

**DETERMINANTS OF TAX MORALE IN SME'S IN NIGERIA****OTUEDON, AJUEYITSE MARTINS****DEPARTMENT OF ACCOUNTING, FACULTY OF MANAGEMENT SCIENCE,****IGBINEDION UNIVERSITY, OKADA ED STATE, BENIN CITY****&****COLLEGE, E. OGODOGUN****DEPARTMENT OF ACCOUNTING, FACULTY OF MANAGEMNT SCIENCE,****NNAMDI AZIKIWE UNIVERSITY, AMKA****Abstract**

*The Broad Objective Of The Study Is To Examine The Determinants Of Tax Morale. The Research Design For This Study Is The Exploratory Research Design. A Sample Size of 400 SME'S was used as the Sample for the Study. The Study Employs The Ordinal Regression Analysis As The Data Analysis Method. Focusing On The Determinants Of Tax Morale And Using The Ordinary Least Square Regression Techniques, This Study Found That; (I) Taxpayers Demographics Has A Positive And Significant Effect On Tax Morale Which Is Also Statistically Significant At 5% (Ii) Tax Knowledge Also Appears To Have A Positive Effect On Tax Morale And Also Statistically Significant At 5% Level And (Iii) Perception Of Tax Fairness And Equity Service Quality Has A Significant Influence On Tax Morale And Also Statistically Significant At 5% Level. Consequently The Study Recommends That Unnecessary Complexities In The Tax System Should Also Be Eliminated.*

*Keywords: Tax Morale, Perception of Tax Fairness and Equity and Tax Knowledge.*

**Introduction**

Taxation remains an important area of concern and an integral component of public policy. In Nigeria, like in most developing countries, tax compliance is posing a critical challenge to tax administration and affecting the fiscal system vis-a-vis revenue performance. The various tax reforms attempts by Nigerian governments have been unable to stimulate the expected increase in tax revenue over the years. (Cobham, 2005; Chattered Institute of Taxation of Nigeria, (CITN) 2010; International Monetary Fund (IMF), 2005). This has resulted in the national tax policy of 2017 which was developed to also help improve tax revenue performance. The self-assessment scheme (SAS) is also another initiative introduced by the Tax authorities to help improve the level of voluntary tax compliance. This poor performance of tax

revenue collection typifies what has been termed the "tax compliance puzzle" characterizing several developing economies. It still remains unexplained though one tries to apply the basic model of tax compliance. Consequently, tax morale, seen as the internal/intrinsic motivation or a sense of moral obligation to pay taxes, has been identified as the missing link in the tax compliance puzzle.

Tax morale, perspective to tax compliance, is an integrated approach with a bias for non-economic factors that can influence voluntary tax compliance. The influence of tax morale on tax compliance occurs through several identified instrumental variables such as the taxpayer's perception of the quality of tax service, Education, tax payer's demographic and perceived fairness/equity of the tax system. Thus, there is a growing emphasis on the

need for governments and tax authorities especially in developing economies to develop a new perspective on the way to build voluntary tax compliance by addressing these instrumental variables critical in developing tax moral of taxpayers. This is necessary improve collection of tax revenue and stimulate voluntary tax compliance which is needed to facilitate tax collection at lower cost to tax authorities. In this regards, this study examines the determinants of tax morale in Nigeria.

Despite the available literature on taxation in Nigeria, the issue of tax morale seen as the “other side of the coin” in addressing tax compliance challenges has really not been given robust attention. Researches in Nigeria have focused largely on tax morale and how it relates to tax compliance. For example, Ehigie, Olajube, Osuma, Olayinka, Opara and Ndom (2018) carried out a study on personality attributes and tax morale as predictors of willingness to pay tax. Their study revealed that higher personality attributes on openness to experience, conscientiousness, and agreeableness, and low neuroticism disposition improves tax paying willingness. Also, Tapang, Igbeng, & Usang (2012) aimed to analyze tax morale and tax compliance in Nigeria. Cross-sectional survey was used with questionnaires as the major data collection tool. Their study showed that there is significant relationship between tax compliance and tax morale. Another study undertaken by Chucks and Odita (2013), they also support this view as tax morale is seen to be a determinant of tax compliance. Abiola, Adebayo, Eytayo, and Oyedokun (2017) finding is also in line with afore mentioned studies further highlighting the role of tax morale in influencing tax compliance in the informal sector in Nigeria.

However, it is observed that while

most of the studies here tends to be pre-occupied with the relationship between tax morale and compliance, not much attention have been given to determinants of tax morale in Nigeria even though the studies have been quite unanimous in their findings that morale influences compliance. Understanding the determinants of tax morale will help tax authorities in fine tuning their tax collection strategies. It is this gap in literature that this study intends to bridge.

### **Research Objectives**

The main study objective is to examine the determinants of tax morale. The specific objectives are to: (i) Determine the effect of respondent’s demographics on tax morale (ii) Investigate to what extent perception of tax fairness and equity influence tax morale and (iii) evaluate the effect of tax knowledge on tax morale

### **Research Hypotheses**

The hypotheses of the study are specified as follows;

- H<sub>01</sub>: Demographics has no significant influence on tax morale
- H<sub>02</sub>: Perception of tax fairness and equity has no significant influence on tax morale.
- H<sub>03</sub>: Tax knowledge has no significant influence on tax morale.

### **Literature Review**

#### **Tax Morale**

The foremost definition of tax morale was given by Shoulders (1960) and it was defined as the attitude that a group or a given population of tax payers portray in relation to their tax paying obligation or responsibility. This sense of responsibility is tied to the level of awareness of the people which is what influences their acceptance and performance of this obligation. Several decades later, Alm and Togler (2006) defines

tax morale as motivation to want to pay taxes based on the individuals own internal or intrinsic motives. Therefore, it is an indicator of the tax payers' moral responsibility, or the belief that paying taxes contributes to society. Daude, Gutiérrez and Melguizo (2013) also defined the concept as the motivation of a country's citizens to pay taxes, in addition to legal obligations".

In a more complete characterization, Kornhauser states that tax morale is 'a collective name for all non-rational determinants and incentives which includes factors like personal values, norms and cognitive process—that strongly affect voluntary compliance with laws by an individual (Kornhauser 2007). In addition, Pope and Mc Kerchar (2011) point out that tax morale is relevant where enforcement is not present—tax morale is most evident when taxpayers are not forced to comply. This is supported by the OECD (2013) in their definition of tax moral as the taxpayer's enthusiasm to pay taxes without any irrespective of whether there is any legal duty to do so. Tax morale is obscured once legal consequences are enforced—tax compliance may be high despite a low level of tax morale in situations where the tax authority is able to exercise power in preventing tax fraud (María-Dolores, Alarcón & Garre 2010).

In a broader sense, Luttmer and Singhal (2014) sees tax morale as 'non-pecuniary stimuli for tax compliance and covers factors that are over and beyond the utility framework', emphasizing the difference between tax morale and utility in the economic sense, although they acknowledge that elements of loss and benefits may subsist—compliance induced by a high tax morale can influence taxpayer's reputation, and eventually benefit them economically (Luttmer & Singhal 2014). From

the foregoing definitions, one thing can be deduced, that tax morale is a voluntary act from the tax payers' to want to pay their taxes, not necessarily as a result of enforcement.

### **Determinants of Tax Morale**

In this section, we examine the determinants of tax morale that this study is interested in:

#### **Taxpayers Demographics**

Tax payer's demographics refer to the social, religious, economic and biological characteristics of tax payers such as educational levels, gender, age, religion etc. The study looks at some of these demographics.

#### **Education**

Education in this context refers to formal education. The level of education of a people is very important factor, as it forms the basis that channels the behavior of an individual regarding social values, political attitudes and the general assessment of public affairs (Justicia & Theilen, 2016). There is the expectation that educational level should have a substantial influence on tax compliance behaviour because higher educational level is an indicator of higher cognitive abilities which are essential for the understanding of the functioning of modern welfare states and the relationship between its general (indirect) benefits and individual tax compliance. Toggler (2006) argues that there are three aspects of education that relate to taxation: degree of fiscal knowledge; knowledge of tax evasion and avoidance opportunities; and knowledge of the beneficial or wasteful use of tax revenues by the government.

#### **Age**

This has also been observed as a determinant of tax morale. It is argued that older people may tend to possess a stronger sense of morality than younger people (Pickhardt & Prinz, 2014). This maybe because older people have lived longer in the society; they have a strong attachment to the community and have also acquired greater social stakes (Torgler, 2003, 2004; Torgler et al., 2008; Torgler & Schneider, 2007). On the other hand, some authors argue that younger individuals tend to be less risk averse and also less sensitive to penalties. (Torgler, 2006). The main point here is that there are psychological, emotional and mental differences between the old and young and it is likely that these differences can have implications on tax morale. Studies carried out on age as a determinant of tax morale has produced mixed outcomes. Some studies showed that age has a significant and positive impact on tax morale (Torgler, 2006; Barone & Mocetti, 2009; Kountouris & Remoundou, 2013). While some others like Kogler et al. (2013) revealed no effect for age.

### **Gender**

It has been observed that there is a difference in tax compliance according to gender, although so far results are not conclusive. Women are generally thought to have higher tax morale. However, empirical results have not been conclusive on the effect of gender on tax morale (Daude et al., 2013). For example, Chung and Trivedi used an experimental setting to show that females tend to report higher incomes than their male counterparts, thus indicating females are more compliant in 'friendly persuasion treatment' (Chung & Trivedi 2003). Niesobedzka (2014) found that, for Poland, males are more inclined to evade tax than females. Torgler and Valev (2010)

found that women tend to disapprove of corruption and tax evasion more than their male counterparts; however, they indicate that different constraints and opportunities may contribute to these differences. Some studies have found that women have higher tax morale than men (Daude et al., 2013).

### **Tax Knowledge**

Adam (2012) notes that for voluntary tax compliance to be possible, tax knowledge is an essential factor that must be in place. Basically, tax knowledge refers to the level of awareness that an individual has about the tax system and their tax obligation in general. In the views of Hasseldine et al; (2009), tax knowledge refers to the knowledge that encompasses the processes and channels that enlightens taxpayers about tax legislation and other tax-related information. In addition, Tax knowledge in general is an understanding of the tax policy requirements and procedures that is operational and implemented within a country (Fauziati et al., 2016). Loo, (2016) also supported the view that tax knowledge is one of the key pillars of voluntary tax compliance behaviour especially where the self-assessment scheme is in place.

### **Taxpayer's perception about the fairness of the tax system**

Fairness of the tax system is a very critical requirement for tax morale to be formed in tax payers. Fairness or equity of the tax system simply implies that everyone paying taxes should pay a fair amount. Perceptions of fairness or non-fairness as the case might be tends to arise from a comparison of one's tax payments with that of others though this will need to depend on some level of similarities with income levels or any common denominator (Folger & Cropanzano 2001).

As highlighted in the organizational fairness and justice literature, fairness perceptions are important because they affect the way individuals' perceive authorities as sincere and responsible. If they have this kind of perception, there will hardly be any need for tax payers to feel they need to adopt a retaliatory disposition when it comes to fulfilling their civic responsibilities (Colquitt, Greenberg & Scott 2005).

Richardson (2005) suggests general fairness, exchange with the government, fairness of special provisions, tax rate structure and self-interest (Richardson 2005), while Tan and Chin-Fatt (2000) include personal fairness, tax rate fairness and income level fairness. Reithel, Baltes and Buddhavarapu (2007) also divide the dimensions of fairness into two types: distributive and procedural. Distributive fairness refers to the ends or rewards, such as punishments and compensation; while procedural fairness refers to the process or means.

### **Prior Studies**

Several empirical studies have been done to examine the determinants of tax morale. Torgler (2003) carried out a study on tax morale and religiosity. He used multivariate analysis with data from the World Values Survey 1995-1997, which covered more than thirty countries at the individual level. He included variables, such as church attendance, level of religiosity, religious education and extent of trust in the church system. The results of the study revealed that religiosity has a positive impact on tax morale and hence the more religious people are, the higher the tendency to have high tax morale. On the contrary, Jun and Yoon (2018) studied taxpayers religiosity, religion using Korea as a case study. Their

findings did not support that religiosity improves tax morale.

Similarly, Eiya, Ilaboya and Okoye (2016) studied religiosity and tax compliance with focus in Nigeria. The study used a cross-sectional survey research design in order to get the opinion of taxpayers about tax compliance. The data collected from the field was analyzed using descriptive statistics, Analysis of Variance (ANOVA) and Ordinary least square regression analysis. Their study showed that 83% of the respondents indicate that they are religious people. From analysis, we found no significant difference in the tax compliance behavior of Christians and Muslims in Nigeria. The paper concluded that religious values alone do not play a significant role in improving tax compliance. However, contrary views have also been observed from other studies conducted. Pope and Mohdali (2010) for a sample of Malaysian respondents also agree that religiosity has small but significant positive effect tax compliance. Ibrahim et al (2015) also had a contrary view. In their study of what propels tax morale in Ghana, they revealed among other factors that religion does not matter in tax morale.

Parlaungan (2017) employed a mixed methodology in his research approach using a sample of 338 respondents. His study showed that there was a difference found in the tax morale level between the younger generation and the older generation. However, drawing from a more recent the conducted by Ma (2017), it was also revealed that gender had no significant influence on tax compliance in developing countries, but it had a positive correlation with tax compliance attitudes in developed countries. In addition, gender was also found to be insignificant in some studies (Barone & Mocetti 2009) and Ibrahim et al. (2015).

Ibrahim et al (2015), found gender to be insignificant in influencing tax morale although they discovered a positive relationship with tax morale. Though the findings are not conclusive, it can be expected, based on general findings, that women would have higher tax morale than men. Considering the mixed results, Lago-Peñas and Lago-Peñas (2010) call for more studies to clarify the effect of gender on tax morale. Adzadu (2017) investigated the determinants of tax morale in Ghana. The study hypothesized the relationships using the partial least square structural equation modeling technique. The study revealed that tax knowledge had no influence on tax morale.

Ali, Fjeldstad, Sursen & Insitute (2013) also examined determinants of tax morale using a cross-section of countries; Tanzania, Kenya, Uganda, and South Africa. The study made use of the Afrobarometer survey data. The findings of the study revealed that tax knowledge has a significant effect on tax morale. Saad (2014) study focused on the investigating the extent to which the complexity of the tax system and tax knowledge affects tax compliance. The study used phone interviews and the analysis was done using thematic analysis. Findings revealed tax complexity and tax knowledge are important determinants of tax compliance. More recently, Rahayu et al (2017) undertook a study on the role of taxpayer awareness, tax regulation and understanding in taxpayer compliance. The results show that knowledge and understanding of tax regulation and awareness of taxpayers simultaneously contribute to taxpayer compliance. Newmann et al (2018) reviewed literature on the impact of tax knowledge on the tax compliance of SMEs in developing countries. Their findings showed that they possess only

basic tax knowledge and lack a deeper understanding of tax issues, and that they do not comply with tax laws.

### **Theoretical Framework**

#### **Fiscal- Exchange Theory**

The fiscal exchange theory is acclaimed to have evolved from the economic deterrence and the social psychology models (McKerchar & Evans, 2009), and is premised upon the existence of a social, relational or psychological contract between the government and the taxpayers (Frey & Feld, 2002; Torgler, 2003). The dynamic interaction of the tax authority and the taxpayer has been found to influence taxpayer behaviour—in the fiscal-psychological model, the more positive the attitude taxpayers have towards tax, the more compliant they are likely to be with regard to their tax obligations (McKerchar & Evans 2009). Thus, the taxpayers will be more willing to comply when they are satisfied with the provision of services from the government, even in the absence of detection and punishment (Torgler, 2003). In the same way, tax morale and compliance will be reduced, when they are dissatisfied with services provision from the government, or even when they dislike the way their taxes are spent (Palil, 2010). This is why how taxpayers perceive the fairness of the tax system, or trust the government and tax authority affects tax morale or their willingness to comply with tax laws.

### **Methodology**

The research design for this study is the exploratory research design. The population of this study consisted of all taxable Small and Medium-Scale Enterprises in Nigeria. Using the above formulae and the total number of SMEs in South-South, at 5% level of significance, we arrived at a sample of 400 SMEs. The safest way to ensure that it

is representative is to use a random selection procedure (Hopkins 2000). The sampling was done using simple random sampling technique. The nature and non-availability of publicly available secondary data on SME's necessitated the use of primary data for the study. This study adopts questionnaire as the research instrument. The study will make use of Ordinary Least Squares (OLS) regression analysis as the data analysis method. The OLS regression was adopted because it is the appropriate techniques for examining the relationship between variables (Gujarati, 2009). The techniques have been credited with been able to produce the best linear unbiased estimates of the population parameters. The techniques will help us examine how the explanatory variables (Education level, Perceived Tax service quality, Threat of penalty and fines and Complexity of the tax system) will impact on the level of voluntary tax compliance.

### Model Specification

The model for the study is specified to examine the determinants of tax morale. The model specifies tax morale as function of tax payer's demographics, tax knowledge and perception of fairness and equity. Tax payers demographics such as Education, gender, age and religion has been identified by a number of studies (Justicia & Theilen, 2016; Togler 2006; Kountouris & Remoundou 2013; Frey & Torgler 2007; Torgler, 2006) as having considerable influence on the tax morale disposition of

tax payers.

Based on prior literature, the functional tax morale Model is specified below

$$TMorale = f(\text{Demographics, TKNOW, PTFE}) \text{ --} \text{----- (i)}$$

The econometric form of the model is presented below;

$$TMorale = \beta_1 + \beta_2 \text{ Demo} + \beta_3 \text{ TKNOW} + \beta_4 \text{ PTFE} + \mu \text{----- (ii)}$$

### Where

TMorale = Tax morale

Demo= Demographics

TKNOW= Tax Knowledge

PTFE= perception of tax fairness and equity

$\mu$  = error term

### Presentation and Analysis of Results

#### Confirmatory Factor Analysis (Cfa)

The usage of confirmatory factor analysis (CFA) in measurement model is to test whether the data fit a hypothesized measurement model which is based on theories in previous literature. CFA is usually utilized as the first step to assess a designed measurement model in SEM since it is analysis that evaluates the consistency between a priori hypotheses and the parameter estimates in the relations between observed variables and latent variables. If CFA shows the poor confirmation of a measurement model, then the results of the regression could indicate a poor fit, the model will be rejected, and the parameter estimates will be unexplainable.

**Table 4.1: CFA for tax morale Measurement model**

Fit statistic	Value	Description
Likelihood ratio chi2_ms(2)	60.145	model vs. saturated
p > chi2	0.000	

Population error RMSEA 90% CI, lower bound Upper bound	0.342 0.271 0.419 0.000	Root mean squared error of approximation  Probability RMSEA <= 0.05
Baseline comparison CFI TLI	0.827 0.910	Comparative fit index Tucker –Lewis Index
Size of residuals SRMR CD	0.076 1.000	Standardized root mean squared residual Coefficient of determination

**Source;** State 13

The fit statistics for the measurement model for IPSAS measurement model is presented in table 4.1 above and as observed earlier, the ensuring a good fit for the measurement model is a core basic framework for their subsequent usage in the full structural model. Tax morale has five basic factor measurements. The fit statistics shows the chi-square value of 60.145 which is significant at the 0.05 level. The p-value is

0.00 suggesting that the model fitted the data acceptably in our population. Other fit indices included the comparative fit index (CFI) = 0.827, and RMSEA = 0.342 with p-value of 0.000 which indicates statistical significance. The Standardized root mean squared residual at 0.076 is low and all these statistics confirm the measurement fit of the tax morale factor model.

**Table 4.2: CFA for Demographics Measurement Model**

Fit statistic	Value	Description
Likelihood ratio chi2_ms(2) p > chi2	57.752 0.000	model vs. saturated
Population error RMSEA 90% CI, lower bound Upper bound	0.145 0.113 0.185 0.000	Root mean squared error of approximation  Probability RMSEA <= 0.05
Baseline comparison CFI TLI	0.995 0.926	Comparative fit index Tucker –Lewis Index
Size of residuals	0.078	Standardized root mean squared residual



SRMR	
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**Source;** State 13

The fit statistics for the measurement model for accountability model is presented in table. The fit statistics for the 4-factor tax payer's demographics model reveals that the chi-square value of 57.78 is statistically significant at 5% which again indicates that the model fitted the data acceptably well. The CFI is 0.995 which is satisfactory as it

maintains closeness to 1; the RMSEA of 0.145 with p-values of 0.000 is statistically significant and confirms the model fit.

The Standardized root mean squared residual at 0.078 is low and all these statistics confirm the measurement fit of the 4 factor model.

**Table 4.3: CFA for Tax knowledge Measurement model**

Fit statistic	Value	Description
Likelihood ratio chi2_ms(2) p > chi2	182.11 0.000	model vs. saturated
Population error RMSEA 90% CI, lower bound Upper bound	0.031 0.401 0.616 0.000	Root mean squared error of approximation Probability RMSEA <= 0.05
Baseline comparison CFI TLI	0.894 0.921	Comparative fit index Tucker –Lewis Index
Size of residuals SRMR CD	0.052 1.000	Standardized root mean squared residual Coefficient of determination

**Source;** State 13

The fit statistics for the measurement model for relevance measurement Model is presented in table 4.3. The fit statistics for the 4-factor Tax knowledge model reveals that the chi-square value of 182.11 is statistically significant at 5% which again indicates that the model fitted the data acceptably well. The CFI is 0.894 which is

satisfactory as it maintains closeness to 1; the RMSEA of 0.145 with p-values of 0.000 is statistically significant and confirms the model fit. The Standardized root mean squared residual at 0.052 is low and all these statistics confirm the measurement fit of the 4 factor model.

**Table 4.4: CFA for Perception of Fairness and equity model**

Fit statistic	Value	Description
Likelihood ratio chi2_ms(2)	102.50	model vs. saturated

p > chi2	0.000
Population error RMSEA	0.004 Root mean squared error of approximation 0.401
90% CI, lower bound Upper bound P-value	0.613 0.000 Probability RMSEA <= 0.05
Baseline comparison CFI TLI	0.994 Comparative fit index 0.911 Tucker –Lewis Index
Size of residuals SRMR CD	0.052 Standardized root mean squared residual 1.000 Coefficient of determination

**Source;** STATA 13

The fit statistics for the measurement model for faithful representation (FREP) measurement Model is presented in table. The fit statistics for the 5-factor Perception of Fairness and equity model reveals that the chi-square value of 102.50 is statistically significant at 5% which again indicates that the model fitted the data acceptably well. The CFI is 0.994 which is satisfactory as it maintains closeness to 1, the RMSEA of 0.004 with p-values of 0.007 is statistically significant and confirms the model fit. The Standardized root mean squared residual at

0.052 is low and all these statistics confirm the measurement fit of the 4 factor model.

#### **Ordinal Regression Result**

The study makes use of ordinal regression analysis as the data analysis method. In studies where the dependent variable have ordinal values and is the order response category variable and the independent variable may be categorical or continuous. The ordinal or ordered regression is a suitable technique to address such estimations and hence it is used in this study.

**Table 1: Ordinal Regression Result**

	Aprori sign	Coefficient ( ) standard error { } p-value
C		2.7643* (0.1499) {18.433}
Demographics	+	0.01628* (0.0064) {0.0255}
TAXPFE	-	2.0977* (0.9496) {0.039}

TAXKNOW	+/-	0.9800 (0.4815) {0.044}
Model Parameters		
R <sup>2</sup>		0.6102
Adj R <sup>2</sup>		0.5006
F-stat		4.217
P(F-stat)		0.032
D.W		1.7

**Source: Researchers compilation (2019) using Stata 13.**

The R<sup>2</sup> is of the model is 0.6102 and hence the model explains about 61% of the systematic behaviour of tax morale while other factors not included and captured by the stochastic error term explains of 38.898%. The Adjusted R<sup>2</sup> for the model is 50 %. The F-stat value of 4.217 and the associated p-value of 0.00 is less than 0.05 and hence we accept the joint statistical significance of the model and that significant linear relationship exists between the dependent and independent variables.

The regression estimates reveals that demographic factor has a positive (0.0163) and significant at 5% ( $p=0.0255<0.05$ ) impact on tax morale. The finding is in tandem with Justicia and Theilen (2016) which found that higher educated exhibit higher levels of tax morale. Also, Daude et al. (2013) showed among others, that educational attainment had a significant impact on people's level of tax morale. The impact of tax payers tax knowledge on tax morale is positive (0.9800) and significant at 5% ( $p=0.044<0.05$ ). This implies that the more tax knowledge the individual has the more likely the individual has the higher the tax moral behaviour.

Hence, we reject the hypothesis (H3) that tax knowledge has no significant effect on tax morale. The finding is supported by that of Ali, Fjeldstad, Sursen & Insitute (2013). Similarly, Rahayu et al (2017) found

that tax knowledge contribute to taxpayer morale and compliance. In the same vein, Newmann et al (2018) findings showed that when individuals have good tax knowledge, it negatively affects compliance.

However, the finding is in contrast to Adzadu (2017) study revealed that tax knowledge had no influence on tax morale while that carried out by Torgler (2006) results show that there is a negative relation between education and tax morale. The effect of tax payers perception regarding fairness and equity of the tax system on tax morale is negative (-2.0977) and significant at 5% ( $p=0.039<0.05$ ). This implies that the more tax payers feel that the tax system is not fair, the lower the morale. Hence, we reject the hypothesis (H2) that tax has Taxpayers perception and fairness of the tax system has no significant effect on tax morale. The result is supported by those of Vythelingum et al (2016). The finding is also supported by that of Saad (2012), Ruhoma (2015) and Merima, Fjeldstad and Sjursen (2014), Maseko (2014) and Torgler (2003).

### Conclusion

Focusing on the determinants of tax morale and using the ordinary least square regression techniques, this study found that; (i) Taxpayers demographics has a positive and significant effect on tax morale which is also statistically significant at 5% (ii) Tax

knowledge also appears to have a positive effect on tax morale and also statistically significant at 5% level and (iii) Perception of Tax fairness and equity service quality has a significant influence on tax morale and also statistically significant at 5% level. The recommendation of the study as follows; firstly, the study recommends that there is the need for tax authorities to work at improving the efficiency of the tax administration to system in order to improve compliance levels. The unnecessary complexities in the tax system should also be eliminated. Secondly, the study recommends that there is the need to improve the Level of education of the taxable individuals as this has been found to improve tax morale and hence Voluntary tax compliance.

Hence authorities need to organize regular tax campaigns to enlighten individuals and to also get feedback from them on the performance of the system in general. We suggest that more consultative forums should be held that will provide an opportunity for both taxable individuals and tax authorities to dialogue. Thirdly, the study recommends that there is need for government and tax authorities to improve tax payers Perception of Tax fairness and equity and also tax service quality.

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