



# E-Tax Registration and Tax Payers' Compliance in Lagos State, Nigeria

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## Authors' contributions

*This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.*

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## ABSTRACT

Traditional tax registration processes involve tedious paperwork, lengthy wait times, and in-person visits to tax offices, causing a variety of difficulties for taxpayers and issues with compliance. This study investigated the effect of e-tax registration on taxpayers' compliance in Lagos state, Nigeria. From a target population of 4,708 of staff of FIRS Lagos State office, who are responsible for the registration of taxpayers, a total of 354 respondents were purposively selected. The Krejcie and Morgan formula was used to determine sample size to represent the study's emphasis. Data were collected via primary sources by administering a structured questionnaire to a specific group of responders. The data were analysed using descriptive statistical methods and Structural Equation Modelling (SEM). The study revealed that knowledge about e-tax registration, the monetary cost of e-tax registration, and the perceived quality of the e-tax registration system, all of which are used as proxies for e-tax registration, positively and significantly affect compliance by taxpayers in Lagos state. The study's conclusion is that knowledge of e-tax registration monetary cost of on line tax registration system also perceived quality of online registration system for tax purpose are

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mechanisms that is effective to spur tax compliance among taxpayers in Lagos state. As a result, it is suggested that the government continue to provide a well-designed and user-friendly e-tax registration system in order to improve tax compliance among taxpayers in Lagos state, Nigeria, and thereby enhance tax income.

*Keywords: E-tax registration; knowledge of e-tax registration; monetary cost of e-tax registration; perceived quality of e-tax registration; taxpayers' compliance.*

**JEL Classification:** H24, H26.

## 1. INTRODUCTION

Globally, tax compliance is necessary for governments to reallocate funds and offer social amenities [1]. Certainly the volume of tax revenue that the government receives to fund government spending is primarily reliant on taxpayer compliance [2]. To allow governments provide benefits to the public and reallocate resources, taxpayers is required to cooperate and make on-time, accurate tax payments. Traditional tax registration techniques have been linked to a number of issues that impede taxpayers' willingness to comply (Utetiwabo & Patrick; 2018). One major issue is the time-consuming and inefficient nature of paper-based registration processes. This frequently entails laborious form filling, actual document submission, and visits to tax offices. These procedures are not only onerous for taxpayers, but they are also prone to mistakes and delays, resulting in frustration and possibly noncompliance [1].

Damages caused by noncompliance with taxes have harmed government revenue since taxes have a major impact on income [3]. It has been a persistent problem that has resulted in significant financial losses, damaging the economy [4]. Tax noncompliance has both social and economic effects (Tilahun, (2018). Several tax reforms implemented through the federal inland revenue service | (FIRS) throughout the years have been designed to deter noncompliance and, in general, to remove any gaps that prevent the nation's tax system from functioning as intended [5].

Previous studies have shown a strong correlation between tax compliance and the E-tax system (Utetiwabo & Patrick; 2018) [6]. While some found a strong and positive relationship between collection of taxes and use of electronic tax filing system [7] (Newman & Eghosa, 2019). Some asserted that electronic taxation will increase accountability and transparency (Newman &

Eghosa, 2019); improve tax filing and made it easy [8], while Igbekoyi and Adedipe [9] pointed out that computerised tax filing has no significant effect on tax compliance rate.

Despite previous research indicating that If tax compliance is significantly impacted by an e- tax system, the magnitude of the impact in terms of tax revenue yield based on compliance remains unknown (Nyakundi, (2018). This is because the studies only include taxpayers who have been captured in the official data base, eliminating uncaptured taxpayers. There is a need to evaluate the component of tax administration that deals with the government's ability to broaden the tax net by extending the taxpayer base in terms of registration of eligible taxpayers, particularly through electronic channels [54-57].

Many nations whose revenues from taxes constitute a substantial portion of their Gross Domestic Product (GDP), have been using computerised tax registration systems for many years (Chiamaka, et al. [10], It facilitates the registration process, tax return filing, and other tax-related activities for taxpayers tasks whenever and wherever they have access to the internet [11]. The use of e-registration is one of the elements that may have an impact on the level of taxpayer compliance [12]. This motivates the researcher to examine how the deployment of e- registration affects taxpayer compliance in Lagos State [51-53].

This research sought to collect actual information on the effect of introduction of electronic tax registration on compliance by taxpayers. This study can shed light on effect of introducing e-tax registration and individual taxpayer compliance. In practise, this research can give students and the general public with more information about the factors that influence taxpayer compliance, particularly in Lagos state.

Tax compliance in Lagos State as a result of introduction of an automated tax registration

system was therefore examined in this study, having these specific objectives; taxpayer's knowledge of e-registration, monetary cost of e-registration, and the Perceived Quality of E-Registration System [58-60].

The study is divided into five sections and sub-sections that address the introduction component of the investigation, a review of literature, and the construction of hypotheses to clarify concepts and demonstrate how the variables interact with prior studies. The third section delves into the data and techniques, the fourth, analysis and a review of the findings; the fifth includes a conclusion and recommendations.

## 2. LITERATURE REVIEW

### 2.1 Conceptual Review

This section conceptualises the dependent and independent variables by defining and explaining them in detail, including the issues surrounding them, the measurements of the independent variable were also explained.

#### 2.1.1 Tax compliance

Akinleye [13] asserts that tax compliance is a situation in which individuals must carry out and fulfil all of their tax-related rights and obligations. Tax compliance may also be defined as taxpayer obedience in carrying out the tax obligations that have been mandated and executed based on existing taxation laws, as well as taxpayers' voluntary conduct in reporting all other income received [14,15] It is when a taxpayer is able and willing to follow tax regulations, declare the accurate income each year and make the timely payment of the appropriate taxes [16]. Tax compliance, according to Akeem-omosanya and Adeyemi [17] is used to describe a taxpayer's capacity and readiness to follow numerous tax laws as required by the political, ethical, and legal context.

Tax compliance is therefore inferred as the taxpayers' capacity to consent to all relevant tax laws, to furnish the accurate, accrued yearly income and the readiness to pay the tax obligations when it becomes due. As stated by Shiferaw and Tesfaye [18], When most taxpayers file their taxes without difficulty and pay the associated taxes as required by law, without the involvement of tax authorities through enforcement, then tax compliance is mostly achieved, enforcement steps will be initiated if

voluntary compliance is not high enough to ensure that all taxpayers register as taxpayers through the e-tax registration system. This will increase the number of taxpayers who pay taxes and increase government revenue.

Tax compliance can be determined by looking at the number and percentage of e-tax registrants who file and pay their taxes electronically [1]. This indicator represents the amount of utilisation and satisfaction with e-tax registration services among taxpayers who have registered. It can be determined by the frequency, timeliness, correctness, and completeness of e-tax filing and payment activities. A higher number and proportion of e- tax filers and payers may suggest a higher compliance level and the convenience of e-tax registration services [19].

According to the theory of planned behaviour (TPB), which underpins this study, three elements influence taxpayers' compliance decisions: mindsets, arbitrary standard, and perceived behavioural control [20]. This study looks at mindsets as one of the factors influencing taxpayer compliance. Taxpayer compliance can be influenced by an individual's view of the outcomes and consequences of paying taxes. A constructive mindset towards tax compliance demonstrates a willingness to complete one's tax duties [21]. A negative mindset reveals a dissatisfaction with tax compliance and a proclivity to evade or avoid taxes.

#### 2.1.2 E-tax registration

Night and Bananuka [1] state that e-tax e-tax registration is the process of signing up for a digital platform that enables taxpayers to electronically file and pay their taxes. The E-Registration System is a platform that verifies and modifies taxpayer data online and is directly connected to the Federal and State Internal Revenue Services for tax-related purposes (Sulthan Alfauzan, et al., 2023). The procedure of obtaining a distinct Taxpayer Identification Number (TIN) digitally in Nigeria using a Bank Verification Number (BVN) or a National Identification Number (NIN) is known as e-tax registration [22].

The process by which individuals or businesses register with the appropriate tax authorities using electronic means, such as online platforms or digital forms, to initiate their tax obligations, update their taxpayer information, and obtain

relevant tax identification numbers is known as e-tax registration. It is projected to improve taxpayer compliance by lowering the costs and hazards of errors, fraud and corruption linked with manual tax processes. Night & Bananuka [1] submitted in their study that e-tax registration affects taxpayers' attitudes and views about electronic tax system, which has an equivalent effect on compliance, a positivity mindset about e-tax can enhance acceptance and utilisation of e-tax services, which can increase taxpayers' voluntary compliance [1]. In this study, three independent variables are measured to proxy e-tax registration: taxpayers' knowledge of e-registration, the monetary cost of e-tax registration, and the perceived quality of the e-registration system.

### 2.1.3 Taxpayers' knowledge of E-registration

According to Ishola et al. [23], knowledge of the implementation of e-tax registration is defined as a situation in which taxpayers are informed about the Integrated Tax Administration System (ITAS), an electronic platform that allows registered taxpayers in Nigeria for filling Value Added Tax (VAT) and personal income tax electronically. How much of taxpayers' knowledge and skill about electronic tax services that allow them to perform various tax activities such as registration, filing, payment, and compliance certificate issuance online using the ITAS application launched by the FIRS in 2013 is referred to as taxpayers' knowledge of e-tax registration [6].

The level of taxpayer understanding of the characteristics and capabilities of e-tax, a digital tax administration and payment system, can be determined by e-tax registration knowledge. The Lagos State Internal Revenue Service (LIRS) introduced a prototype of this to facilitate the payment of all taxes due to the Lagos State tax administration [24]. If a taxpayer is familiar with the process and benefits of applying for a Tax Identification Number (TIN) online, it can enhance morale and increase compliance, resulting in increased government revenue [25].

Some possible determinants of taxpayers' knowledge of e-tax registration are: the taxpayers' level of education and literacy [26], which affects their ability to access, understand, and use the tax system electronically and its features, the availability and quality of tax information and education provided by the tax authorities, such as online guides, tutorials, help

desks, and seminars, which can enhance the taxpayers' awareness and understanding of the electronic tax system [1].

### 2.1.4 Monetary cost of E-tax registration

According to Olajide et al. [27], The total sum of money required for e-tax registration is known as the monetary cost, the sum of money a taxpayer must pay as penalties or interest for late or inaccurate registration or payment of taxes electronically. The financial burden of registering for an electronic tax refers to the amount of money that taxpayers must spend in order to register for e-tax services and acquire their tax identification number (TIN) online [28]. The monetary expenses of e-tax registration are the sum of money that taxpayers must renounce or sacrifice as a result of transitioning from manual to electronic tax processes and fulfilling their tax obligations through the e-tax portal. Monetary cost will be measured in three ways: opportunity, indirect, and direct expenses.

The direct expense is the money that taxpayers must pay in order to register for e-tax, such as fees, fines, or penalties [28]. This type of expense can have an impact on taxpayer compliance by altering their perceived utility of e-tax, which is the extent to which they believe utilising e-tax will improve their performance or benefits. According to a study conducted by Sugianto and Arfamaini [29], it was confirmed compliance is significantly and positively influenced by perceived usefulness.

Indirect cost for online registration is another form of monetary cost [30]. This is the amount of money that taxpayers must spend to purchase or upgrade the software and hardware that allows them to access and use e-tax, such as computers, smartphones, internet browsers, antivirus software, and so on [31]. By affecting the taxpayer's perception of how simple they will find it to use e-tax, this type of expense may have an effect on their willingness to comply with the law.

A third type of monetary cost of e-registration is the opportunity cost. This refers to the amount of money that taxpayers must forego or give up in order to register for e-tax, such as income, time, or resources [32]. This type of cost can affect taxpayer compliance by influencing tax morale, tax knowledge, and tax incentives, which are the psychological and social factors that motivate people to voluntarily comply with their tax obligations. Agbetunde et al. [33] asserted in

their findings that awareness and tax morale positively influence tax compliance however tax incentives had a mixed influence on the payment of taxes.

### **2.1.5 Perceived quality of E-registration platform**

The extent to which taxpayers assess the online service delivery of the State Internal Revenue Services and the Federal Inland Revenue Service (FIRS), as satisfying their expectations and need for e-tax registration purpose is known as the perceived quality of the e-tax system [23]. Perceived quality of the electronic tax registration system refers to how much taxpayers believe the Integrated Tax Administration System (ITAS) online service delivery matches their needs and inclinations [19], claimed that the perceived quality of electronic registration platform may affect the compliance of taxpayers behaviour and satisfaction level, together with the effectiveness and efficiency of the tax management system. Ishola et al. [23] state that perceived quality online tax registration platform is influenced by various factors such as accessibility, usability, reliability, security, and responsiveness of the online registration platform, and similarly supported by [19], it is influenced by the ease of use, functionality, convenience, and feedback of online registration platform.

In analysing perceived quality for the E-Registration System, the following determining indicators will be used: Users' opinions of how effectively the system performs, how frequently it is accessible, and how quickly it answers to their requests are influenced by the system's reliability and availability [34], security and privacy of the system, which influence users' impressions of how safe and confidential their personal and financial information is when using the system [35], the system's usability and usefulness, which influence users' judgements of how simple and convenient the system is to use, as well as how well it meets their wants and expectations the system's design and appearance, which influence users' perceptions of how appealing and appealing the system is in terms of layout, graphics, colours, and fonts, and the system's service quality and support, which influence users' perceptions of how courteous, helpful, and knowledgeable the system is [36].

## **2.2 Theoretical Review**

The research on e-registration and taxpayer compliance is guided by the Theory of Planned

Behaviour (TPB), Icek Ajzen presented the idea of planned behaviour in 1985 expanding upon the concept of rational behaviour, which Ajzen and Martin Fishbein proposed in 2004. According to this concept, people's attitudes towards certain behaviours, their perceptions of behavioural control, and their subjective norms all have an impact on how they behave. With reference to taxpayer compliance and online registration, attitude refers to a positive or negative assessment of the computerised taxation system, subjective norms refer to social pressure or expectations of others pertaining to the application of the electronic tax system and perceived behavioural control relates to how simple or complex the electronic tax system is thought to be in terms of use.

According to this theory, the electronic tax system would be adopted by taxpayers and fulfil their tax obligations if they have a positive attitude towards it, believe others approve of using it, and think they have the resources and skills needed to use it. Taxpayers, however, are less likely to accept the electronic tax system and fulfil their tax obligations if they have a negative mindset regarding it, believe others oppose its use, and believe they lack the knowledge and resources needed to use it.

The theory of planned behaviour, though, is not without detractors. Among the principal objections are the following: The theory assumes that behaviour is planned and logical, but it ignores other variables that could affect behaviour, like feelings, routines, impulses, or environmental limitations. The relationship between attitude, subjective norm, and perceived behavioural control—the three elements that make up behavioural intention—is not explained by the theory. Neither is it explained how behavioural intention is converted into actual behaviour or how behaviour feedback influences future intentions and behaviours.

Notwithstanding these criticisms, the theory of planned behaviour might still be a helpful framework for researching e-tax registration and tax compliance because: it offers a thorough and economical explanation of how beliefs affect intentions and actions; it can be expanded or altered by including additional variables or constructs that might be pertinent for actions or situations.

## **2.3 Empirical Review**

The effect of electronic taxation on tax compliance in a sample of fast-food restaurants

in Lagos state, Nigeria, was investigated by Akpubi and Igbekoyi [37] (from the taxpayers' perspective). In this study, a survey research design was used. Regression analysis, structural equation model analysis, and descriptive statistics were used to evaluate the data obtained from the distribution of a structured questionnaire on SMEs in Lagos State. The level of awareness (LOA) and tax compliance showed a considerable positive correlation, the study found. While the tax compliance cost (TCC) negatively impacted tax compliance in a non-significant way, A positive effect was also discovered for perceived ease of use (PEU), however it was not statistically significant. The study only focused on e-tax filing on a sector neglecting other sectors of the economy and other platforms of e-taxation.

Alade [38] investigated how Nigeria's income generation was affected by electronic taxation. This study covered a period from the first quarter of 2012 to the second quarter of 2018, a period of six years and three quarters. making use of Federal Inland Revenue Service data, the income tax amount received from company income tax increased slightly between the pre- and post e-tax periods. Moreover, revenue during the pre- and post-value-added tax periods did not differ significantly. Further study can be done to extend to 2022 and primary data can be used to gather information as against the secondary data used.

Otikunrin et al. (2021) used information from primary and secondary sources to examine how electronic taxation system (E-tax system) reduces evasion of taxes in Nigeria. A questionnaire was distributed to 60 FIRS officers, staff members, and taxpayers at a small and medium-sized company registered in the Federal Capital Territory of Abuja, Nigeria. The 20-year tax revenue collection record from 2000 to 2019 was obtained from the FIRS platform to obtain secondary data. The research design employed was conclusive. Linear regression was used to analyse the data, and a general linear model. The research indicates that tax evasion will be greatly decreased by an efficient electronic tax system. The population of the study was not specified; Abuja alone cannot be used to conclude that there will be a decrease in evasion of taxes with a computerised tax system; the study should be broadened to include other states in the country.

Lunani et al. [39] looked into how online tax registration affected Eldoret, Kenya's Small and Medium Enterprises' tax compliance. An explanatory research methodology was used, and primary data was acquired mostly through structured questionnaires. According to the study, The study concludes that tax compliance is significantly impacted by online tax registration. The study only focused on Small and Medium Enterprises, ignoring other sectors, and while it was conducted in Kenya, it can be replicated in other African nations such as Nigeria.

Okoye and Adesanya [40] assessed how of Lagos state generated revenue in context of electronic taxation. The dependent variable is revenue generating, while the independent variable is electronic taxation, which was represented by electronic tax payment, filing, and clearing certificates. The study employed the Ex-post facto research design technique, Information was gathered from state-level internal revenue yearly reports, and it was then examined. According to the analysis, electronic tax payment and the issuing of electronic tax clearance certificates significantly impacted Lagos State's ability to generate revenue; however, electronic tax filing has an insignificant effect on tax collection in Lagos State. The study did not include electronic tax registration as a variable; nevertheless, the analysis might be conducted using primary data instead of secondary data.

Adekoya, et al. [41] investigate the informal economy and Tax Compliance in Nigeria: Challenges and Opportunities by examining the concept, difficulties, and strategies for taxing and promoting tax compliance in Nigeria's informal economy. An exploratory research design was used. The study indicates that taxing the informal sector is crucial for generating revenue, economic growth, and good governance. However, doing so calls for tax law simplicity, tax education and awareness campaigns, interagency cooperation, the issuance of tax identification numbers, and openness and accountability from the government. Since taxing the informal economy will put a heavy load on them, it is expected that the government will assist them rather than charging them based on their living standards. The official /formal sector was completely ignored in favour of the informal sector in this study.

In Harare, Zimbabwe, Sifile et al. [42] investigated how clients' tax compliance was affected by electronic tax filing. Using 100 responders as the sample size, it uses correlation analysis and the chi-square test as part of a descriptive research technique. The results demonstrate that electronic tax filing enhances tax compliance by decreasing the time and expense associated with filing, raising the accuracy and ease of filing and improving views of the tax system's equity and openness. The study focuses on e-filing; further research on the influence of e-tax registration on tax evasion and avoidance can be conducted.

Meiryani et al., 2021 examined "The Influence of Modern E-Filing Tax Service Systems on Taxpayer Compliance." This research examined individual taxpayer compliance Indonesia is examined in relation to tax awareness, the level of the e-filing system and tax knowledge. The survey approach is conducted with 200 respondents, and multiple linear regression analysis is performed. Based on the findings, individual taxpayer compliance is positively and significantly impacted by tax knowledge, tax awareness, and the quality of the e-filing system. The study solely looked at e-filing and ignored other e-taxation platforms, such as e-registration.

Mustapha et al. [19], in their study of the Integrated e-tax filing management system on tax compliance behaviour in Nigeria, examined the effect on individual taxpayer compliance in Nigeria of the quality of the e-filing system, tax awareness, and tax knowledge. It uses multiple linear regression analysis and a survey method with 400 respondents. The findings show that tax awareness, tax knowledge, and the quality of the electronic filing system all positively and significantly affect individual taxpayer compliance. Other e-taxation platforms, such as e-registration, were not included in the study; it only examined e-filing.

Sugianto et al.'s [29] study looked at how applying the e-system tax affected individual taxpayer's level of compliance. To determine whether the operation of the e-taxation system, this includes electronic filing, electronic billing, electronic SPT, and electronic registration had an effect on KPP Pratama Surabaya Pabean Cantikan individual taxpayer compliance, In order to accomplish this, they gathered information from KPP Pratama Surabaya Pabean Cantikan and primary data in the form of surveys. The

study reveals that at KPP Pratama Surabaya Pabean Cantikan, individual taxpayer compliance was significantly impacted by electronic registration, electronic filing, and electronic billing. For individual taxpayers, however, electronic -SPT does not have effect on compliance. The study was conducted in Indonesia, but it may also be conducted in Nigeria.

Usman and Abdullahi [43] examined E-filing Intentions of Income Tax Return and Compliance Behaviour in Nigeria [A Proposed Framework] the effect of electronically filing income tax returns on compliance behaviour. To determine whether the Unified Theory of Technology Acceptance and Use of Technology (UTAUT) model might be used as a predictor of compliance behaviour, the study used a methodical literature review approach. Results indicate that in Nigeria, performance expectations and compliance behaviour are positively correlated. other likely factors that can influence compliance behaviour apart from social, economic and psychological factors considered by most prior studies should be investigated.

Oladele et al. [6] study looked at how electronic tax administration affects tax compliance and how it affects tax income. A quantitative research design was applied. Utilising pre-existing data from the Federal Inland Revenue Service (FIRS), Data included tax income recorded seven years both before and after the FIRS adopted e-tax administration in 2013. The study reveals that electronic tax system and tax compliance were found to be strongly correlated. . The study used secondary data, further study can be done using primary data.

Olaoye and Awe [44] carried a research on 'The effect of Taxpayer Identification Numbers (TINs) on revenue generation in Ekiti State, Nigeria for a ten-year period spanning 2006 to 2015. To be precise, the study looks into how the introduction of TIN affects taxpayer compliance and helps the government collect more revenue. The findings showed that the state's internal revenue generated significantly increases when the taxpayer identification number is fully adopted. Primary data to be used as against the secondary data used, other e- tax platforms like e-tax registration to be investigated and the period under review to be extended to 2022.

Igbekoyi and Adedipe [9] investigated the electronic tax filing system and compliance in

Ondo State. A well-structured questionnaire was administered on 224 tax administrators from the Ondo State Board of Internal Revenue Service, was used to gather data from primary sources. Descriptive and inferential statistics were used to assess the obtained data. The results of the study indicate that while the electronic tax filing method improved the responsiveness of the government to taxation, it had no significant effect on the rate of tax compliance or taxpayers' access to information in Ondo State. The study only examined e-filing neglecting other e-tax platform.

Chisumpa et al. [45] investigated factors influencing tax compliance by SMEs in Zambia: a case study of the Ndola Central Business Centre. In the Ndola Central Business Centre, the factors influencing tax compliance by SMEs were assessed. Structured questionnaires were used to collect the data for this investigation. The results of the inquiry were presented using tables and charts. It was discovered that SMEs' tax compliance was negatively impacted by high tax rates. Issues that hindered tax compliance included high tax compliance costs, inadequate tax education, and SMEs' unfavourable tax attitudes. The study was carried out in Zambia, it can be done considering other African countries.

Information technology's effect on accurate tax assessment in Nigeria was studied by Ajala and Adegbe [46]. Employees of six specific multinational companies in Lagos State, as well as the Lagos State Internal Revenue Service and the Federal Inland Revenue Service in Lagos offices, were administered a questionnaire. The information collected was then examined. The findings demonstrate that the efficient assessment of taxes in Nigeria was positively impacted by technology innovation in a statistically meaningful way. The findings demonstrate that the efficient assessment of taxes in Nigeria was positively impacted by technology innovation in a statistically meaningful way. The study was conducted in Lagos state; subsequent research could look into the impact of digitalization on taxpayer compliance in other states.

Ofurun et al. [47] looked into how Nigeria's revenue and economic growth were affected by e-taxation. Information was acquired using secondary data obtained on a quarterly basis from the second quarter of 2013 to the fourth quarter of 2016 from the Federal Inland Revenue Service and the Central Bank of Nigeria

Statistical and Economic Reports. The results showed that Nigeria's tax-to-GDP ratio and federally collected revenue were significantly and negatively impacted by the introduction of e-taxation. The study just addresses CIT and VAT; PIT, PPT, and the digital economy can be included as well.

The relationship between attitudes towards electronic tax systems and tax compliance was examined by Night and Bananuka [1] with regard to the deployment of electronic tax systems as a moderator. Closed-ended questionnaires were used and given to 214 managers of small business enterprises (SBEs) in an African emerging economy. The results demonstrated a significant relationship between tax compliance and the adoption of electronic tax systems and attitudes towards such systems. The study was carried out in Uganda, and it is unlikely that the findings can be generalised to other developing nations, such as Nigeria.

Purba et al. [48] assessed the effect of installing e-filing systems on personal tax compliance, using internet knowledge as a moderator (case study on personal taxpayers at Kpp Pratama Jakarta Kramatjati). Primary data obtained from respondents' answers to the given questionnaire and descriptive statistics are used in the data analysis. According to the research, adopting electronic filing systems significantly improves taxpayer compliance. The study focused on e-filing neglecting other platforms of e-tax system, for example e-registration.

## 2.4 Gap in Literature

Despite the evidence of existing studies revealing that e-tax system has a significant effect on tax compliance, the extent of the effect in terms of volume of the tax revenue yield based on tax compliance is unclear. This is because the studies are only limited to taxpayers captured in government data base, excluding uncaptured taxpayers. There is need to assess the aspect of tax administration that deals with the ability of the government to widen the tax net, by increasing the taxpayer base in terms of registration of eligible taxpayers especially through electronic approaches.

The study will fill the existing gaps that linger in this area of study, by considering knowledge of e-tax registration from the perspective of monetary cost, and the perceived quality of e-registration system on tax compliance in Lagos state. Lagos



State has been at the forefront of embracing technology and digital solutions in various sectors. The government has made efforts to improve e-governance and digitize public services, including tax administration. Exploring e-tax registration in Lagos State can shed light on the impact of technological adoption on taxpayers' compliance behaviour and the effectiveness of digital platforms in facilitating tax registration processes.

Based on these, the null hypotheses will be stated as follows :-

**H<sub>01</sub>:** Taxpayers' knowledge does not have a significant effect on taxpayers' compliance in Lagos state.

**H<sub>02</sub>:** Monetary cost have no significant effect on taxpayers' compliance in Lagos state.

**H<sub>03</sub>:** Perceived Quality of E-Registration System quality does not significantly have effect on taxpayers' compliance in Lagos state.

### 3. METHODOLOGY

This is a qualitative study, and a survey research design was used to collect information from respondents. Data would be obtained from primary sources using a structured questionnaire. The population being examined is made up of comprises tax administrators in the Lagos state federal inland revenue service of 10,601 permanent staff of which 4,708 are on officer cadre (FIRS staff statistics 2021). The sample size of 354 was determined using the Krejcie and Morgan formula. The sample size was selected using purposive sampling techniques, they are deliberately chosen because of their knowledge and expertise characteristics in the registration of taxpayers. Descriptive statistics and structural equation modelling were used to analyse the data collected. The research instrument, that is, the questionnaires were tested to ensure its reliability and validity.

According to Krejcie and Morgan (1970), the sample size is calculated as follows:

$$\frac{x^2n(1 - p)}{d^2(n - 2) + x^2p(1 - p)}$$

where:

s = required sample size

x = the table value of chi-square for one degree of freedom at the desired confidence level n = the population size

p = the population proportion (assumed to be 0.5 since this would provide the maximum sample size)

d = the degree of accuracy expressed as a proportion (0.05)

Using this formula, and assuming a confidence level of 95%, we can calculate the sample size for a population of 4708 as follows:

x = 1.96 (from chi-square table)n = 4708

p = 0.5

d = 0.05

Therefore, the sample size is approximately 354.

### 4. RESULTS

The questionnaire was administered on the targeted respondents and total of 217 responses was gotten representing 61.30 percent of the intended 354 respondents. The demographic presentation of the respondents shows that 138 respondents are officer 1 and 79 of them are officer 2. Also, 40 respondents are below 5 years in service, 58 have spent between 5 to 10 years in service and 104 of the respondents have served for 11 to 15 years and 13 respondents have 16 to 20 years' experience while the remaining 2 have been in service for over 20 years. 206 respondents claimed to have been involved in e-tax registration while the remaining 11 respondents have never been involved. The gender of the respondents is fairly distributed as 138 were male and 79 were female.

#### 4.1 Descriptive Statistics

An overview of the responses from respondents on tax compliance (TC), knowledge of e-tax registration (KET), Monetary cost of e-tax registration (MCET), The perceived quality of e-tax registration system (PQET) was shown in Table 2. This demonstrates the accuracy with which the respondents perceived the study's extensively stated variables. The descriptive statistics revealed that the typical reaction of participants as tax compliance (TC) is 4.539 suggesting that a majority of the respondents agreed with the assertion made in the section about tax compliance in Lagos State, Nigeria which moderately varies from one another having

**Table 1. Background information of respondents**

| S/N | Demographic profile  | Categories                 | Frequency | Percentage |
|-----|--|----------------------------|-----------|------------|
| 1.  | Status   | Officer 1                  | 138       | 53.59      |
|     |  | Officer 2                  | 79        | 100.00     |
| 2.  | Years in service   | Below 5years               | 40        | 18.43      |
|     |  | 5 – 10years                | 58        | 45.16      |
|     |  | 11 – 15years               | 104       | 93.08      |
|     |  | 16 - 20years Above 20years | 13        | 99.07      |
| 3   | Do you usually involve in the e-registration of taxpayers? | YES                        | 206       | 94.93      |
|     |  | NO                         | 11        | 100.00     |
| 4   | Gender   | Female                     | 138       | 63.59      |
|     |  | Male                       | 79        | 100.00     |

Source: Researchers' Computation (2023)

**Table 2. Descriptive statistics of study variables**

| Variables                  | Obs | Mean  | Std. Dev. | Min | Max | Skewness | Kurtosis |
|----------------------------|-----|-------|-----------|-----|-----|----------|----------|
| Tax Compliance             | 217 | 4.539 | 0.637     | 2   | 5   | -1.605   | 3.676    |
| Knowledge (E-tax Reg)      | 217 | 4.654 | 0.504     | 2   | 5   | -1.195   | 1.709    |
| Monetary Cst (E-tax Reg)   | 217 | 4.59  | 0.545     | 2   | 5   | -1.050   | 1.101    |
| Perceived Qlty (E-tax Reg) | 217 | 4.530 | 0.622     | 1   | 5   | -1.673   | 5.336    |

Source: Researcher's Computation (2023)

**Table 3. Correlation between E-Tax Registration and Tax Compliance**

| Variables                                       |             | Tax Compliance | KNET     | MCET      | PQET     |
|---|-------------|----------------|----------|-----------|----------|
| Tax Compliance                                  | Corr. Coeff | 1.0000         | 0.524    | 0.558     | 0.605    |
|   | RhO (Sign.) | -----217       | 0.0000   | 0.0000    | 0.0000   |
|   | OBS         |                | 217      | 217       | 217      |
| Knowledge of E-tax Registration (KET)           | Corr. Coeff | 0.524          | 1.0000   | 0.591     | 0.393    |
|   | RhO (Sign.) | 0.0000         | -----217 | 0.0000    | 0.0000   |
|   | OBS         | 217            |          | 217       | 217      |
| Monetary Cost of E-tax registration (MCET),     | Corr. Coeff | 0.558          | 0.591    | 1.0000    | 0.505    |
|   | RhO (Sign.) | 0.0000         | 0.0000   | ----- 217 | 0.0000   |
|   | OBS         | 217            | 217      |           | 217      |
| Perceived quality of e-tax registration (PQET). | Corr. Coeff | 0.605          | 0.393    | 0.505     | 1.0000   |
|   | RhO (Sign.) | 0.0000         | 0.0000   | 0.0000    | -----217 |
|   | OBS         | 217            | 217      | 217       |          |

Source: Researchers' Computation (2023)

standard deviation of 0.637 in responses and the response's minimal value of 2 indicates disagreement, while its maximum value of 5 indicates strongly agree. The respondents' responses are regularly distributed and negatively skewed.

Similarly, from Table 2, mean of the response as regard knowledge of e-tax registration (KET) is 4.654 using a standard deviation of .504 and this suggests that on average, the respondents agreed to the statements addressing knowledge

of e-tax registration and considering its distance from the mean, their responses vary slightly. With respect to the skeweness value of -1.195 and the kurtosis value of 1.709, the responses are negatively skewed and normally distributed. Also, responses on monetary cost of e-tax (MCET) revealed a mean value of 4.590 and a standard deviation of 0.545, indicating that the responses are moderately varied and extremely close to agreement when the standard deviation is considered. With a value of -1.050 and a kurtosis of -1.050, the response is negatively skewed.

which indicate normal distribution. From Table 2, the mean for perceived quality of e-tax registration (PQET) is 4.530 and the statistics shows that the respondents are caught in between agreed and strongly agree in their opinion with .622 standard deviation which varies moderately. The response is negatively skewed -1.673 and abnormally distributed with kurtosis value of 5.336 due to the kurtosis value being higher than the anticipated 3.0 threshold.

## 4.2 Test of Hypothesis

In order to determine the specific objectives of the investigation using the hypothesis test, the partial least squares structural equation modelling (PLS-SEM) method is used to analyse the relationships and effects among the variables. Due to its superiority over other techniques in the analysis of non-normally distributed data or small sample sizes, this is regarded as more favourable which can be a feature in survey data. To test the significance of the PLS-SEM results, bootstrapping procedure was used and all constructs under the endogenous variable was analysed with each exogenous variable and the path co-efficient were reported.

### 4.2.1 E-tax registration and tax compliance in Lagos State, Nigeria

In testing the study's first hypothesis, the correlation among the measurements of e-tax registration which are knowledge of e-tax registration, monetary cost of e-tax registration and perceived quality of e-tax registration on tax compliance, A non-parametric technique called spearman correlation was used, which is appropriate for assessing hypotheses in survey research. By doing this, the PLS results will be validated and the contribution of the tax registration system's individual influence on the improvement of tax compliance will be established. The correlation result is presented in Table 3. The correlation results shows that tax compliance have positive relationship with knowledge of e-tax registration and the relationship is significant in such a way that one time improvement in knowledge about e-tax registration will improve tax compliance up to 52.4 percent. It was also noted that there is a positive and statistically significant correlation (at 5%) between the monetary cost of e-tax registration and tax compliance. Finally, there is a positive and strong correlation between tax compliance and the perceived quality of e-tax

registration. A one-time improvement in the cost of e-tax registration will raise tax compliance by 55.8%. According to the result, taxpayers' perceived quality of e-tax registration will increase, and this will result in a 60.5% increase in tax compliance. Based on Table 3, there is a positive correlation and mutual influence among the several e-tax registration indicators. It is clear from the correlation results that three key factors are required for e-tax registration to be effective among taxpayers in Lagos State, Nigeria: knowledge about e-tax registration, the monetary cost of e-tax registration, and the perception of e-tax registration's quality.

The effect of e-tax registration on tax compliance is examined using Partial Least Square Structural Equation Modelling (PLS-SEM). This hypothesis consists of one endogenous variable (Tax Compliance) and one exogenous variable (E-tax Registration) which is broken down into Knowledge of E-tax Registration (KET) monetary cost of E-tax registration (MCET), Perceived quality of e-tax registration (PQET). The path coefficient, t-statistic value, probability value and R-Square determination, effect size ( $f^2$ ), the predictive relevance of the model, and the predictive relevance of the model index were the core standards for evaluating the structural model as shown in the Fig. 1. And the other statistical report was presented in subsequent tables. Table 4 explain the quality of the measurements and items to be employed in the analysis. It was indicated that some of the questionnaire items does not meet the criteria of the 0.6 threshold for the outer loadings and they were expunged from the measurements considered for analysis. For Knowledge of E-tax Registration (KET), item 1, 3 and 4 have factors loading below the threshold and were removed from the analysis. Also, for tax compliance (TCP), it is shown that item 2 and 6 loadings below 0.6. Likewise, monetary cost of E-tax registration (MCET), have 4 items that failed the quality criteria and they are item 2, 4, 6 and 7. As for Perceived quality of e-tax registration (PQET), item 1, 2, and 4 were expunge due to poor factor loading. Tax compliance also have questions with poor factor loading that were removed and they are question 1 and 2.

The remaining items were tested for internal consistency, even though the Cronbach Alpha is mostly used in social sciences, composite reliability is most preferred for partial least square. All the variables have composite reliability that is above the 0.7 required threshold. Average variance extracted (AVE) was used in assessing

**Table 4. Constructs reliability and validity**

| Variables                               | Indicators | Factor loadings | Cronbach Alpha | Composite reliability | Average Variance Extracted | No of Items |
|---|------------|-----------------|----------------|-----------------------|----------------------------|-------------|
| Tax Compliance                          | TACC1      | 0.581           | 0.760          | 0.772                 | 0.513                      | 5           |
|   | TACC2      | 0.494           |                |                       |                            |             |
|   | TACC3      | 0.779           |                |                       |                            |             |
|   | TACC4      | 0.625           |                |                       |                            |             |
|   | TACC5      | 0.651           |                |                       |                            |             |
|   | TACC6      | 0.780           |                |                       |                            |             |
|   | TACC7      | 0.643           |                |                       |                            |             |
| Knowledge of E-tax registration         | KNET1      | 0.657           | 0.751          | 0.751                 | 0.446                      | 6           |
|   | KNET 2     | 0.306           |                |                       |                            |             |
|   | KNET 3     | 0.617           |                |                       |                            |             |
|   | KNET 4     | 0.650           |                |                       |                            |             |
|   | KNET 5     | 0.709           |                |                       |                            |             |
|   | KNET 6     | 0.503           |                |                       |                            |             |
|   | KNET 7     | 0.607           |                |                       |                            |             |
|   | KNET8      | 0.658           |                |                       |                            |             |
| Monetary Cost of E-tax Registration     | MCET1      | 0.694           | 0.659          | 0.660                 | 0.491                      | 4           |
|   | MCET2      | 0.198           |                |                       |                            |             |
|   | MCET 3     | 0.622           |                |                       |                            |             |
|   | MCET 4     | 0.574           |                |                       |                            |             |
|   | MCET 5     | 0.707           |                |                       |                            |             |
|   | MCET 6     | 0.492           |                |                       |                            |             |
|   | MCET 7     | 0.582           |                |                       |                            |             |
|   | MCET 8     | 0.600           |                |                       |                            |             |
| Perceived Quality of E-tax Registration | PQET1      | 0.450           | 0.739          | 0.766                 | 0.486                      | 5           |
|   | PQET2      | 0.391           |                |                       |                            |             |
|   | PQET3      | 0.676           |                |                       |                            |             |
|   | PQET4      | 0.536           |                |                       |                            |             |
|   | PQET5      | 0.738           |                |                       |                            |             |
|   | PQET6      | 0.698           |                |                       |                            |             |
|   | PQET7      | 0.612           |                |                       |                            |             |
|   | PQET8      | 0.621           |                |                       |                            |             |

Source: Authors' Computation (2023)

**Table 5. Discriminant Validity**

| Variables      | KNET  | MCET  | PQET  | Tax Compliance |
|----------------|-------|-------|-------|----------------|
| KNET           | 0.668 |       |       |                |
| MCET           | 0.602 | 0.701 |       |                |
| PQET           | 0.556 | 0.452 | 0.697 |                |
| Tax Compliance | 0.596 | 0.554 | 0.597 | 0.716          |

Source: Authors' Computation (2023)

the convergent validity, which shows that convergent for the variables are valid. Table 5 presents the results for the discriminant validity, acquired through the use of the Fornell-Larcker Criterion and it is calculated using square root of AVE in each latent variable [61,64]. This test is important in order to validate the degree to which measures of different traits are unrelated in order to prevent multicollinearity issues.

The values are expected to be higher than the correlation values between the hidden variables.

According to the table that the the results shows that 0.668 is higher than the correlation between monetary cost of e-tax registration and knowledge of e-tax registration; perceived quality of e-tax registration and knowledge of e-tax registration. It is also observed that for monetary cost of e-tax registration, 0.701 is higher than the correlation values for perceived quality of e-tax registration and monetary cost of e-tax registration. For perceived quality of e- tax registration, the discriminant value is higher than

correlation between perceived quality of e-tax registration and tax compliance.

The overall findings as shown in Fig. 1 and Table 6 respectively indicate that tax compliance have 49.4 percent variance explained by E-tax registration. Given that the normed fit index (NFI) is near to 1 and the standardised root mean square residual (SRMR) has a value of less than 0.1, the model is deemed to be well-fitting. 1 [49,50]. The contribution of e-tax registration measures to the R-square was indicated by the effect size (f-square) and it is observed that e-tax knowledge has the weakest magnitude having the 0.071 which is below 0.1 recommended by Cohen (1988) and the implication is that if tax knowledge is removed from the exogenous variables, R-square will only vary by 7.1 percent. Also, the effect size of e-tax monetary cost is weak having the value of 0.072 which can be referred to as weak effect and it imply that if other exogenous variable are held constant while e-tax monetary cost is removed, r-square will vary by 7.2 percent and the effect size for perceived quality of E-tax registration shows f-square value of 0.157 which indicate a of small effect and the removal of perceived quality of e-tax registration, it will make the r-square varyby 15.7 percent.

Considering the predictive relevance of each exogenous variable in the model as indicated by Q<sup>2</sup> shows that since the value is greater than 0, it demonstrates the predictive usefulness of the model. and the implication is that one unit of improvement in e-tax registration will improve tax compliance by 48.7 percent which can be considered as substantive. From Table 6. A significant influence in the analysis is shown by the P-value of all constructs in Fig. 1 as it is less

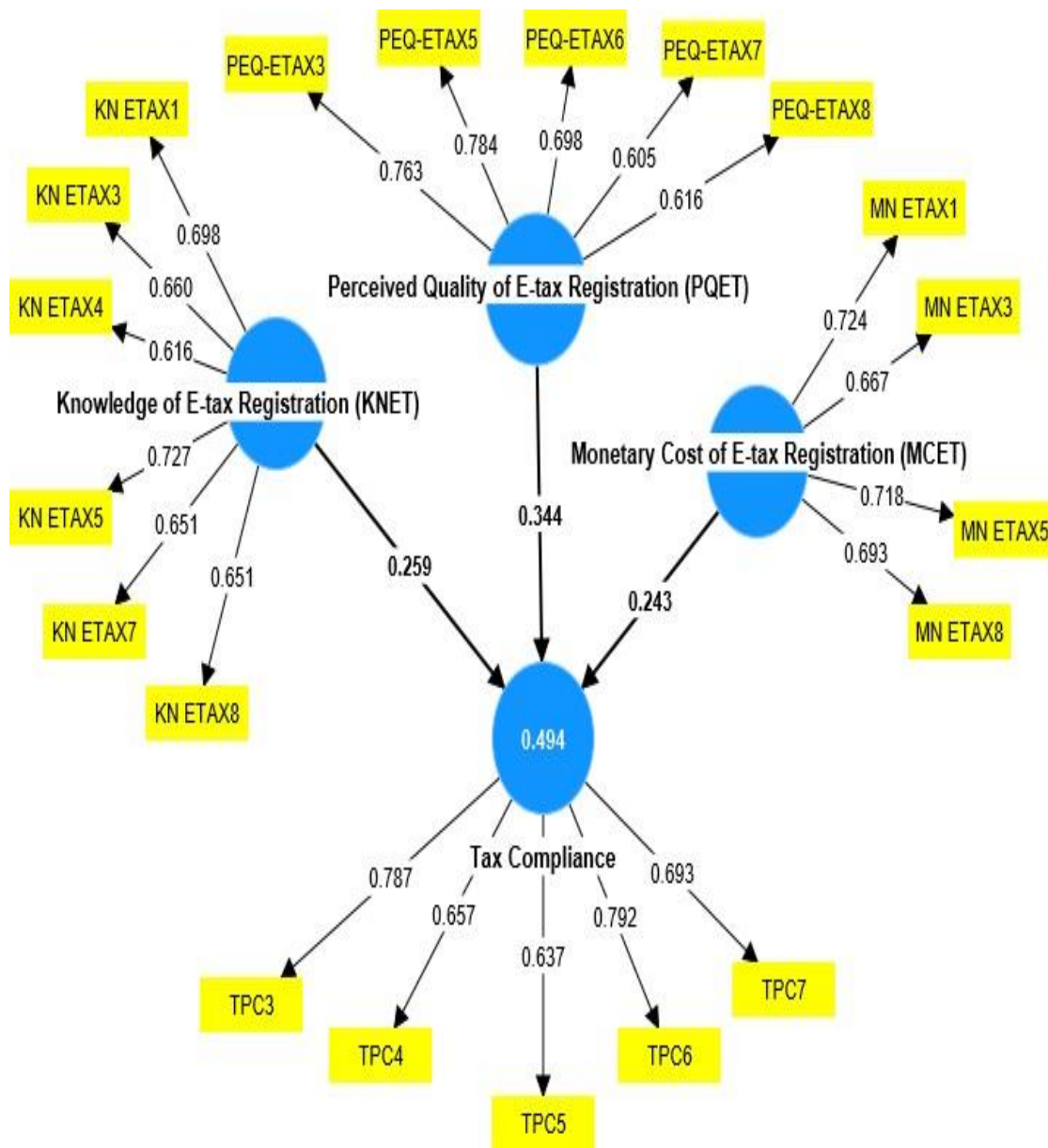
than ≤0.05. It was discovered that a e-tax registration has significant and positive effect on tax compliance showing coefficient of 0.259; t-statistics of 2.230 and P-value of 0.026. The implication is that if taxpayers are familiar with the processes involved in electronic tax registration and well informed about the benefits of utilizing electronic tax registration methods, it will improve their tax compliance. Likewise, from Table 6, it is indicated that monetary cost of e-tax registration have direct positive and significant influence on tax compliance showing correlation value of 0.243; t-statistics of 2.615 and 0.009 P-value. The implication is that if the value provided by e-tax registration outweighs any financial concerns and taxpayers have sufficient financial resources to cover the expenses incurred during e-tax registration, tax compliance will improve. Furthermore, form Table 6, it is shown that perceived quality of e-tax registration has direct positive and significant influence on tax compliance showing coefficient of 0.344; t-statistics of 3.879 and 0.000. P- value The implication is that if e-tax registration system meets the taxpayers' expectations and needs, it will improve their compliance. Likewise, if taxpayers perceived that the system enhances their trust and confidence in the tax authorities, the level of how well taxpayers are complying significantly increase.

In conclusion, it is evident that all the indicators were of practical importance to determine if the null hypothesis should be rejected and all the three constructs turned out to have p-value less that 5 percent. Hence, the null hypothesis that *e-tax registration has no significant effect on tax compliance in Lagos state* is hereby rejected.

**Table 6. Effect of E-tax registration tax compliance in Lagos State**

| Constructs                        | Path Co-efficient             | T- Statistics             | P- Values            |
|-----------------------------------|-------------------------------|---------------------------|----------------------|
| Knowledge →Tax Compliance         | 0.259                         | 2.230                     | 0.026                |
| Monetary Cost →Tax Compliance     | 0.243                         | 2.615                     | 0.009                |
| Perceived Quality →Tax Compliance | 0.344                         | 3.879                     | 0.000                |
|                                   | <b>R Square</b>               | <b>R Square Adjusted</b>  | <b>Q<sup>2</sup></b> |
| Tax Compliance                    | 0.494                         | 0.487                     | 0.437                |
|                                   | <b>F-Square (Effect Size)</b> | <b>Model_ Fit Summary</b> |                      |
| E-tax knowledge                   |                               | SRMR                      | 0.088                |
|                                   | 0.071                         |                           |                      |
| E-tax Monetary Cost               |                               | NFI                       | 0.635                |
|                                   | 0.072                         |                           |                      |
| E-tax perceived Quality           | 0.157                         |                           |                      |

Source: Researcher's Computation (2023)



**Fig. 1. Partial least square structural equation modelling showing how E-tax registration affects taxpayers' compliance**

Source: Authors' Computation (2023) SMART-PLS4

## 5. DISCUSSION

The decline in revenue strength of the governments have made tax authorities become agitated about tax compliance and this study was aimed to help the government assess means of achieving high compliance. The study findings establish that the perceived quality of e-tax registration system, monetary cost of e-tax registration system and knowledge of e-tax registration are mechanisms that is effective to spur tax compliance among taxpayers in Lagos

state. The implication is that when taxpayers are familiar with the various digital platforms and tools provided by tax authorities for e-tax registration and there is understanding of the potential consequences associated with non-compliance in e-tax registration, tax compliance will significantly improve. And also, if the financial requirements of e-tax registration are made lower, it will encourage higher compliance rate among taxpayers. And also, if the electronic tax registration platform is perceived to be adequately designed with features that will enhances smooth

registration process, tax compliance will surely increase.

### 5.1 Policy Implication of Findings

The positive effect of knowledge about e-tax registration, monetary cost of e-tax registration and the perceived quality about e-tax registration on taxpayers' compliance in Lagos state as revealed by the research support the projection of theory earlier discussed in theoretical review which presents the fact that taxpayers will be more responsive towards tax when the government have proper regulation and means to administer tax without using force. Tax policy about e-tax registration will help solve the problem of tax evasion and avoidance among taxpayers and these findings will become a significant driver of taxpayers' compliance in Lagos, Nigeria, and the country as a whole [62,63]. Tax policies in the state should be enacted in such a way to accommodate strategic campaigning and awareness of e-tax registration which will enable the tax authority have more grip in ensuring massive documentation and capturing in tax net. By doing this, the government's desire to increase tax compliance will be satiated. and widen tax bracket be satisfied. Once the tax authorities can project a good quality of e-tax registration system, it becomes more acceptable to masses where these businesses operate for easy accessibility.

The results of the study were in line with previous research [39], Mustapha, et al. [19], Sugianto and Ardamani (2022), and Oladele, et al. [6], which all demonstrated that there is a positive and significant relationship between electronic tax and tax compliance. This implies that if e-tax registration has a positive and significant impact on taxpayer compliance, it will be more effective at increasing taxpayer compliance, which will ultimately result in higher tax revenue. It was also noted that the results contradict the findings of Igbekoyi and Adedipe [9], which examined the relationship between the electronic tax filing system and tax compliance in Ondo State. According to that study, the electronic tax filing method increased government responsiveness to taxation, but it had no appreciable impact on the rate of tax compliance or information availability among the state's taxpayers. The overall findings is a pointer to the fact that much more compliance can be achieved when e-tax registration are well implemented.

## 6. CONCLUSION AND RECOMMENDATIONS

The problem associated with tax compliance that necessitated e-tax registration was the inefficiency, inconvenience, and lack of transparency in traditional tax registration processes, leading to lower compliance rates among taxpayers. This study investigated the effect of e-tax registration on taxpayers' compliance in Lagos state. Using a structured questionnaire, purposively administered on the targeted respondents. The findings revealed that all the mechanisms used to proxy e-tax registration, that is: knowledge of e-tax registration, the monetary cost of e-tax registration and the perceived quality of e-tax registration system, all positively and significantly influenced compliance taxpayer in Lagos state, Nigeria. In conclusion, e-tax registration significantly and positively affects taxpayers' compliance. in Lagos state Nigeria. Accordingly, the study recommends that: Taxpayers ought to be well informed and familiar with the various digital platforms and tools provided by the tax authorities for e-tax registration to enhance compliance, the fees associated with e-tax registration should be reasonable considering the efficiency and accuracy it provides so as to encourage compliance, in addition, the electronic tax registration platform be adequately designed and user friendly for a smooth registration process.

### DISCLAIMER (ARTIFICIAL INTELLIGENCE)

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc) and text-to-image generators have been used during writing or editing of manuscripts.

### COMPETING INTERESTS

Authors have declared that no competing interests exist.

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