



Dissension and Acquiescence of Tax Payment: A Study of SMES in Ilorin, Kwara State

¹Tunde Olutokunbo, Obafemi, ²Suzan Omotivie, Emeje

¹Ph. D, Department of Accounting and Finance, Faculty of Management Sciences, Ajayi Crowther University, Oyo, Nigeria.

²Ph. D Student, Department of Accounting and Finance, Faculty of Management Sciences, Ajayi Crowther University, Oyo, Nigeria.

ABSTRACT

In all nations, taxation is the critical source of revenue which has been used to provide public services to the citizens. However taxation among the informal sectors like SMEs is still a pressing issue. The objective of this study is to examine the effect of tax dissension acquiescence of tax payment by SMEs in Ilorin, Kwara State-Nigeria. Specifically, the study examined the effect of educational level on tax acquiescence, tax simplicity on tax acquiescence of SMEs in Ilorin, Kwara State, threat of penalty on tax acquiescence of SMEs in Aba, Abia State among others. Literature in related areas were broadly reviewed. The population of the study covers 220 SMEs that are registered under the Kwara State Board of Internal Revenue, while a sample size of sixty (60) was used as a representation of the study. However, four hypotheses were postulated and tested using the logit and probit regression model. The findings revealed that educational level has a positive and significant relationship with tax acquiescence, tax simplicity has a positive and significant relationship with tax acquiescence, threat of penalty has a positive and significant relationship with tax acquiescence and tax service quality has a positive and significant relationship with tax acquiescence and thereby influences tax acquiescence. The study recommends among others that, tax authority should attempt to give tax payers high quality services in order to improve tax acquiescence, make the tax laws less complex to reduce cost of acquiescence and enhance tax acquiescence this could be done by distributing easy-to-read information fliers, increase penalty and ensure that offenders are punished to serve as lesson to future offenders.

Keywords: Dissension, SME, Tax Payment, acquiescence,

INTRODUCTION

Taxation is central to the current economic development agenda in Nigeria. It provides a stable flow of revenue to finance development priorities, such as strengthening of physical infrastructures. It also plays a crucial role in over-all economic management and stabilization. Fundamentally, tax policy shapes the environment in which local trade and investment take place. Thus, a core challenge for Nigeria is finding the optimal balance between an effective taxation that is business and investment friendly, and one, which can leverage enough revenue for public service delivery to enhance the attractiveness of the economy. Taxation is an integral part of countries' development policies, interwoven with numerous other areas, from good governance and formalizing the economy, to spurring growth and stimulating export activities. Among other things, taxation: Provides governments with the funding required to build the infrastructure on which economic development and growth are based; Creates an environment in which business is conducted and wealth is created; Shapes the way government activities are undertaken; and Plays a central role in domestic resource mobilization. (NEPAD & OECD, 2009)

Tax is the money paid to the government, usually a percentage of personal income or of the cost of goods or services bought. Economies all over the globe are expected to contribute in the lives of their citizens by providing social amenities such as schools, good roads, quality health services etc. In developed countries like USA, UK, France, Germany etc. these amenities are readily available because the citizens play their part by paying their taxes as appropriate. The ability of any government to generate and utilise revenue collected is determined by a nation's fiscal policy. In developing countries, the collection of revenue in form of tax is stratified (to main governmental sectors). These sources of revenue have diverse financial outcomes. Taxation plays important role in the development of every economy as well as the growth of Small and Medium Enterprises (SMEs). In a middle-income country like Ghana, the role of SMEs is critical in pushing the socioeconomic development agenda of the country further.

The importance of taxation cannot be underrated during management of national income, especially in both developed and developing economies as it plays significant part in civilized societies. Taxation is a burden which every citizen must bear to support the government to enable her (the government) perform certain functions for the benefit of the governed. In developing countries, non-tax payment of tax is a serious challenge facing income tax administration and hindering tax revenue that should be accrued to her. Despite the various reforms undertaken by successive governments to increase tax revenue over the years, Saad, and Ariffin, . (2016), opined that, prior statistical evidence has proved that the contribution of income taxes to the government's total revenue remained consistently low and always nose diving. Tax payers are however not willing to comply when it comes to the obligations imposed on them by law to pay and remit taxes.

Despite the contribution that taxation can make towards the Gross Domestic Product (GDP) of a country in general, much attention is also needed to the side effects of tax on the growth of SMEs. This is because SMEs play a crucial role in driving economic growth in both developing and developed countries. As highlighted previously, as a group, they do not only generate more new jobs than large firms or macro-enterprises but also introduce innovative ideas, products, and business methods. However, literature has not contributed much in exploring the negative effect of tax payment on the financial performance of SMEs in developing countries (Baurer, 2005). This situation raises a serious concern about the issue of aligning the tax system to the specific requirements of a particular country's growth need, as it has to balance both short-term and long-term impact of the policy. This also triggers the need for an in-depth study of how tax payments affect SME development. In addition, most of the literature and research on the subject matter are mostly foreign and western in nature where the dynamics of SME activities are different from that of developing countries like Nigeria.

In any economy, government participation in economic activities is largely determined and influenced by the type of economic system operating in that country. In a mixed economic system, which is predominantly practiced by most developing countries including Nigeria, that public sectors participated in the control of economic activities by means of public policy reforms along with the private sector is not a new dimension in the management of the economy. Government as an economic institution plays a vital role in the determination of the output performance. When evaluating the impact of fiscal variables on economic growth, it is necessary to derive from the fact that taxation influences economic growth solely through its impact on individual growth variables (Kotlán, Machová and Janíčková, 2011).

Growth theories can be considered as the key ones in this evaluation, and it is therefore necessary to introduce, at least in short, their substance and to describe the channels of taxation impact on the economic growth. The work of Solow (1956) and Swan (1956), or the neoclassical growth model can be considered to be the turning point within the researched resources of economic growth. However, from the long-term view and due to the decreasing marginal product of capital, every economy aims towards the steady state in which it is not possible to increase output per one worker (Duczynski, 2003).

The efficient distribution and utilisation of the accrued revenue by any government would enhance economic development and reduce unemployment, illiteracy, poverty and inequality especially when guided by fiscal responsibility codes. Tax collection has been identified as the main source of government revenue mostly in developing economies. Entrepreneur's decision making about investment realization is also influenced by the labour taxation. Alesina et al. (1999) mention that the main reason for this fact is that the growth of labour tax rate leads to the employees' effort to get salary increase at a certain level before the taxation (it potentially also leads to the decrease of work supply). By this, pressure is created on companies to lower their profits, and consequently their investment, too. Feld and Kirchgässner (2001),

Overesch and Voeller (2010), state that high labour taxation discourages companies from localizing their investment, and at the same time it affects the structure of capital accumulation. The negative impact of the aforementioned channels of labour taxation on economic growth is verified in the paper of e.g. Dackehag and Hansson (2012). Capital allocation or entrepreneur's investment decision can be influenced also by the consumption taxes. Salanié (2003) states that when a risk is absent, this type of taxation has the same impact on investment as labour taxes. Therefore, alignment of the tax system to the specific SME growth needs can be considered an important agenda for the policy makers. Keeping this issue at focus, the study aimed to explore the managers/ executive officers' perception of the tax system in Nigeria on the performance of their businesses. system to SMEs in a more effective manner.

Developing economies are faced with challenges peculiar to them. The point of departure for efficient development assistance should always be to identify the obstacles that are crucial to them as a nation and the potentials that the country has. There is the need to overcome these problems for private sector development: lack of credit possibilities and infrastructure, low educational level, a badly-functioning labour market, inefficient bureaucratic procedures etc. To these may be added a number of factors of a cultural, social, economic, political or legal nature preventing the exploitation of women's full potential in economic activities. The much orchestrated World Bank's "ease of doing business" indicators should be used to identify concrete obstacles to a positive business environment in a particular economy.

The category of small and medium-sized enterprises (SMEs) encompasses not only micro-enterprises with just a few employees but also successful enterprises with a large number of employees. There is no generally accepted definition of SMEs. Germany's Federal Ministry for Economic Affairs and Energy defines SMEs as firms that have less than 500 employees or that generate up to 50 million euros in annual turnover (BMWi 2014a). According to the European Commission's definition, SMEs are firms that have less than 250 employees or that generate up to 50 million euros in annual turnover (EC 2017a). Germany's government-owned development bank, the KfW1, defines SMEs as firms with up to 500 million euros in annual turnover (Schwartz, 2016).

SMEs and employment creation are very important for countries all over the world. SMEs are not only an important source of employment; they are also a source of innovation and increased productivity. They play a vital role in economic development, as they have been the main source of employment generation and output growth, both in developing as well as in developed economies (Tambunan 2008). In developing nations, the activities of SMEs become more important as they have potential to improvement of income distribution, employment creation, poverty reduction and export growth. It also leads to the development of entrepreneurship, industry and the rural economy.

Small and medium enterprises play a major role in every economy as they generate significant employment and output. Due to their importance in the country's economy it is important that the strategies of tax administrations that are implemented enhance the SMEs taxpayers' attitude and acquiescence towards paying taxes. The individual SMEs pays a very small amount of tax compared with what the larger establishment would pay, thus tax authorities tend to give the bigger firms more attention. This suggests that a good number of SMEs evades taxes that would have otherwise been invested in developmental projects that would have benefited those (SMEs). SMEs are the majority business taxpayers in most developing countries and as such their acquiescence levels directly impact on government tax revenue collections in meeting government deficit budget.

Small businesses are considered to be key drivers of economic growth within economies (Organisation for Economic Co-operation and Development [OECD], 2016, especially the developing ones (Calza & Goedhuys, 2017,). In South Africa, small businesses create jobs to a semi-skilled and unskilled labour force who would otherwise be unemployed (Makina, Fanta, Mutsonziwa, Khumalo, & Maposa, 2015, ; Rankin, Darroll, & Corrigan, 2013,). The optimal contributions of small businesses to the economy are inhibited by poor performance (Fatoki, 2014,) and a high failure rate (Adeniran& Johnston, 2011, ; Maye, 2014,). One of the factors cited for the poor performance and eventually death of small businesses revolve around taxation costs (Herrington & Kew, 2016,). The costs associated with complying with taxation consistently appear in reports as a constraint on the performance of small businesses (Battisti, Deakins, & Perry, 2011,; Herrington & Kew, 2016, ; Schwab, 2016, ; Warfield & Stark-Jones, 2012,

According to CBN (2014) as quoted by Oyelaran- Oyeyinka (2020), SMEs are businesses with turnover of less than N100 million per annum and/ or less than 30 employees. Studies by the IFC shows that about 96% of Nigerian businesses are SMEs, compared to 53% in the US and 65% in Europe. SMEs represent about 90% of the manufacturing/ industrial sector in terms of number of enterprises, they contribute approximately. 1% of GDP compared to 40% in Asian countries and 50% in Europe. In Nigeria, SMEs are distributed by clusters within regions.

According to Magiya (2016), Egypt defines SMEs as any business outfit with not more than 5 and fewer than 50 employees whereas Vietnam considers SMEs to have between 10 and 300 employees. The Inter-American Development Bank defines SMEs as having a maximum of 100 employees and less than \$3 million in revenue. In Europe, they are defined as having manpower fewer than 250 employees and United States define them with employees less than 500 (Emanuele, 2012). As general guidelines, the World Bank defines SMEs as those enterprises with a maximum of 300 employees, \$15 million in annual revenue, and \$15 million in assets. Kachembere (2011) sees SMEs as catalyst in promoting grassroots economic growth and equitable sustainable development and that high rate of economic growth contributes to economic and social development; and poverty reduction. This however is dependent growth quality which includes the composition of growth, its spread and distribution and most importantly the degree of sustainability.

Tax acquiescence is currently a tropical issue in Kwara State, as government at various levels is seeking ways to improve efficiency in tax revenue collection to finance their budgets. Tax acquiescence is a major problem for many tax authorities; it is not an easy task to persuade taxpayers to comply with tax requirement even as the tax laws are not always precise in some aspects. Tax acquiescence can be described as the process of fulfilling the taxpayer/s civil obligation for tax payment and filing of tax returns by providing necessary document and explanations required by the tax authority in a timely manner (Oyedele, 2009). According to Ayuba, Saad and Ariffin (2016) opined that, tax acquiescence is the taxpayers' ability and willingness to comply with the relevant tax laws and regulations. Sapiei and Kasipillai (2013) posit that tax acquiescence is the accurate reporting of income and claiming of expenses in accordance with the stipulated tax laws. Achieving high level of voluntary tax acquiescence, maintaining current acquiescence rates as well as increasing the marginal levels are issues of concern to fiscal policy makers in developed and developing countries alike.

Statement of the Problem

Although there was a general perception that tax is an important source of fund for development of the economy and provision of social services, the problems faced are in the area of negative relationship between taxes and the business' ability to sustain itself and to expand, SMEs are faced with the problem of high tax rates, multiple taxation, complex tax regulations and lack of proper enlightenment or education about tax related issues. Not minding other challenges that SMEs are facing in other developing countries like Nigeria; inadequate capital, poor technical and managerial skills, environmental effects and the government regulations which is most affecting the operation of SMEs in Nigeria especially this issue of multiple taxation which is a worm eating deeply and the large chunk of revenues generated by these SMEs for their growth and survival. But to what extent does threat of penalty have influence on tax payment acquiescence?,this have led to increase in record of dearth of Small and Medium Scale Enterprise (SMEs), but at to what level ?

Objective of the Study

The general objective of this study is to examine dissension and acquiescence of tax payment in small and medium enterprises in Ilorin, Kwara State Nigeria from 2011 to 2021. Other specific objectiveinclude: to

- (I) Evaluate the impact of threat of penalty on tax payment acquiescence

Statement of Hypothesis

The research hypothesis that developed in order to properly address the problems of the study. These hypothesis stated in Null form as follows:

H₀₁: There is no significant relationship between threat of penalty and tax acquiescence of SMEs in Ilorin Kwara State.

LITERATURE REVIEW

Conceptual Review

SME establishment is considered to be important in today's world. In recent times it would have been noticed that the unemployment reduction all over the world is due to the lots of emerged SMEs. Out of the SMEs contribution, there is a significant growth in GDP and proper money flow across the economy is noticed. SME charges lower rates to their clients by providing a quality business. When the state economy is in better condition, SMEs will

flourish, if the economy is volatile, SMEs will face a risk of going down, as they survive within a small budget. SMEs boost the country economy by affording extra revenue and employment.

Tax Dissension

Dissension may result in unintentional non-acquiescence if taxpayers have problems with filling the tax form and can reduce the moral costs of evading taxes. Such non-acquiescence differs from other crimes, because it can be argued that the errors occurred unintentionally due to misinterpretation of the rules. People who are honest will have higher filling costs and thus higher acquiescence costs. Adversely, individuals who want to reduce these costs may either fail to take legitimate credits or may even claim credits without ascertaining eligibility thus when rules are complex, acquiescence and enforcement will be imperfect (Ayuba, Saad & Ariffin 2016). It can be argued that tax complexity and equity are positively related. A more complex tax law is able to better determine taxpayers' ability to pay and could stop those who would be able to exploit tax rules.

Tax Service Quality and Education

Taxpayer Acquiescence is dependent on the quality service and assistance from tax authorities fulfilling the obligation to pay tax depends on how the tax officers give the best service quality to the taxpayer (Schwartz, 2016). Good tax service will provide convenience for the taxpayer. EC (2017) in his research states the quality of service tax officers has a positive and significant impact on improving acquiescence of taxpayers, while Kachembere (2011) asserts, For (Ayuba, Saad & Ariffin 2016) peoples' perception of service quality is a major factor in determining the influence of attitude and behaviour intentions.

Education is directly linked to a likelihood of acquiescence (Ayuba, Saad & Ariffin, 2016; Kachembere, 2011; Jackson & Milliron, 1986). They argued that educated taxpayers may be aware of nonacquiescence opportunities, but their understanding of the tax system and their higher level of moral development promotes a more favourable taxpayer attitude and therefore greater acquiescence. Richardson (2008) revealed that there is a negative association between education and acquiescence. Education levels become more important in increasing tax acquiescence across countries. One of the measures to increase tax acquiescence is by assuring that taxpayers have a certain level of qualifications, ability and confidence to exercise their tax responsibility (Magiya, 2016).

Theoretical Review

Theory of Business Growth: Various authors have postulated theories on business growth. The oldest and the most used theory according to Elhiraika and Nkurunziza (2006) is Gibrat's law of proportionate effect LPE; (1931). Here, Gibrat stipulates that the rate of growth of a firm is independent of its initial size. By implication it would mean that large firms are preferable in context of private sector development given that they create more employment than small firms. Conversely, Jovanovich (1982) states in his learning model that younger firms learn over time, which helps them improve their performance as they accumulate market knowledge. According to this model, young firms grow faster than old ones. Moreover, give that younger firms are usually smaller than older ones (businesses) for the reasons discuss earlier; Jovanovic deduces that small firms grow faster than large ones.

This is a convergence process where small firms will eventually become as large as any other longer firm in the some sector as time goes by. Church and Lewis (1983) as cited in Olawale&Garire (2010) on the other hand claim that as a new small firm start and develops, it moves through some growth stages, such with its own distractive characteristics. He also identified the stages of growth as; existence, survival, success, take off and resource maturity. In each stage of development as different set of factors is critical to the firm's survival and success the Churchill Lewis model gives an insight into the dynamics of SMEs growth including the distinguishing characteristics, problems and requirement of growing SMEs and explains business growth process amongst SMEs, The precise moment in time in which a start up venture becomes a new business has not yet been theoretically determined. However, the ideal of business survival could be equated with a firm that has fully completed the transaction to stage - two organisation in the five stage of small business growth.

Empirical Review

Okoye, Akenbor and Obara (2012) analyzed the effect of tax data, organisation and learning on taxpayer's acquiescence of Ekiti State manufacturing firms in Nigeria utilizing survey research design. The study revealed that tax data and learning have a positive critical effects on tax acquiescence while tax organisation insignificantly affected tax acquiescence with beta coefficients which are unstandardized of 0.251 ($t = 2.038, p < 0.05$), 0.322 ($t = 3.682, p < 0.05$) and 0.077 ($t = 1.021, p > 0.05$) appropriately. That tax data and tax learning tends to advance tax acquiescence than tax organisation. The investigation prescribed that legislature ought to through its organisations instruct the potential taxpayers on taxation laws and controls by coordinate free symposia and courses.

Ojeka (2012) employed non-probability judgmental sampling method and Spearman's Rank Correlation for hypothesis testing to examine tax policy and the growth of SMEs in Nigeria. Questionnaires were distributed to SMEs operators in Zaria, North Central, Nigeria and the findings revealed that most SMEs surveyed were faced with the problem of complex tax regulations, high tax rates, lack of proper enlightenment or education about tax related issues, and multiple taxation. The study also found a significant negative relationship between taxes and the business' ability to sustain itself and to expand.

Ocheni (2015) investigated the impact analysis of tax policy and the performance of SMEs in the Nigerian economy. Descriptive survey research design was adopted. The population of the study comprised sixty-eight (68) SMEs currently operating in Kogi State and FCT, Abuja. Their 727 personnel comprised fifty-six (56) managers and 671 accountants. The sample for the study consisted of two hundred and fifty-eight (258) respondents, (20 managers and 238 accountants from the two states. Taro Yamani's sampling technique formula was used to select the two hundred and fifty-eight (258) respondents, representing 36% of the population. Out of the two hundred and fifty-eight (258) copies of the questionnaire which were printed and distributed, sixty-eight were not returned, while One hundred and ninety (190) copies or (74%) of the questionnaire were retrieved. Of the 190 copies, fortysix (46) were wrongly filled giving a total of one hundred and forty-four (144) copies of valid questionnaire. Descriptive statistics was used to analyze the data collected and to obtain the mean assessment for each scale item. The research hypotheses for this study were tested using z-test statistics to establish $p < 0.05$ significant differences. The analysis revealed that there is no significant difference in the mean opinion scores of managers and accountants on the best tax policy that encourages tax compliance by SMEs in Nigeria. It was also revealed that there is no significant difference in the mean opinion scores of managers and accountants of the implications of tax policy on SMEs growth.

Tax authorities have a lot to do to compel tax payer in fulfilling their obligation with respect to tax acquiescence as it is dependent on how tax officers give the best service quality to the taxpayer (Loo, 2006). The quality of service by tax officers has a positive and significant impact on improving acquiescence of taxpayers (Tambunam, 2008) and the willingness to pay tax (Richardson, 2008). This implies that the taxpayer has received adequate services so as to increase the willingness to pay taxes. Machogu and Amayi (2013) asserted that service quality and satisfaction is measured within the service industry with a view to determine the influence the behavioural intentions of their customers, thus, peoples' perception of service quality is a major factor in determining the influence of attitude and behaviour intentions. Contributing to rival the importance of service quality, Emmanuele (2012) defined it as a set of measures the tax administrators undertake to help taxpayers in conforming to tax laws. In their study, Blumenthal, Chriatain and Slemrod (2001) established a positive relationship with acquiescence behaviour.

According to OECD (2014), the perception that taxpayers have with regard to the quality of tax service the tax authority renders, will reinforce their willingness to conform to tax rules and regulations thereby influencing their acquiescence level. The interaction between the tax administration and taxpayers should be rearranged, with the tax authority providing respectful and service-oriented treatment to taxpayers. This view was supported in a study by Machogu, and Amayi (2013) for New Zealand, in which they asserted that cooperation between taxpayers and the authority reduce tax complexity issues and hence improve acquiescence.

Alabede, Afrin and Idris (2011) investigated the influence of perceived tax service quality on taxpayer's acquiescence behaviour in Nigeria and concluded that there is a significant positive relationship between perceived tax service quality and tax acquiescence behaviour. Therefore, the authority service, in terms of provision of taxpayers' assistance should organize trainings and workshops as it will enhance knowledge and confidence among tax payers and hence lead to acquiescence. Having looked at the effect of tax service on tax acquiescence in advanced economies, this study hypothesis that: **H₀₂**: There is no significant relationship between tax service quality and tax acquiescence of SMEs in Abia State.

Adesina and Obazee (2016) completed an investigation on Taxation information, Penalties and assessment acquiescence in Nigerian small and medium scale endeavours. The study adopted survey design and data collected were analysed with least square technique. The results revealed that tax learning had positive effect on tax acquiescence while taxation penalties had inconsequential positive effect on assess acquiescence. Studying the impact of taxpayer instruction on intentional tax acquiescence, amongst SMEs in Mwanza city,

among taxpayers Machogu, and Amayi (2013). Tax law dissension is significantly related to tax evasion as has effect on tax acquiescence behaviour (Richardson, 2008) therefore, the tax authorities should make the tax system simple for the tax payers in order to increase tax acquiescence. Tax complexity also influences non-acquiescence by causing misinterpretation of rules, omissions and unintentional errors besides deliberate under-reporting (Loo, 2006; Beck, Davies & Jung 1991; Schwartz, 2016). Richardson (2008) in a study opined that tax dissension may not necessarily be considered to be unfair and simplifying the system may not effectively deter tax nonacquiescence.

Empirical Issues

Tax Policy and the Growth of SMEs According to Tomlin (2008), economists argue that the resources smaller companies direct towards tax compliance are resources that could otherwise be used for reinvestment, facilitating future growth. Hence, there is a belief that taxes and a complex tax system put disproportionate pressure on smaller businesses. Small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises. Reducing the compliance costs and tax rate increases the small enterprises profit margin. It also increases the Government's tax revenue, since the simplified provisions for a micro enterprise historically reduce the size of the shadow economy and the number of non complying registered taxpayers (Vasak, 2008).

Furthermore, SMEs usually have to operate in an overbearing regulatory environment with the plethora of regulatory agencies, multiple taxes, cumbersome importation procedure and high port charges that constantly exert serious burden on their operations. Many SMEs have to deal with myriad of agencies at great cost as stated earlier they are heterogeneous and these differences in size and structure may in turn carry differing obligations for record-keeping that affect the costs to the enterprises of complying with (and to the revenue authorities of administering) alternative possible tax obligations. Public corporations, for example, commonly have stronger accounting requirements than do sole proprietorships, and enterprises with employees may be subject to the full panoply of requirements associated with withholding labour income taxes and social contributions (International Tax Dialogue 2007).

An overly complex regulatory system and tax regime or one opaque in its administration and enforcement makes tax compliance unduly burdensome and often have a distortion effect on the development of SMEs as they are tempted to morph into forms that offer a lower tax burden or no tax burden at all (Masato, 2009) and this results in a tax system that imposes high expenses on the society. A poorly executed tax system also leads to low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources (Farzbod, 2000). Existing empirical evidence clearly indicates that small and medium sized businesses are affected disproportionately by these costs: when scaled by sales or assets, the compliance costs of SMEs are higher than for large businesses (Weichenrieder, 2007),

Among the factors militating against SME tax compliance with are: high tax rates, Low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources (Farzbod, 2000). Others according to Yaobin, (2007) are double taxation, no professional tax consultancy, weak tax planning, high taxation cost. 7.2 Policy Measures that will Encourage SMEs Growth Although there is certain policy measures geared towards SME growth in Nigeria, the support needs to be increased, standardized and systematic. Iwuji (2003) believes that it is the role of the government to provide an enabling environment and social services that support businesses and persons. This means enhancing the investment climate in Nigeria for increased economic growth and subsequent tax contribution from all citizens which is necessary because a good number of SMEs operate in the informal economy due to the fact that they deem the tax environment within which they operate unfavourable.

These SMEs constitute untapped revenue potential and an even playing field in many countries (International Tax Dialogue, 2007) as such they need to be captured by the tax net. The legislation is a necessary regulator for protection of the business environment and security of the economic agents, for establishment of the necessary social security regulations but at the same time it hampers the business with additional expenditures and administrative obstacles, which place in different positions the SME. The big companies have more choices possibilities. They can either share part of the staff or hire people to deal only with studying the legal requirements and complying with the new regulations, or contract some personal service firm (like E&Y, Deloitte and Touché, Price Waterhouse etc) to deal with their tax compliance, planning etc. For SME this is a great expense out of their abilities (Smatrakalev, 2006).

Shahroodi, (2010) believes that for a tax system to be efficient the tax policy needs to be designed such that the tax rates are appropriate and rational, the exemptions are lower in amount, the tax collection organization are more efficient, the tax burden of the indigent people should be lighter and the fight against corruption and tax evasion should be much more intense. Tax policies can be designed in such a way that they do not only directly affect SMEs but also indirectly push forth their growth for example the practice in China where tax policy has been designed to encourage SME financing by granting exemptions from business tax for financial corporations that provide guarantee for loans to SMEs and granting tax deductions to market entities and venture capitalists that invest in high- tech SMEs the tune of 70% of the investment value. Another way is by designing tax policies that encourage human capital training. (Yaobin, 2007) declared that special tax regimes for SMEs may be appropriate policy instruments for minimizing the cost of collection

. It is important to note that the awareness of the dangers of inadequate attention to the taxation of SMEs has grown. It can lead, for example, to distortions of competition as a result of uneven tax enforcement, with incentives created to limit growth and to avoid tax through artificial splitting of enterprises. Not least, voluntary compliance by larger enterprises themselves, and by wage earners, may be undermined by the (correct) perception that their smaller counterparts, or better-off neighbours, are getting away with poorer compliance. (International Tax Dialogue, 2007) Hence government intervention will help maintain balance while helping countries exploit the social benefits from greater competition and entrepreneurship.

Furthermore, policy incentives such as tax rebate for SMEs that put effort on local sourcing of raw materials, serious in adding value to commodities for exports and other business ethics, should be employed by government. Similarly, government could increase funding for the development of the sub-sector through direct budgetary allocations and enhance private sector investment opportunities that will focus on specific areas of capacity enhancement. And also tax law should be simplified continuously, mainly for three reasons, namely to lower both compliance costs and administrative costs, to reduce uncertainty faced by taxpayers; and to improve the levels of voluntary compliance (Kasipilai, 2005). Pro-business (and Pro-SME) Tax regimes and enforcement should be simple, consistent and predictable.

METHODOLOGY

This study adopted the cross-sectional survey design. It is a method that collects data to make inferences about a population of interest (universe) at a point in time (Kothari, 2004; Lavrakas, 2008). The population of the study is 220 made up of SMEs whose employees are between five to twenty staff members, outside their family members; and are registered under Kwara State Internal Revenue Board. The study adopted the random sampling to determine sample size. Simple random sampling is a scientific technique where every element within a population has an equal chance of being selected. The simple random technique was used, as it is used to determine the sample size by applying one third of the population (Kothari 2004; Baridan, 2001). Therefore the size of this study is:

$= 220 \times \frac{1}{3} = 76$. However, after the cleaning of the questionnaires, 11 were unusable; hence our actual sample is 60.

We adopted the primary source of data collection since we are dealing directly with the respondents through a structured questionnaire and were guided by research assistants. Four independent variables were chosen to measure the effect of tax dissension and tax acquiescence of SMEs and the independent variables are education level, tax service quality, tax simplicity, and threat of penalty on a 5 point Likert scale. The dependent variable in this study is tax acquiescence.

Tax acquiescence = 1 if a taxpayer pays tax within the stipulated period of three months and;

Tax acquiescence = 0 if a taxpayer pays tax outside the stipulated period of three months.

On the method of data analysis, logit and probit method was adopted. The techniques helped us to examine the explanatory variables (Education level, Tax service quality, Threat of penalty and simplicity of the tax system) and its effect on the level of tax dissension on tax acquiescence. The model for the study is distinct to the topic and specifies tax acquiescence as a function of educational level, tax service quality, threat of penalty, simplicity of tax system. A schematic presentation of the model as stated below:

$$TCOMP = b_0 + b_1EDULEV + b_2TSIM + b_3TPENAL + b_4TAXQUA + \text{eit}$$

Where:

TCOMP = Tax acquiescence

SIMP = Simplicity

TPENAL = Threat of penalty

EDULEV = Education level

TAXQUA = Tax service quality

eit=error term

RESULTS

The findings of the study are:

Educational level has a positive and significant relationship with tax acquiescence in Ilorin, Kwara State. Tax simplicity has a positive and significant relationship with tax acquiescence of taxpayers in Ilorin, Kwara State. Threat of penalty has a positive and significant relationship, thereby influences tax acquiescence in Ilorin, Kwara State. Tax service quality has positive and significant relationship, thereby influences tax acquiescence in Ilorin, Kwara State. This study examined the effect of tax complexity and tax acquiescence of SMEs in Ilorin, Kwara State; we used the binary logistic regression model to analyze Educational level, threats of penalty, tax simplicity and tax service quality in respect to tax acquiescence in Ilorin, Kwara State.

The results showed that:

There is a positive and significant relationship between educational level and tax acquiescence in Ilorin, Kwara State. The value of (25.661) and the P-value of (0.000) suggest that educational level has a positive and a significant relationship with tax acquiescence at 5% level of significant. This shows that the educational level of the tax payer provided by the tax authority is one of the major factors that influence tax acquiescence. This study is in tandem with the works of Alabede, ., Ariffin, and Idris, . (2011; who recorded that the understanding of the tax system and their higher level of moral development promotes a more favourable taxpayer attitude and therefore greater acquiescence. The findings also revealed that; tax simplicity has a positive and significant relationship with tax acquiescence at 5% level of significant with a Wald value (12.308) and the P-value of (0.000). This shows that the easier and understanding tax system is, the more tax payers agrees. This finding is in agreement with the work of Ayuba, Saad, and Ariffin, . (2016). who opined that tax law complexity is significantly related to tax evasion and that complexity of the tax system has an effect on tax acquiescence behaviour.

The study further documented that threats of penalty have a positive and a significant relationship with tax acquiescence at 5% level of significant with Wald value (21.212) and the P-value of (0.000) this shows that threats of penalty to the tax payers by the tax authority are one of the major factors that influence tax acquiescence. This study is in concordance with the theory of Chau, and Leung, . (2009 who posited that if detection is likely and penalties are severe, few people will evade taxes. Finally, tax service quality has a positive and significant relationship with tax acquiescence at 5% level of significant with a Wald value of (4.323) and the P-value of (0.000) this shows that the quality of tax service plays a major role in tax acquiescence of tax payers. These finding is in line with the work of Magiya (2016) which states; the quality of service tax officers have a positive and significant impact on improving acquiescence of taxpayers. This indicates that the taxpayer has received adequate services so as to increase the willingness to pay taxes.

Conclusion and Recommendation

The dissension in tax system has become a serious trouble in Ilorin, Kwara State which has equally affected tax acquiescence level. For government to increase tax revenue, dissension must be brought to the lowest limit. From the findings, all the variables did play positive and significant roles in influencing the tax acquiescence behaviour of taxpayers. Educational level of the tax payer has a positive and significant relationship on tax acquiescence in Ilorin, Kwara State, which implies that the educational level of taxpayers' influences tax acquiescence and is a significant factor in determining tax acquiescence in Ilorin, Kwara State. Also, based on the analysis tax simplicity has positive and significant relationship on tax acquiescence in Ilorin, Kwara State, this shows that tax simplicity influences tax acquiescence which indicates that if the tax laws are less complex and easy to understand it will increase the level of tax acquiescence. Threat of penalty has a positive and significant relationship with tax acquiescence in Ilorin, Kwara State; this shows that threat of penalty influences tax acquiescence this means that the relevant authorities should ensure that tax offenders are punished, Tax penalties must be enforced to increase acquiescence. Lastly, tax service quality has a positive and significant relationship with tax acquiescence which implies that tax service quality influences tax acquiescence.

Based on the outcome of the findings and conclusions the following recommendations made:

1. The Kwara State tax authority should strive to give tax payers high quality services in order to enhance tax acquiescence.
2. The Kwara State tax authority should make the tax laws less complex to reduce cost of acquiescence and enhance tax acquiescence; this could be done by distributing easy-to-read information fliers.
3. The Kwara State tax authority should increase penalty and ensure that offenders are punished to serve as lesson to future offenders.
4. The Kwara State tax authority can also boost tax knowledge by circulating updates on tax more frequently.
5. Kwara State tax authority should enlighten the need of paying their tax and how the taxes collected are put to use in order to enhance their level of tax acquiescence. The tax authority should be transparent and fair in the tax system such that it will increase taxpayer's confidence leading to voluntary acquiescence.

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