Nigeria. When tax laws are made simpler, management combination is of the right qualification, the citizens trust the government, more awareness is created about the civic duties of citizens and amnesty is granted to those that are in default of tax payment, this will significantly help to increase voluntary disclosure of information by SMEs.

Policy implication

Tax laws are too many in Nigeria and complex for many ordinary citizens to interpret and comply. It is therefore recommended that tax laws should be streamline and made simple, this will enhance voluntary disclosure of information.

The study recommends that staff recruitment policy should be based on qualification. Staff with the requisite qualification should be employed as quality of management affects the performance of an organization.

We recommend that the government should be honest in dealing with the citizens as this will improve the rate of information disclosure by the citizens (SMEs).

We recommend that tax authorities should have tax education unit whose sole responsibility is to enlighten citizens on any changes to tax laws and its implication on the citizens or businesses.

We also recommend that tax amnesty be granted to SMEs that are in default. This will help the SME to continue in business and increase the number of tax payers subsequently.

Practical implication

Practically, the exercise of authorities' power encourages enforced tax compliance but discourages voluntary tax compliance (from the findings). It, therefore, seems that tax administration strategies grounded enforced compliance fall short in the light of voluntary disclosure. Hence, it is recommended that the Nigerian tax Authority focuses on enhancing trust-building strategies such as trustworthiness and educating taxpayers on matters relating to tax to promote voluntary disclosure, which is more cost-effective than enforced compliance.

Academic implication

The study was able to address some gaps and these lead to the following contributions to the body of existing knowledge.

From empirical review, it was observed that most studies on tax compliance were on tax education, trust in government, complex tax laws among others. However, in this study, Quality of management and tax amnesty were found to be some of the factors of tax compliance which can aid voluntary disclosure among SMEs in Nigeria.

Limitations

The major limitation of this study is that the study looks at five factors of tax compliance among SMEs in Nigeria. This cannot be generalized as the only factors of tax compliance that will enhance voluntary disclosure. And it cannot be generalized on big companies in Nigeria especially those that does not fall in the category of SMEs.

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