

Perception of Tax Fairness and Personal Income Tax Compliance in Ken Saro-Wiwa Polytechnic, Bori

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Abstract: Tax compliance literature suggests that the perception of fairness is likely to influence personal income administration. However, empirical evidence is lacking in Rivers State, Nigeria. This study investigates the relationship between the perception of tax fairness and personal income tax compliance in Ken Saro-Wiwa Polytechnic, Bori. It employed qualitative approach to examine the relationship between the perception of tax fairness, exchange with government, self interest, and personal income tax compliance in Ken Saro-Wiwa Polytechnic, Bori. The result revealed that there is significant relationship between the perception of tax fairness and personal income tax compliance in Ken Saro-Wiwa Polytechnic, Bori. This indicates that exchange with government and self interest influence personal income tax compliance behaviour of employees of Ken Saro-Wiwa Polytechnic, Bori. It is recommended that tax policy makers should increase social benefits and apply persuasive approach to increase personal income tax compliance in Rivers State. Further study is recommended for other public institutions and private firms in Rivers State.

Key words: tax; perception of fairness; compliance, income

I. Introduction

Fairness has been recognized as one of the attributes of a good tax system (Tan and Chin-Fatt, 2000) that plays an important role in tax reporting behaviour (Kim, 2002; Hartner, Rechberger, Kirchler and Scabmann, 2008, Razak and danAdafula, 2013, Oberholzer and Stack, 2014, Damayanti, Sutrisno, Subekti and Baridwan, 2015.). If a tax system is perceived to be unfair and inequitable, it can encourage taxpayers to evade tax payment and render the tax system less successful (Richardson, 2005). This is because of this assumed relationship with tax evasion that tax policy makers are concerned about public perception of fairness; thus, perception of tax fairness is seriously recognized in tax compliance literature.

The importance of fairness was recognized by Adam Smith as early as 1776. His idea of fairness was that a tax payer will want to contribute towards governance based on either their 'ability to pay' or the benefits derived from government tax funded projects and programmes. Since then, fairness is recognized as one of the attributes of a good tax (Tan and Chin-Fatt 2000) in modern taxation. Accordingly, tax payers that are not satisfied with the treatment from tax authorities may hold resistance view (Trivedi, Shehata and Lynn, 2003, Ho and Wong, 2008, Murphy 2005) because their behaviour are connected to their views about fairness (Murphy 2003).

Furthermore, Van Dijke and Verboon (2010) assert that tax payers are more likely to willingly comply with the decisions of tax authorities when the authorities enact procedures in a fair manner. The tax payers are allowed to contribute in the process of making decisions. By giving voice in the decision process, tax payers judge such procedures as more fair (Magner, Johnson, Sobery and Welker 2000). This suggests that the tax payer is valued and respected by the tax authorities and government.

These tax payer attitudes towards the administration of tax are assumed to precede behaviour and communicate the perceived relation with tax administration. Therefore, the evidence of the relationship between the perception of fairness and personal income tax compliance in Rivers State is important.

Richardson (2005) conducted a cross-cultural study in tax fairness perceptions and tax compliance behaviour in Australia and Hong Kong. The study revealed that there are some significant differences of opinion in Hong Kong and Australia about general fairness, special provisions in the tax laws, tax structure and self assessment, tax deductions and government spending. Similar study was conducted by Chan, Troutman and O'Bryan (2000) on taxpayer's compliance behaviour in USA and Hong Kong. The result shows that greater level of education is associated with lower-level of compliance. Further, the study revealed that Hong Kong taxpayers with collectivism and lower stages of moral reasoning have less favourable attitudes toward the tax system and are less compliance. Similarly, USA taxpayers with individualism and lower stages of moral reasoning have more favourable attitudes toward the tax system and are more compliant. Nevertheless, these studies do not reflect the perspective of tax compliance behaviour in Rivers State, Nigeria.

The present study builds on existing research. First, it examined the relationship between the perception of tax fairness and tax compliance behaviour in Ken Saro-Wiwa Polytechnic Bori (KSWPB). Second, it examined the relationship between the perception of tax fairness and exchange with government, and tax compliance behaviour in Ken Saro-Wiwa Polytechnic, Bori. Third, it examined the relationship between the perception of tax fairness and self interest, and tax compliance behaviour in Ken Saro-Wiwa Polytechnic Bori.

II. Background Of Studies

The role of tax revenue towards the financing of government activities is becoming greater from year to year, as the income from other sources is not stable anymore (Damayanti, Sutrisno, Subekti and Baridwan, 2015). Taxpaying is a major link between the taxpayers and the State. Thus, gaining a better understanding of why do and do not taxpayers accurately report and fully pay taxes they owe is interesting to policy makers (Smith and Kinsey 1987). PITA 2011 is an example of a ' purposive law' that prescribe the behaviour of individuals and organizations to meet tax obligation. PITA 2011, as amended, empowers SIRS and FIRS to institute, prosecute, to compound or assess additional penalty for failure to comply with its requirement.

In spite of these powers, empirical evidence from different developing countries suggests that half or more of the potential tax revenue remains uncollected (Fjeldstad and Semboja, 2001). In Rivers State, the net personal income tax gap was estimated at N35,059,169,620 in 2011, N14,675,705,568 in 2012 and N21,531,266,957 in 2013. The net tax gap represents the difference between the expected tax revenue and the amount collected from the taxpayers. The gap persists despite increases in penalties, disclosure requirements and enforcement resources and efforts (Cohen, Manzon and Zamora, 2015).

Furthermore, a growing number of tax compliance literatures suggest that deterrence based enforcement strategies with offenders can be counterproductive in the long-run and can undermine the relationship between legal authorities and those they regulate (Tyler, Sherman, Strang, Barnes and Woods, 2007). Disrespect for taxpayers or arbitrary refusal to take their concern into account in the enforcement process is likely to weaken respect for authority and the law. Thus, regulatory scholars have begun to realize the importance of persuasion and cooperation as a tool for gaining compliance (Murphy, 2008). In the light of the above, Tyler (2006) argued that if tax authorities are prepared to first engage in dialogue and fair treatment with the taxpayers, then this will serve to encourage support for the law and should lower the rate of re-offending.

Available evidence suggests that personal income tax compliance has been found to be particularly low in many developing countries (Ali, Fjeldstad and Sjusen 2014), making them especially fertile areas for future research.

2.1 Research hypotheses

On the basis of the identified knowledge gap, these hypotheses were tested:

- 1) There is no significant relationship between the perception of tax fairness and personal income tax compliance behaviour in Ken Saro-Wiwa Polytechnic, Bori;
- 2) There is no significant relationship between the perception of tax fairness and exchange with government, and personal income tax compliance behaviour in Ken Saro-Wiwa Polytechnic, Bori and
- 3) There is no significant relationship between the perception of tax fairness and self interest and personal income tax compliance behaviour in Ken Saro-Wiwa Polytechnic, Bori.

1.2 Perception of fairness and tax compliance

Fairness represents the equity of the exchange with the government and the equity of the taxpayer's burden vis-à-vis other taxpayer's burden. It relates to the perceived balance of taxes paid and public goods received, and to the perceived justice of procedures and penalties of breaking the norms (Wenzel, 2003). In the context of tax behaviour, perceived fairness can be expressed in the form of distributive justice, procedural justice and retributive justice.

Distributive justice refers to a fair exchange of resources, benefits and costs. Fairness consideration assumes comparing contributions and benefits, as well as how the taxpayer feels he is treated relative to others (Kirchler, Kogler and Muchlbacher, 2014). Distributive justice is further classified into three groups: horizontal, vertical and exchange fairness. Horizontal fairness refers to a situation where there is a fair distribution of benefits and costs to people of the same income group. On the other hand, vertical fairness provides for the distribution of benefits and costs among people of unequal situation (for example, people that earn more income and people that earn less income). Similarly, exchange fairness refers to the relationship between a taxpayer's burden and the provision of public goods and services by the government. It is argued that the taxpayer will not be willing to comply with tax laws if there is perceived imbalance between the tax contribution and the provision of public goods and services (Porcano cited in Hofmann, Hoelzl and Kirchler, 2008). Exchange with government requires that taxpayers' behaviour should be influenced by the benefits received (Tan and Chin-Fatt, 2000, Leder, Mannetti, Holz and Kirchler 2010).

The procedural justice form of perceived fairness assumes that the process of tax collection is linked to resource distribution. When authorities enact procedures in a fair manner, members of the tax group are more likely to voluntarily comply with their decisions (Tyler 2006, Cropanzano, Rupp, Mohier and Schminke, 2001, Chung and Trevioli, 2003, Saad 2014, Kim 2002). The perceived fairness used in making allocation decisions is assumed to be more fair when followers have freedom to voice their opinion on the decisions of the relevant authorities and when authorities take decisions accurately and not because of self-interest (deCremer 2004, Magner, Johnson, Sobery and Welker, 2000). It is assumed that fair treatment of taxpayer and the norm of mutual understanding between the taxpayer and tax authority will improve confidence in the tax authority. Accordingly, Kirchler, Niemirowski and Wearing (2006) argue that tax compliance will increase when the tax authorities are perceived to be supportive. In this line of thought, fairness procedure is assumed to be used to guarantee fair outcomes on long term, increasing taxpayer's willingness to contribute towards common good (Shapiro and Brett, 2005; cited in Van Dijke and Verboon, 2010).

Retributive justice is conceived as the perceived fairness of norm-keeping measures (for example, audit and punishment). Accordingly, Hofmann, Hoelzl and Kirchler (2008) opined that inconsiderate audits and unfair penalties may lead to negative attitudes toward tax authorities. Thus, when tax policies and measures are not sufficient to reward those that have obeyed the laws, it will discourage honest taxpayers who may feel material disadvantage.

III. Methodology

This section deals with the method and procedure used in gathering data.

4.1 Participants

The research population includes all taxpayers in Nigeria that are engaged in taxpayer decisions. In Nigeria, there are many public institutions and private businesses with taxpayers from different tribes which make this study unique from others. In addition, the act of filing, reporting income, claiming deductions and the opportunities for compliance differ from other countries where similar studies were conducted.

Nevertheless, due to the limitation of time, budget and geographical distance, it was not possible to collect data from all the taxpayers in Nigeria. Therefore, a sample was drawn from those working in Ken Saro-Wiwa Polytechnic, Bori. Ken Saro-Wiwa Polytechnic, Bori was selected for reasons of convenience, cost and for the fact that it is made up of taxpayers from different age groups and employees that can communicate in English Language.

There are 1,139 employees in Ken Saro-Wiwa Polytechnic, Bori that are members of the Academic Staff Union of Polytechnics (ASUP) or Senior Staff Association of Nigerian Polytechnics (SSANIP) or Non Academic Staff Union (NASU). The school statistics revealed that there are 1,125 full time employees and 14 contract staff. The 1,125 staff is made up of 891 male and 234 female employees respectively. This statistics show that the ratio of male to female employee in the institution is 8:2. Accordingly, a sample size of 246 taxpayers from Ken Saro-Wiwa Polytechnic, Bori was employed as the population elements. The sample size was calculated as 246 at 95% confidence interval and 5% margin error. Each participant was randomly selected based on the controlled procedure.

4.2 Data Collection

This is an exploratory study that determines the relationship between (how much) taxpayers (who) perceptions about tax authorities and government, and their attitudes towards tax compliance (what) in Rivers State (where) during 2015 (when) tax year. This paper adopted a qualitative approach that is consistent with exploratory research. Qualitative approach provides an opportunity for a deeper understanding of phenomena and represents many of the most important choices and decisions by taxpayers.

The primary data was gathered by means of questionnaire that was adopted by Richardson (2005). The study questionnaire was compiled in English and distributed among taxpayers in different departments that have some basic experience in making individual tax decisions, and were willing to complete and return within one week from the date of the receipt. In order to guarantee participants anonymity, the questionnaire does not ask for personal identification, 270 questionnaires were administered and 246 were received, which represented 91% level of success rate of return.

IV. Results

In this section, age, sex, and occupation is used in analyzing the demographic characteristics of respondents. In addition, tax compliance questions is analysed.

Table 1: Demographic characteristics of the respondents using age.

Age range	No. of respondents	%
0-20	4	1.6
21-30	41	16.7
31-40	87	35.4
41-50	81	32.9
Above 50	83	13.4
Total	246	100.0

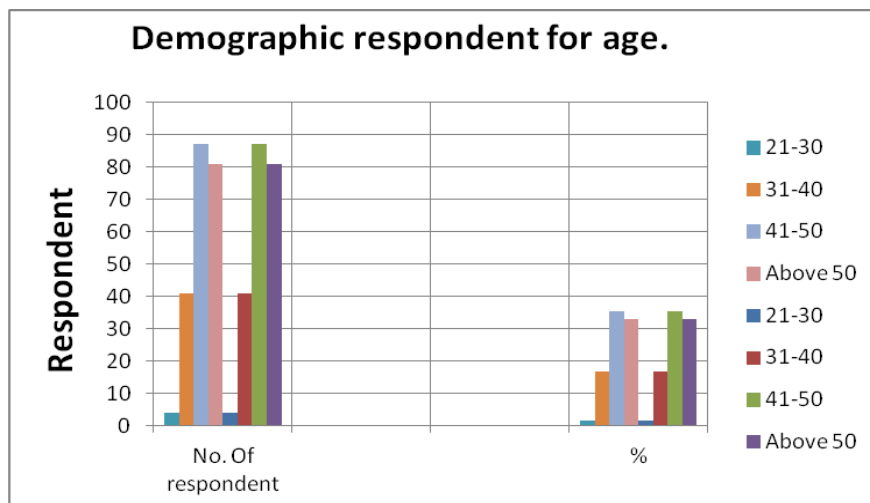


Figure 1: Demographic respondent using age.

Table 2: Demographic characteristics of the respondents using gender.

Sex	No. of respondent	%
Male	161	65.4
Female	85	34.6
Total	246	100

Table 3: Demographic characteristics of the respondents using education

Degree	No. of respondent	%
BSC/BA/HND	160	65.
MSC/MBA/MA	79	32.1
PhD	7	2.8
Total	246	100

Table 4: Demographic characteristics of the respondents using occupation.

Occupation	No. of respondent	%
Self employed	43	17.5
Others	203	82.5
Total	246	100

Source: Field Survey, 2015.

Results in Table 1 show that 1.6 percent of the respondents were between the age of 0-20 years, 16.7 percent were between the age of 31- 40 years, 35.4 percent, 32.9 percent and 13.4 percents of the respondents were between the age of 31- 40 years, 41- 50 years and over 50 years respectively. In Table 2, the analysis of the distribution of the respondents by gender reveals that 65.4 percent of the respondents were male and 34.6 percent were females. Sixty- five percent of the respondents were B.Sc/BA/HND holders, 32.1 percent were holders of M.Sc/MBA/MA degrees while 2.8 percent of the respondents had PhD as shown in Table 3. Occupation status is analyzed in Table 4.

Table 5: Descriptive Statistics Showing the Tax Fairness Perception among the Respondents.

S/N	Tax Fairness Items	N	\bar{X}	SD	Median	Mode	Remarks
1	Average taxpayer	244	2.23	1.07	2.00	2.00	Fair
2	Personal believe	246	2.30	1.09	2.00	2.00	Fair
3	Distribution of tax	246	2.76	1.13	3.00	2.00	Fair
4	General perception of the fairness of income tax	246	3.19	1.13	4.00	4.00	Neutral
5	The burden of tax is fairly distributed	246	2.90	1.24	3.00	2.00	Neutral
6	Current tax law require me to pay more than my fair share	245	2.59	1.34	2.00	2.00	Neutral
7	The tax system provides big breaks for people that do not	243	2.87	1.20	3.00	4.00	Neutral

	deserve							
8	Special provisions in income tax law apply to only few	245	3.16	1.22	3.00	4.00	Neutral	
9	Some perfectly legal tax deduction are not fair because only the wealthy are in a position to use them	245	3.29	1.32	4.00	4.00	Neutral	
10	High income earners have greater ability to pay tax	245	3.62	1.23	4.00	4.00	Neutral	
11	It is fair that high income earners pay more tax	245	3.22	1.32	4.00	4.00	Neutral	
12	A fair tax should be the same for everyone	245	2.72	1.91	2.00	1.00	Neutral	
13	The tax pay by high income earners is much more than a fair share of the income tax burden	243	2.90	1.15	3.00	2.00	Neutral	
14	Tax paid by middle income earners is too high	242	2.90	1.17	3.00	2.00	Neutral	
15	Compared to other taxpayers, I pay less	245	2.49	1.11	2.00	2.00	Neutral	
16	Compared to the amount paid by more wealthy taxpayers, I pay more	244	2.85	1.86	2.00	2.00	Neutral	
17	I get value fair value for my income tax	245	2.53	1.26	2.00	2.00	Disagree	
18	The amount of tax I pay is unreasonably high compared with the benefit it provided	244	3.49	1.26	4.00	4.00	Neutral	
19	The benefit I receive from the government for my income	243	3.31	1.35	4.00	4.00	Neutral	

Source: Field Survey, 2015.

The mean scores presented in Table 2 show that the respondents perceived average tax to be generally fair ($\bar{X} = 2.23$). The result indicates that the tax system is fair in terms of the distribution of income tax. They rated the tax system to be been fair ($\bar{X} = 2.30$) on one hand and on another they appears to be neutral. On the average, the respondents were neutral in terms of the perception of fairness of the distribution of tax burden. The survey participants are neutral on items that have to do with the disparity between the amounts of tax paid by the wealthy and the middle tax payers. The mean score indicates that the respondents are neutral on whether the benefits they derived from government is commiserate with the amount of tax paid. The result indicates that the participants do not get fair value for income tax paid.

Table 6: Tax Non-Compliances among the respondents .

S/N	Items	N	\bar{X}	SD	Median	Mode	Remarks
1	Trading or exchanging goods or services with a friend or neighbor and not reporting it in your tax returns is okay	241	2.55	1.25	2.00	2.00	Neutral
2	Reporting income without including small amount of extra outside income	242	2.50	1.20	2.00	2.00	Neutral
3	Being paid cash for a job and then not reporting it in tax report	242	2.29	1.12	2.00	2.00	Disagree
4	Nor reporting some earnings from interest or investment that the government will not be able to find out about.	242	2.20	1.08	2.00	2.00	Disagree
5	Adding a little bit more than actually spend	242	2.14	1.06	2.00	2.00	Disagree
6	Stretching self education deductions to include some expenses that are not really self education expenses	241	2.28	1.08	2.00	2.00	Disagree
7	Underpaying a little is not big deal	242	2.24	1.13	2.00	2.00	Disagree
8	Tax rates are just too high, so it not really cheating when you find ways to pay less tax than you are supposed to.	240	2.40	1.18	2.00	2.00	Disagree
9	It makes sense to take a chance and take reduction any where	242	2.41	1.12	2.00	2.00	Disagree
10	It is okay to cut a few corner on your tax returns	241	2.39	1.19	2.00	2.00	Disagree
11	It is not wrong to hold back a little bit of tax	242	2.57	1.21	2.00	2.00	Neutral
12	Making deduction that the government will not let you make	242	2.28	1.11	2.00	2.00	Disagree
13	Under reporting of certain incomes	242	2.21	1.09	2.00	2.00	Disagree
14	Cutting corners a little on tax	241	2.25	0.99	2.00	2.00	Disagree
15	Occasionally under- reporting certain income tax.	241	2.22	1.14	2.00	2.00	Disagree

Source: Field Survey, 2015.

The mean scores in Table 6 show that the participants are neutral to whether they trade or exchange goods or services with a friend or neighbor. Also, the participants show indifference to the question of excluding a portion of income from tax returns. In other related questions, they disagree with cutting corners to reduce the level of tax compliance.

5.1 Research Question One

Table 7: Relationship between the Perception of Tax Fairness and the Tax Compliance KSWPB.

Variables	Σx	Σx^2	Σxy	r-value	Remark
	Σy	Σy^2			
Perception of Tax Fairness (x)	13528	770880	4173361	0.331	positive
Tax Compliance Behaviour (y)	8442	317886			

Table 8 shows a correlation coefficient of 0.331 for the relationship between perception of tax fairness and tax compliance behaviour ($r = 0.331$). This means that there is a positive relationship between their perception of tax fairness and tax compliance behaviour in KSWPB. This result indicates that when the taxpayer perceive the tax system to be unfair, it will negatively influence on their compliance with the tax system.

5.2 Research Question Two

Table 9: Relationship between the Perception of Tax Fairness and Exchange with the Government and the Tax Compliance Behaviour in KSWPB.

Variables	Σx	Σx^2	Σxy	r-value	Remark
	Σy	Σy^2			
Perception of Tax Fairness and Exchange with the government (x)	2277	22725	80279	0.314	Positive
Tax Compliance Behaviour (y)	8442	317886			

Data in Table 9 show Pearson correlation coefficient of 0.314 between perception of tax fairness and exchange with government and tax compliance behaviour. This result indicates that the relationship between their perception of tax fairness and exchange with government and tax compliance behaviour in KSWPB. is positive.

5.3 Research Question Three

Table 10: Relationship between the Perception of Tax Fairness and self interest and Tax Compliance Behaviour in KSWPB.

Variables	Σx	Σx^2	Σxy	r-value	Remark
	Σy <td>Σy^2</td> <td></td> <td></td> <td></td>	Σy^2			
Perception of Tax Fairness and self interest (x)	1940	17194	68606	0.278	Positive
Tax Compliance Behaviour (y)	8442	317886			

Data in Table 10 shows positive relationship between perception of tax fairness, self interest and tax compliance behaviour ($r = 0.278$). This means that when the taxpayers perceive the tax they pay to be unfair and against their interest, there are more likely to show negative compliance behaviour.

5.4 Hypotheses Testing

5.4.1 Hypotheses One

There is no significant relationship between the Perception of Tax Fairness and the Tax Compliance Behaviour in KSWPB.

Table 11: Pearson Product Moment Correlation Analysis of the Relationship between the Perception of Tax Fairness and the Tax Compliance Behaviour in KSWPB.

Variables	Σx	Σx^2	Σxy	r- calc.	r- crit.	p-value
	Σy <td>Σy^2</td> <td></td> <td></td> <td></td> <td></td>	Σy^2				
Perception of Tax Fairness (x)	13528	770880	47336	0.331*	0.139	<0.05
Tax Compliance Behaviour (y)	8442	317886				

* $p < 0.05$, significantly related.

Data in Table 11 shows that the absolute value of the r calculated ($r = 0.331$) is greater than the critical value (0.139) at $p < 0.05$. Therefore, the null hypothesis is rejected. It is concluded that there is a significant relationship between the perception of tax fairness and the tax compliance behaviour in KSWPB.

5.4.2 Hypothesis Two

There is no significant relationship between the perception of tax fairness and exchange with the Government and the tax compliance behaviour in Ken Saro-Wiwa Polytechnic, Bori.

Table 12: Pearson Product Moment Correlation Result of the Analysis of the Relationship between the Perception of Tax Fairness and Exchange with the Government and the Tax Compliance Behaviour in KSWPB.

Variables	Σx	Σx^2	Σxy	r-cal.	r- crit.	P-value
	Σy	Σy^2				
Perception of Tax Fairness and Exchange with the government (x)	2277	22725	80279	0.314*	0.139	<0.05
Tax Compliance Behaviour (y)	8442	317886				

*p<0.05, significantly related.

Data in Table 12 shows that the absolute value of r calculated (r =0.314) is greater than the critical value (0.139) at p<0.05.Hence, the null hypothesis is rejected. The result indicates that there is a significant relationship between the perception of tax fairness and exchange with the government and the tax compliance behaviour in Ken Saro-Wiwa Polytechnic, Bori.

5.4.3 Hypothesis Three

There is no significant relationship between the perception of tax fairness and self interest and tax compliance behaviour in Ken Saro-Wiwa Polytechnic, Bori.

Table 13: Pearson Product Moment Correlation Analysis of the Relationship between the Perception of Tax Fairness and self interest and Tax Compliance Behaviour in KSWPB.

Variables	Σx	Σx^2	Σxy	r- value	r- crit.	p- value
	Σy	Σy^2				
Perception of Tax Fairness and Exchange with the government (x)	1940	17194	68606	0.278	0.139	<0.05
Tax Compliance Behaviour (y)	8442	317886				

*p<0.05, significantly related.

Data in Table 14 shows that the absolute value of the r calculated(r =0.278) is greater than the critical value (0.139) at p<0.05.Hence, the null hypothesis is rejected. Accordingly, it indicates that there is a significant relationship between Relationship between the perception of tax fairness and self interest and tax compliance behaviour in Ken Saro-Wiwa Polytechnic, Bori, Rivers State.

Table 15: Factor Analysis of Tax Noncompliance in KSWPB.

S/N	Items	Factors		
		1	2	3
1	Trading or exchanging goods or services with a friend or neighbor and not reporting it in your tax returns is okay			0.669
2	Reporting income without including small amount of extra outside income			0.838
3	Being paid cash for a job and then not reporting it in tax report			0.670
4	Nor reporting some earnings from interest or investment that the government will not be able to find out about.			(0.403)
5	Adding a little bit more than actually spend	0.717		
6	Stretching self education deductions to include some expenses that are not really self education expenses	0.631		
7	Underpaying a little is not big deal	0.652		
8	Tax rates are just too high, so it not really cheating when you find ways to pay less tax than you are supposed to.	0.664		
9	It makes sense to take a chance and take reduction any where	0.597		
10	It is okay to cut a few corner on your tax returns		0.643	
11	It is not wrong to hold back a little bit of tax		0.793	
12	Making deduction that the government will not let you make		0.683	
13	Under reporting of certain incomes	0.467	(0.552)	
14	Cutting corners a little on tax		0.522	(0.407)
15	Occasionally under- reporting certain income tax.		0.666	
	Eigen value (before rotation)	5.25	1.55	1.36
	Explained variance after rotation (%)	20.71	19.73	13.97

Note: Only factor loadings ≥ 0.40 are displayed, cross loadings are given in parentheses.

For tax noncompliance, the result of factor analysis gave 3 factors with cumulative percentage variance of 54.41 % (Table 10). Factor 1 explain 35.03% of the variance while factor 2 and 3 accounted for 10.32% and 9.06% of the variance. In terms of the factor loadings, the entire item had loading greater than the 0.40 which means that all the items loaded. Seven items loaded on factor 1. These seven items bordered on inaccurate report

of expenses (over reporting of expenses). Six items on cutting down of the actual tax to be paid loaded on factor 2 and in factor 3 it was five items (imbalances in the reportage of income/under reporting of income).

Table 16: Factor Analysis of Tax Perception.

S/N	Items	Factors					
		1	2	3	4	5	6
1	Average taxpayer			0.828			
2	Personal believe			0.829			
3	Distribution of tax			0.679			
4	General perception of the fairness of income tax				0.742		
5	The burden of tax is fairly distributed				0.815		
6	Current tax law require me to pay more than my fair share	0.702					
7	The tax system provides big breaks for people that do not deserve	0.759					
8	Special provision s in income tax law apply to only few	0.721					
9	Some perfectly legal tax deduction are not fair because only the wealthy are in a position to use them	0.437	(0.559)				
10	High income earners have greater ability to pay tax		0.705				
11	It is fair that high income earners pay more tax		0.660				
12	A fair tax should be the same for everyone				0.545		(0.433)
13	The tax pay by high income earners is much more than a fair share of the income tax burden						
14	Tax pay by middle income earners is too high						
15	Compared to other taxpayers, I pay less						
16	Compared to the amount paid by more wealthy taxpayers, I pay more						
17	I get value fair value for my income tax						
18	The amount of tax I pay is unreasonably high compared with the benefit it provided						
19	The benefit I receive from the government for my income Eigen values (before rotation)	3.763	2.151	1.438	1.274	1.229	1.023
	Explained variance after rotation (%)	11.13	10.95	10.76	8.44	8.10	7.89

Note: Only factor loadings ≥ 0.40 are displayed, cross loadings are given in parentheses.

Factor analysis was employed to analyse the 19 items of tax perception. Extraction was done using Principal Component Analysis (PCA) followed by Varimax rotation (Table 16). The result yielded 6 factors explaining 57.26% of the variance. The first component accounted for 19.80% of the variance while component 2,3,4,5 and 6 explained 11.32%, 7.57%, 6.71%, 6.47% and 5.38% of the variation in the data set. All items on the scale loaded atleast on one factor except item 13 (tax paid by high income earners) which does not load on any of the 6 factors (loading < 0.41). Factor 1 comprised of 4 items, factor 2 comprised of 5 items while factors 3, 4, 5 and 6 have 3 items, 2 items, 3 items and 3 items respectively. Items that loaded on factor 1 bordered on the fairness of the distribution of tax burden (income), factor 2 has to do with disparity in tax burden between wealthy poor (deduction), factor 3 is the general fairness of the tax systems, factor 4 fairness of tax burden, factor 5 is percentage deduction, high rate of tax and self benefit derived from paying tax and factor 6 has to do with perception about percent of tax paid and tax benefit received from government.

Table 16: Inter correlation Between Tax Perception Items.

items	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
1	1																			1
2	0.610*	1																		9
3	0.419*	0.488*	1																	
4	-0.083	-0.136*	0.001	1																
5	-0.126*	-	-0.170**	0.508**	1															
6	0.131*	0.189*	0.218**	0.182**	0.142*	1														
7	0.089	0.091	0.208**	0.327**	0.187**	0.419**	1													
8	0.053	0.140*	0.170**	0.225**	0.100	0.331**	0.523**	1												
9	0.026	-0.013	0.138*	0.229**	0.189**	0.256**	0.363**	0.330**	1											
10	0.168*	0.107	0.075	0.241**	0.217**	0.089	0.267**	0.264**	0.451**	1										
11	0.053	0.095	0.156*	0.189**	0.54	0.105	0.173**	0.136*	0.223**	0.447**	1									
12	-0.070	-0.029	-0.055	0.004	0.051	0.011	-0.012	0.033	-0.056	-0.022	0.004	1								
13	0.123	0.156*	0.149*	0.148*	0.071	0.073	0.106	0.175**	0.123	0.181**	0.155*	0.144*	1							
14	0.181*	0.147*	0.172**	0.192**	-0.013	0.254**	0.228**	0.254**	0.274**	0.262**	0.213**	-0.005	0.213**	1						
15	0.131*	0.039	0.064	0.150*	0.106	0.138*	0.098	0.115	0.063	0.160*	0.117	0.082	0.073	0.082	1					
16	0.109	0.105	0.125	0.118	0.084	0.096	0.189**	0.170**	0.218**	0.197**	0.208**	-0.014	0.074	0.314**	0.056	1				
17	0.053	-0.027	0.126*	0.256**	0.150*	0.107	0.184**	0.185**	0.138*	0.252**	0.082	0.092	0.124	0.124	0.346**	0.085	1			
18	0.130*	0.153*	0.153*	0.238**	0.145*	0.142*	0.185**	0.212**	0.184**	0.233**	0.255**	0.082	0.170**	0.281**	0.009	0.232**	0.031	1		
19	0.051	0.084	-0.001	0.107	0.038	0.22	0.029	0.165*	0.083	0.123	0.083	0.109	0.075	0.184**	0.026	0.035	-0.018	0.384**	1	

*significant at 5% (p<0.05),**significant at 1%(p<0.01)

Table 16 shows the results of the bivariate relationship between each of the tax perception items. Most of the items were significantly related.

Table 17: Inter correlation Between Tax Noncompliance Items.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	1														
2	0.458*	1													
3	0.284*	0.479*	1												
4	0.235*	0.276*	0.476*	1											
5	0.194*	0.201*	0.359*	0.455*	1										
6	0.237*	0.194*	0.254*	0.453*	0.361*	1									
7	0.233*	0.164*	0.247*	0.352*	0.483*	0.369*	1								
8	0.171*	0.079	0.174*	0.307*	0.346*	0.427*	0.487*	1							
9	0.060	0.096	0.328*	0.379*	0.254*	0.319*	0.365*	0.374*	1						

*significant at 5% (p<0.05),**significant at 1%(p<0.01)

Table 17 shows positive relationship between items on tax non compliance (p<0.05).

Table 18: Hierarchical Regression Analysis for Tax Compliance Behaviour.

Predictor	Step		
	1	2	3
Age	1.329	1.244	1.367*
Gender	-0.335	-0.502	-0.180
Education	0.885	1.545	1.408
Occupation	2.710	1.627	2.175
Exchange		0.243*	-1.405*
Self		0.225**	-2.193**
Exchange x self			0.116
Constant	44.645	59.228**	66.215**
R^2	0.037	0.210	0.172
Adjusted R^2	0.022	0.187	0.152
F-test	2.347	9.061**	8.296**

*significant at 5 % ($p < 0.05$), ** significant at 1% ($p < 0.01$).

Three different regression models were used to examine factor that significantly influence tax compliance behaviour. Based on model 1, none of the demographic variable has significant influence on tax compliance behaviour ($p > 0.05$). For model 2, self interest ($\beta = 0.225$, $p < 0.05$) and exchange with government ($\beta = 0.225$, $p < 0.001$) had significant influence on tax compliance behaviour ($p < 0.05$). For model 3, tax fairness and self interest and perception of tax fairness and exchange with government indicate significant influence on tax compliance behaviour ($p < 0.05$).

V. Discussion

One of the challenges of personal income tax administration is to determine which regulatory enforcement strategy that will be the most effective (Murphy 2008) for regulatory agents. On one hand, there are those who think that sanctions and penalties should be used to check taxpayers' non compliance. On the other hand, there are those who think that gentle persuasion and fair treatment will be more effective in tax compliance.

This study is the first to determine the relationship between the perception of tax fairness and personal income tax compliance in Ken Saro-Wiwa Polytechnic, Bori, and the results have implications for both tax policy makers and tax compliance literature. The findings agree with those that encourage tax administrators to apply persuasive approach in increasing personal income tax compliance.

The findings indicate that none of the demographic variables (Age, Gender, Education), has significant influence on personal income tax compliance behaviour of employees of Ken Saro-Wiwa Polytechnic, Bori. However, self interest and exchange with government has significant influence on their tax compliance behaviour. Further, tax fairness and self interest, and the perception tax fairness and exchange with government show significant influence on tax compliance behaviour. I attribute the outcome to the influence of institutions on the conceptions and interpretations of the questions.

VI. Conclusion

The foregoing results indicate the need to adopt the persuasive approach in improving income tax compliance behaviour in Rivers State. The persuasive approach recognizes the influence of fairness tax structure and government spending on tax compliance behaviour. While tax compliance literature prominently recognizes deterrent approach as the major way of reducing non compliance, this study provides evidence indicating that persuasive approach can be used to improve personal income tax compliance behaviour as well. This position is supported by Richardson (2005) and Chan et al (2000).

The persuasive approach allows the taxpayer to contribute in the process of making decisions. By giving voice in the decision process, tax payers judge such procedures as more fair (Magner, Johnson, Sobery and Welker (2000).

Based on these findings, it is evident that the perception of tax fairness influences personal income tax compliance behaviour.

VII. Limitation and recommendation

This study has limitations, in particular because of its research approach. The correlated data do not allow causal interpretation. Further, despite the advantage of a case study research, this study is limited in scope. Finally, the relationship between the forms of justice was not examined. Accordingly, it recommended that further study should be conducted to accommodate the identified issues.

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