THE EFFECT OF TAX COMPLIANCE AND GOOD GOVERNANCE IN NIGERIA

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ABSTRACT

The study examined the effect of tax compliance and good governance in Nigeria. It specifically investigated the effect of voluntary tax compliance on public accountability and transparency, enforcement tax compliance on government efficiency, tax avoidance on corruption control and tax evasion on good governance in Nigeria. This Study is predicated on the Traditional or Deterrence Theory of taxation, Political Legitimacy Theory, and Theory of Planned Behaviour. Secondary data source was explored in presenting the facts of the situation. Secondary data source was explored in presenting the facts of the situation. The secondary data were obtained from relevant literatures, Central Bank of Nigeria Statistical Bulletin and National Bureau of Statistics publications among other. Data were tested using the Ordinary Least Square Linear Regression model. From the Central Bank of Nigeria Statistical Bulletin and National Bureau of Statistics, information concerning voluntary tax compliance, compulsory tax compliance, tax avoidance and tax evasion were extracted. The findings revealed among other things that all the coefficients of the explanatory variables in model are all statistically significant to good governance except tax evasion. The study concluded that, voluntary and compulsory tax compliance are both component of tax compliance to enhance good governance for the development of the country. The study then recommends among others, that to ensure sustainable good governance , generation of tax revenue must be sufficient by complying with tax , efficiently and judiciously utilized. The government should pay attention to encouraging her citizens to build trust in it by tax accountability, ensuring that the promises made to the citizens are delivered.

Keywords: voluntary tax compliance, Compulsory tax compliance, Tax Avoidance and Tax Evasion

INTRODUCTION

The basic responsibility of every government is to provide for the welfare of her citizens. The citizens expect the government to provide basic infrastructure and amenities that would support their economic activities. For the government to fulfil the welfare responsibility as enshrined in the constitution financial commitment is required and that could only be provided by the government. According to

Egwaikhide and Udoh, (2012) "the political, economic and social development of any country depends on the amount of revenue generated for the provision of infrastructure in that given country"and the level of compliance by the citizen to pay their tax prompty. They further stated that a well-structured economic system would boost the standard of living of the citizen and social wellbeing for a meaningful development of such country. Kiabel and Nwokah (2013) stated that rise in the cost of running government coupled with the incessant dwindling revenue had left all tiers of government in Nigeria with formulating strategies to improve the base of income generation and one of such strategies is tax compliance.

Taxation is one of the major source of government revenue all over the world and governments use tax proceeds to render their traditional functions, such as: the provision of goods, maintenance of law and order, defence against external aggression, regulation of trade and business to ensure social and economic maintenance (Edame & Okoi, 2014).

In line with the paradigm "good governance" as crucial for economic and social development (Baland . 2010), a number of empirical studies have emphasized that the institutional climate and the quality of governance of the countries in which tax payers live are important determinants of tax compliance (Picur&Riahi-Belkaui 2016), Frey &Torgler 2017). Although many of these studies are cross-country investigation thereby combining the World Value Surveys (WVS) for developed and developing countries, no or few African countries are covered due to the lack of wider coverage of Africa in the WVS.

Every tax system is embedded with tax compliance issues especially the Nigerian tax system seems to be more problematic due to the corrupt practices rife in Nigeria (Gurama, Mansor, & Pantamee, 2015). The main problem with the Nigerian tax lies in the assessment and collection process particularly from those in self-employed such as contractors, entrepreneur, lawyers, accountants, doctors, architects, crafters and traders among others. This study seeks to contribute to the growing tax compliance knowledge by examining the determinants of tax compliance public sectors. Thus, there is the need to examine the effect of good governance factors that promote tax compliance of individuals and corporate entities, and finding ways to reduce the prevalence of not complying with tax (Musa, Saad, & Ibrahim, 2017).

The impact of personal income tax with respect to tax avoidance and tax evasion on a nation‟s economy has been investigated and documented in the literature (Arias, 2017; Bayer &Kupzowa, 2006). In addition, value added tax and tax morale have been found to have influence on the level of revwnue generated in the country (Alm and Torgler, 2006; Duff, 2008; Kelsey, 2008; Choong, Tong, and Tan, 2008; Fjeldstad, Ngalewa and Katera 2008; Fatt and Ling, 2010; Baba, 2008; Torgler, Schneider and Schaltegger, 2010). Determinants of taxation have been studied by a number of researchers (Eltony, 2002; Gupta, 2007) while a number of studies have examined the impact of accountability and transparency on good governance (Chaudhry, Malik, Kahn & Rasool, 2009; Owojori, Akintoye & Adidu, 2009).

Despite the huge literature on tax compliance, there appears to be a dearth of empirical study on the impact of tax compliance on good governance in Nigeria. Therefore, this study is to examine the extent of significant relationship between good governance and tax compliance in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Framework

The concept of Tax Compliance

This is defined as the magnitude to which the taxpayers ensure tax obligation through payment of tax promptly according to the appropriate tax laws or regulations. This means taxpayer's prompt response to tax payments by producing and submitting tax information to the relevant tax authority based on stipulated formats. Tax compliance is the willingness and ability on the taxpayer's part to obey the relevant tax laws, declare the actual income and pay the correct tax liability as assessed promptly (Sitardja &Dwimulyani, 2016). In the modern-day context, tax compliance study is credited to Allingham and Sandmo (1972), they used economics of crime approach which was developed by Becker (1968) to explain taxpayers' compliance and taxpayers' behaviour. Tax compliance had been defined by many researchers. Ahmed and Kadir (2015) defined tax compliance as the degree taxpayers complies with tax rules and regulation instituted in a country. Thiga and Muturi (2015) also defined tax compliance as the ability to fulfill tax obligation payment as required by the relevant tax laws.

Concept of Tax System

Tax system is an all embraced network of activities which includes sets of rules, regulations and procedures adopted by the tax authorities in generating funds for the government. This involves activities like tax policy formulation, transformation of tax policy into tax laws and tax administration which is meant for the enforcement of the tax laws (Somorin, 2015).The Nigerian tax system is expected to contribute to the wellbeing of all Nigerians by ensuring that taxes collected are judiciously utilised with direct impact on the lives of the citizens. In order to achieve this purpose, a good tax system is expected to promote fiscal responsibility and accountability by means of transparency and prompt account of revenue collected through taxes; fast-track economic growth and development and as a catalyst for investment and not a burden to hinder economic growth and address inequalities in income distribution by seeking to narrow the gap between the highest and lowest income earners.

Concept of Good Governance

Reilly (2009) perceives governance as the way organizations are directed and controlled to ensure that they are effective in achieving their objectives. He argues that whatever governance arrangements are in place in any complaint-handlings scheme, it is vital that they support and promote the integrity of the scheme and office holder and, above all, protect the independence of the office holder, particularly from those over whom the scheme has jurisdiction. Ribadu (2014) explains governance to mean the process whereby public institutions conduct public affairs, manage public resources and guarantee the realization of human rights. He argues that the quality of governance is an issue of increasing concern in the countries around the world – both developed and developing. He states further that while the evidence suggests governance matters for development, there is little understanding as to what aspects matter most and how to improve governance. He submits that the main problem is the lack of reliable, valid and comparable data on key governance issues.

Accountability and Transparency

Accountability and transparency are critical for the efficient functioning of a modern economy and for fostering social well-being. Carstens (2005) views the twin concepts of “accountability” and “transparency” as important pillars of democratic governance in modern societies. He posits that in most societies, many powers are delegated to public authorities, thus some assurances must then be provided to the delegators – that is, society at large – that this transfer of power is not only effective, but also not abused. According to Wallen (2009) elected officials have dual objectives of being an effective representative and to foster a healthy democracy by encouraging citizen engagement. The way to accomplish these objectives is to promote an open and transparent government that expects citizens to hold elected officials accountable (Wallen, 2009; Otusanya, 2012).

Accountability

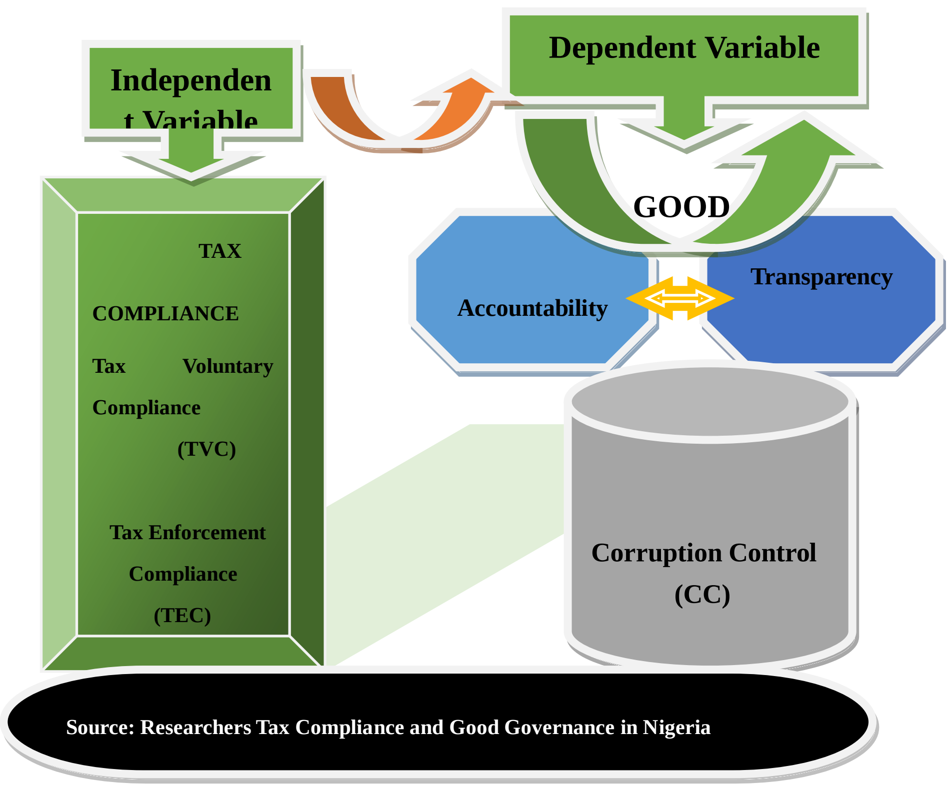
Accountability has been described as a key requirement of good governance (UNESCAP, 1997). According to Iyoha and Oyerinde (2010), accountability in the control and management of public funds is one of the most sensitive aspects of the activities of government in all democracies. This is corroborated by Otusanya (2012) who also explains that accountability is a key to the effective control and management of public funds by governments in all democracies. It is imperative that both the governmental institutions, private sector and civil society organizations must be accountable to the public and to their institutional stakeholders. However, this accountability differs depending on the organization and whether the decision is internal or external to an organization. Specifically, it is those that would be affected by the decisions or actions of the organization that the organization would be accountable to.

Transparency

Transparency may be explained to mean a situation where reliable, relevant and timely information about the activities of government is available to the public. Transparency ensures that information is available that can be used to measure the authorities‟ performance and to guard against any possible misuse of powers. In essence, transparency serves to achieve accountability, which means that authorities can be held responsible for their actions. Thus, without transparency and accountability, trust will be lacking between a government and those whom it governs and this would result into social instability and an environment that is less than conducive to economic growth (Carstens, 2005).

Good Governance and Tax Compliance- The Nexus

Good governance is concerned with authority in the public sector as well as how the society organizes its affairs and manages its resources as opined by Alabede et al, (2011). They stated that high quality of governance delivers a good tax system, while the opposite will be the case if quality of governance is low. Thus, a better tax system with good governance enhances compliance and failure of government to provide public amenities and infrastructure to the citizens, may force them not to comply with tax provisions. The most disturbing aspect about Nigeria’s economy is that it has been one of the most backward developing countries in terms of judicious utilization of its resources from taxation and others as a result of weak standard of good governance (Okwori & Sule, 2016). Azeez (2009) stated that if government is assumed as an entity that is accountable, taxes will be paid voluntarily by a lot of people, which lowers the need for coercion and generally increases tax compliance. The government at the federal, state and local levels should spend taxpayers’ money wisely to give the taxpayers maximum benefits for what they contribute to the government. The studies of (Akintoye & Tashie, 2013; Egwaikhide, 2010; Modugu, Eragbhe & Izedonmi, 2012 and Onyewuchi & Njemanze, 2018) found that trust in government is positively related to individuals’ willingness to comply with tax laws in various countries voluntarily.



Source: Researcher (2020)

Theoretical Framework

The Traditional or Deterrence Theory (DT)

The deterrence theory was propounded by Frey and Feld, (2002) which is premised on dealing with the challenges of tax compliance, in an attempt to seek an enforcement mechanism that can be complemented or substituted by the appeal to the citizen's tax morality. The traditional theory of tax compliance is referred to as "deterrence theory" which is based principally on the assumption of fear of detection and punishment (Allingham & Sandmo, 2012). However, Kornhauser (2007) argues that the deterrence theory which is based on the methods of enforcement through audit and penalties explains only a small fraction of actual voluntary tax compliance levels, as it has such poor explanatory power because it assumes that the decision to comply is based solely on a cost-benefit analysis in which people rationally weigh the benefits of non-compliance against the cost of detection and penalties. Korrnhauser (2007) therefore, explores the normative and cognitive aspects in his review of literature on tax compliance in order to explain why people pay or fail to pay taxes in the United States of America.

Political Legitimacy Theory

Legitimacy theory originated from political economy theory and also from the concept of organization legitimacy was propounded by Dowling and Pfeiffer (1975). Legitimacy is described as belief or trust in the government, tax authorities and other agencies that work for the common good of the citizens. The theory postulated that compliance is influenced by the level and extent of trust the citizens have on the government and its institutions (Kirchler et al., 2008). It is on this premise that it is assumed that tax compliance should be higher in an environment where citizens perceived high level of trust on the government rather than when there is lack of trust. Tax compliance with emphasis on African countries is shaped with a model of political legitimacy.

Theory of Planned Behaviour

Theory of Planned behaviour (TPB) propounded by Ajzen (1991) explained behaviour as centers on attitude and beliefs of an individual. It evolved from the theory of reason action which stipulated that intention is the best prediction of behavior (Azjen, 1991). Intention therefore, is the combination of attitudes exhibited towards behaviour while behaviour is the process of converting intention into action. TPB anchors on three beliefs; these are behavioural beliefs, normative beliefs and control beliefs (Fishbein & Ajzen, 2010).

Related Empirical Review

A number of researchers have studied this important aspect of tax compliance. For example, the study by Feld and Frey (2001) on deterrence and tax morale: how tax administration and taxpayers interact provides evidence which indicates that the way tax authorities interact with taxpayers has an impact on the intrinsic motivation to pay taxes. “A respectful treatment of taxpayers by the tax authorities and its interaction with institutional factors, such as direct democracy, contribute to the social capital of a jurisdiction. They create an environment in which it pays for citizens to perform their civic duty” (Feld & Frey, 20015).

Burton, Karlinsky and Blanthorne (2015) carry out a study to investigate the perception of United States of America taxpayers with respect to the severity of tax evasion.Finally, their results indicate that most personal characteristics (age, gender, education, income level or political affiliation) do not seem to be related to perceptions of tax evasion

In a related study,Siahaan (2016) studied the effect of tax transparency and trust on tax payers’ voluntary compliance. The result showed that tax transparency has an insignificant influence on voluntary tax compliance ($p=0.160 <0.05$) whereby the tax transparency through trust in government had a positive influence on tax compliance (p-value $0.005 <0.005$) while the effect of trust on voluntary tax compliance revealed positive relationship and significant at p-value $0.000 <0.05$.

Kiow, Salleh and Kassim (2018) studied the determinant of individual tax payer’s tax compliance behaviour in Peninsular Malaysia. Findings from the review of previous researches showed that individual tax payer’s compliance behaviour was influenced by ethical perception of the tax payer and this perception was affected by public governance and transparency in government business operations.

Akintoye and Tashie (2013) investigated the effect of tax compliance on economic growth and development in Nigeria using trust in government, provision of infrastructural amenities, tax knowledge and accountability by the government as the variables of tax compliance. They found that tax knowledge, trust in government, provision of infrastructural amenities and government accountability have a significant positive relationship with tax compliance.

The work of Egwaikhide (2010) examined the relationship between taxation and state-building in Nigerian democratic system and found a significant positive relationship between the perception of good governance and the willingness of taxpayers to comply with tax laws. This is an indication that good governance encourages personal income tax compliance.

Modugu et al., (2012) examined the relationship between government accountability and voluntary tax compliance in Nigeria. They found that there is a positive indication that the citizens’ perception of government accountability is a factor that shapes the existence and maintenance of tax morale resulting in voluntary tax compliance.

Onyewuchi and Njemanze (2018) carried out an empirical analysis of tax leakages and economic growth in Nigeria. They found that the most fundamental challenges concerning tax leakage are expedited by the lack of good governance on the part of the government which highly discourages the populace from complying willingly with their tax obligations.

These studies were conducted in those areas with greater focus on their immediate environments and circumstances. Therefore, an empirical study is considered necessary to determine whether or not tax compliance would impact on good governance in Nigeria. This is with a view to proffering solutions to some of the problems confronting tax administration and those militating against tax compliance in Nigeria. From the studies stated above, it could be seen that excellent governance through judicious government spending plays a major role in promoting the level of tax compliance.

METHODOLOGY

The data for this study was obtained mainly from secondary sources Data used in this study was sourced from Federal Board of Inland Revenue, the statistical bulletin of the Central Bank of Nigeria, Budget office of the Federation, as well as the World Bank Development Indicator Database. Secondary data for the study was obtained through the use of a structured financial report from Federal Inland Revenue Service relevant statistics required for this research work, such as Voluntary Tax Compliance (VTC),Enforcement Tax Compliance (ETC),Tax Evasion (TE),Tax Avoidance (TA), Corruption Control (CC), Government Efficiency (GE), Government Accountability and Transparency (GAT), were obtained from FIRS and Central Bank of Nigeria (CBN) Statistical Bulleting covering the period of fifteen (15) years spanning from 2004 to 2019 . Data were also gathered via the use of internet.

Model Specification

To analyze the impact of Voluntary Tax Compliance and Government Transparency in Nigeria The model of this study will be specified in functional and linear forms as shown below:

Where Y represents Good Governance in Nigeria which can be measured by Government Efficiency and Corruption Control

$$GG_t = \beta_0 + \beta_1 VTC_t + \beta_2 TETC_t + \beta_3 \mathrm{TE}t + \beta_4 \mathrm{TAt} + \beta_5 CC_t + \beta_6 GOVE_t + \beta_7 GAT_t + \varepsilon_t \ldots\ldots..3.2$$

Where:

β_0 = Intercept

TC = Tax Compliance

TVC = Tax Voluntary Compliance

TEC = Tax Enforcement Compliance

TE = Tax Evasion

TA = Tax Avoidance

CC = Corruption Control

GOVE = Government Efficiency

GAT = Public Accountability and Transparency

ε = Stochastic Error Term

RESULTS

Descriptive and inferential analysis of tax compliance and the Components of good governance

This study made use of descriptive statistics to show the inferential statistic followed by correlation analysis and linear regression model estimation. Correlation analysis was used to determine the significant relationship among two or more variables to establish the measures of central tendency and highlighting the key findings. The analysis was done by carefully interpreting the frequency tables generated from the descriptive statistical procedures and the inferential statistical tables.

Table 1: Regression Model for the Impact of Tax Compliance on Accountability and transparency

Model	Un-standardized Coefficients		Standardized Coefficients	T	Sig.	R2
	B	Std. Error	Beta			
(Constant)	-24541.676	8059.943		-3.045	0.008	0.56
Voluntary Tax Compliance	2.755	2.654	0.128	4.038	0.016*	
Enforcement Tax Compliance	12.081	6.526	0.192	1.851	0.004*	
Tax Evasion	-27.359	-3.855	-1.107	-7.097	0.09	
Tax Avoidance	20.412	19.853	0.191	2.146	0.002*	

Source: Author's compilation (2020)

The results depicted in Table 1 showed that tax compliance have positive and significant relationship with good governance. The relationship is significant ($p \leq 0.05$) for voluntary tax compliance with accountability and transparency (0.016) as well as enforcement tax compliance (0.004). Thus, the result suggests that tax compliance have significant impact on accountability and transparency in Nigeria. The adjusted R-Square (coefficient of determination) for voluntary tax compliance is 0.128, for enforcement tax compliance is 0.192, Tax evasion which have a contemporaneous negative relationship is -1.107with 0.09 level of significant as shown in Table 1. An R-Square (r2) in this case is a measure of the proportion of voluntary tax compliance (Independent variable) that is explained by accountability and transparency (i.e. two of the components of the Dependent variable). Thus, the adjusted R-Square (r2) of 0.56% implies that only about one per cent (1%) of voluntary tax compliance can be determined or explained by accountability and transparency. Therefore, voluntary tax compliance, enforcement tax compliance and tax avoidance have positive and significant impact on accountability and transparency which both are component of good governance.

Hypothesis 1

Table 2: PLUM-Ordinal Regression Model Fitting Information

Factor	Coefficient	T-Stat	P-value	Significant Level	Inference
Voluntary Compliance	0.13	4.04	0.016**	0.05%	Accept H_A, Reject H_O

Source: Author's Compilation (2020)

(H01): Voluntary tax compliance does not have a significant impact on accountability and transparency in Nigeria.

Hypotheses 1 (H01) sought to answer this with respect to accountability and transparency which are two of the fundamental components of good governance used in the modified model of the theory of planned behaviour (TPB). The measurement scale of the data collected from the field is ordinal. To establish whether or not voluntary tax compliance have significant impact on accountability and transparency, a PLUM-ordinal regression as against the ordinary least-square regression was used (see Table 1).

In addition, the result reported in Table 3 shows that there is a significant relationship which indicates that the model gives a significant improvement over the baseline intercept-only model. This basically shows that the model appears to give better predictions than just a mere guess based on the marginal probabilities for the outcome categories. For instance, as shown in Table 3, there is a significant Correlation statistic which indicates that Coefficient is 0,128 and p value is 0.016 ($p \leq 0.05$).

Decision Rule:

Given the decision criteria to reject HO if the probability value is < 0.05 Table 3 shows a probability of 0.0016**<0.05. We accept the alternative hypothesis. Therefore, the hypotheses (H01) which states that voluntary tax compliance does not have a significant impact on accountability and transparency in Nigeria is rejected.

Table 3: Regression Model for the Impact of Enforcement Tax Compliance on Corruption Control

Model	Un-standardized Coefficients		Standardized Coefficients	T	Sig.	R^2
	B	Std. Error	Beta			0.67
(Constant)	0.913	0.224		4.075	0.001	
Voluntary Tax Compliance	0	0	1.506	3.229	0.006*	
Enforcement Tax Compliance	9.68E-05	0	0.209	3.533	0.002*	
Tax Evasion	-0.001	0	-1.568	-1.663	0.581	
Tax Avoidance	0.14	0.32	-0.146	-0.437	0.669	

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

Source: Author's Compilation (2020)

The results depicted in Table 3 suggest there is positive relationship between enforcement tax compliance and corruption control. The results indicated voluntary tax compliance and enforcement tax compliance are positive significantly related to corruption control at the significant ($p \leqslant 0.05$) level of 0.006 and 0.002 respectively while tax evasion and tax avoidance has negative and not significantly related to corruption control at the level of 0.581 and 0.699 respectively.

The adjusted R-Square (coefficient of determination) voluntary tax compliance is 3.229, for enforcement tax compliance is 3.533, while tax evasion and tax avoidance which have contemporaneous negative relationship is -1.568with 0.581 level of significant and -0.146 with 0.669 level f significant as shown in Table 3. An R-Square (r2) in this case is a measure of the proportion of tax compliance (Independent variable) that is explained by corruption control which is one of the components of the Dependent variable. Thus, the adjusted R-Square (r2) of 67% implies that only about one per cent (1%) of tax compliance can be determined or explained by corruption control. Therefore, enforcement tax compliance has positive and significant impact on corruption control which is a component of good governance

Hypothesis 2

Table 4: PLUM-Ordinal Regression Model Fitting Information

Factor	Coefficient	T-Stat	P-value	Significant Level	Inference
Enforcement Tax Compliance	0.192	1.851	0.04**	0.05%	Accept H_A, Reject H_O

Variable	Coefficient	p-value	Significant Level
Constant	-5.947146	0.9083	000
LnBPL	3.237662	1.3372***	1%
lnMAC	0.986219	0.1149***	1%
lnBPA	1.112798	0.0965	000
InBE	0.078222	0.4549	000
lnOCF	0.815209	0.0033***	1%
LnCRT	0.459928	0.0885***	1%
LnDER	0.301745	0.9286	000
LnATR	0.321654	0.8722	000

Source: Author's compilation (2020)

H02: Enforcement tax compliance has no significant impact on corruption control in Nigeria.

Hypotheses 2 (H02) sought to answer this with respect to corruption control which are also part of the components of good governance used in the modified model of the theory of planned behaviour (TPB). To establish whether or not enforcement tax compliance has significant impact on government accountability and transparency, an ordinal regression as against the ordinary least-square regression was used (see Table 4). Furthermore, Table 4 shows that there is a significant relationship which indicates that the model gives a significant improvement over the baseline intercept-only model. It shows that the model appears to give better predictions than just a mere guess based on the marginal probabilities for the outcome categories. For instance, as shown in Table 4, there is a significant correlation statistic which indicates that Coefficient is 0.192 and p value is 0.004** ($p \leq 0.05$).

Decision Rule

Given the decision criteria to reject HO if the probability value is < 0.05 Table 4 shows a probability of 0.0004**<0.05. We accept the alternative hypothesis. Therefore, the hypotheses (H02) which states that there is no significant impact of enforcement compliance on corruption control in Nigeria is rejected.

DISCUSSION OF FINDINGS

The multiple linear regression models indicate that not all the independent variables have positive coefficient. Tax Voluntary Compliance have positive and significant effect on good governance, and Enforcement compliance also have positive and significant effect on good governance, in other way, tax evasion have negative significant effect on good governance ad Tax avoidance have negative significant effect on good governance The regression results above reveal that there is a positive relationship between dependent variable (good governance) and independent variables (Tax Voluntary Compliance, Tax Enforcement Compliance, secondly there is a negative relationship between independent variables (Tax Evasion and Tax Avoidance.) and dependent variable (Good Governance). From the findings, one-unit change in Voluntary Compliance in 0.158 leads to an increase in good governance. A unit change in perception of people from evading tax will enhance good governance.

One-unit change in perception of people from avoiding the payment of tax results 0.084 unit increases in good governance. A unit change increase in the level of control of corruption in 0.669-unit will increase good governance. A unit change in government efficiency results in 0.581-unit will lead to an increase in good governance. The t statistics helps in determining the relative importance of each variable in the model.

As a guide regarding useful predictors, we look for t values well below 0.01 or above 0.01. In this case, the most important variable was Tax Voluntary Compliance, Tax Enforcement Compliance, Tax Evasion and Tax Avoidance. respectively. This study findings are in line with Scott, 2005), who contends that during tax compliance, consideration of alternative courses of action becomes an integral part and leads to increased rationality.

SUMMARY OF FINDINGS

The findings from this study were summarized as follows:

1. The correlation results showed that voluntary tax compliance and enforcement tax compliance have positive and significant correlation with government accountability, corruption control and government efficiency which are part of the fundamental principles of good governance in Nigeria. The set of items perceived to be fair measures of these components of good governance in relation to tax compliance for this study and also reflected that there is presence of co-integration (long-run relationship) among the variables in the model.

2. The regression result of voluntary tax compliance and enforcement tax compliance reflected that voluntary tax compliance and enforcement tax compliance have positive impact and effect on government accountability and

transparency, corruption control and government efficiency which are fundament component of good governance, when government realize much more money in reserve, government will be able to carry out their primary aims and objective which will enhance good governance.

3. The correlation result showed that tax avoidance and tax evasion has negative significant correlation with government accountability, corruption control and government efficiency which are a part of the fundamental principles of good governance in Nigeria. Though tax avoidance is legal as part of good governance, companies seek to minimize their tax liability through tax planning making the most tools and mechanism which government makes available to them specifically for the purpose.

4. The regression results showed that tax evasion and tax avoidance has a contemporaneous negative and no significant effect with government accountability and transparency, corruption control and government efficiency which are fundament component of good governance. Also, tax avoidance has no effect on good governance. The diagnostic tests showed that the residuals of the model are serially uncorrelated,

CONCLUSION

The study established a relationship between tax compliance and good governance, depending on the variable of interest Tax voluntary compliance have a consistent influence on the good governance of Nigeria, as there is no disparity between its influence on the government accountability and transparency, government efficiency and corruption control in the long run and short run, because based on the findings tax evasion exerts negative significant influence of that coefficient is -1.568 and P value is 0. 581.> 0.05 level of significance) on good governance in the short run and the long run respectively. This is an indication of high level of tax evasion in Nigeria due to the inconsequential of effect of voluntary tax compliance and tax enforcement compliance on the good governance of Nigeria. This is also the same with tax avoidance as it exerts an insignificant contribution to the good governance both in the short and long run equations.

Tax voluntary compliance and tax enforcement are positively and significantly related to good governance, which implies that Nigeria's economy tends to improve as voluntary tax compliance increases. The rate of Nigerian government borrowing over the years have negatively contributed to the good governance of the nation as the study found out that in the long run, tax evasion has been negatively and significantly influenced by good governance.

RECOMMENDATIONS

Therefore, following recommendations are provided to achieve an effective and efficient tax compliance that would yield to rapid good governance in Nigeria:

1. The government should show some degree of tax accountability on the revenue collected to encourage the citizens to build trust in them

2. A high level of delivery on the promises made by the government should be implemented to enable citizens develop towards government the sense of trustworthiness.

3. The system of taxation and tax authorities at all level should be transparent.

4. Improvement on the standard of tax audit employed for effectiveness and efficiency in tax administration to reduce the high level of tax evasion on those that are self-employed should be encouraged.

5. The government should be honest with the use of tax proceeds.

6. Tax audit should aim at reducing the problems of tax evasion, tax avoidance and other tax irregularities for standardization to improve the level of filing, payment and reporting compliance in Nigeria.

7. The relevant tax authorities should improve the public awareness of the importance of tax payment and the effect of non-tax payment, so that the level of compliance can be improved and non-compliance will be minimized.

8. In order to encourage voluntary tax compliance, government needs to be more responsible to the needs of the citizens through the Provision of infrastructural and social amenities.

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