THE IMPACT OF TAX FAIRNESS AND DEMOGRAPHIC FACTORS ON TAX COMPLIANCE IN NIGERIA

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DECLARATION

I certify that the substance of this project paper has not already been submitted for any degree and is not currently been submitted for and other degree qualification.

I certify that any help received in preparing the project paper and all sources used have been acknowledge in this thesis.

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ABSTRACT

Tax regimes all around the world are constantly looking for ways and means to improve the level of tax compliance by their citizen in any country. Tax generated revenue is the major source of income for many country. The purpose of this study is to investigate the impact of tax fairness and demographic factors on tax compliance in the context of developing country e.g. Nigeria. The five tax fairness dimensions measured in this study are the general fairness, exchange with government, tax structure, special provisions and self interest. A survey questionnaire was administered to tax officers from the Federal Inland Revenue Service headquarter Abuja Nigeria. The finding reveals that only two out of the five tax fairness dimension are accepted i.e. (exchange with government and special provision) and demographic factors analysis, including age, gender, education, income and experience only gender is significant and was accepted. The result of this study shows that tax is moderately fairer in Nigeria. These results provide useful information for tax authority in improving revenue generation in Nigeria.

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TABLE OF CONTENT

CONTENTS	PAGE

CHAPTER ONE

BACKGROUND OF THE STUDY

CHAPTER TWO

LITERATURE REVIEW

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

CHAPTER FOUR

FINDINGS AND DISCUSSION

CHAPTER FIVE

DISCUSION RECOMMENDATION AND CONCLUSION

CHAPTER ONE

BACKGROUND OF THE STUDY

1.1   Introduction

This chapter gives an overview of the background of the study, introduction, problem statement, research questions, and research objectives, significance of the study, definition of key terms and organization of the study of the impact of tax fairness dimension and demographic factors on tax compliance in the context of Nigeria.

1.2   Background of the study

The primary function of the personal income tax system is to raise revenue for government. As revenue-raising mechanism the personal income tax system must be seen to treat all citizens fairly (Huxham & Haupt, 1998). It is important that taxpayers perceive the tax system as fair. This is most important, since fairness has been deemed as motivator that is meant for tax compliance and the determinant of taxpayers' satisfaction with the return from the government makes most taxpayers to comply with tax (Cowel, 1990). In the earlier period United States congress agitate about the impact of taxpayers' perception on fairness and the decreased in drift toward tax compliance. Unfortunately evidence abounds that taxpayers, both in the United State and Europe, have serious reservation about the fairness of their tax system (Jackson & Milliron, 1986). Smith & Friedman (2003) identify the need to understand the taxpaying culture and taxpayers behavior the study was conducted in south Africa. Hlophe & Friedman (2002) feel that there is room for improvement in the transformation of taxpayer's attitudes toward

1

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