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The influence of tax amnesty programme on tax compliance in Nigeria: The moderating role of political trust

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The paper examined the influence of tax amnesty programme on tax compliance in Nigeria moderating the effect of political trust. The survey research design was employed to understand the taxpayer's perception of the Voluntary Assets and Income Declaration Scheme (VAIDS). We collected the data through the administration of questionnaires to taxpayers across the most commercial states in Nigeria. The data obtained were analysed using the frequency table, the Cronbach alpha test, and the binary logistic regression technique. The survey showed that the compliance rate was about 22%. The study showed that the primary driver of tax compliance in Nigeria is unannounced ad hoc tax audit; this implies that tax compliance will increase when taxpayers are aware there is an unannounced ad hoc tax audit. It is evident from this study that the low tax compliance was as a result of the moderating effect of political trust of the taxpayers as indicated by the amnesty*trust and trust showed a negative relationship with tax compliance in Nigeria. Based on the empirical analysis, the paper concludes that the Tax Amnesty Programme VAIDS has a significant influence on tax compliance in Nigeria. The paper recommended that the government should build and strengthen the institutions, which give a sense of accountability and perception of good governance to the taxpayers, which will encourage voluntary tax compliance in the long run.

Key words: Tax amnesty, tax compliance, political trust, Voluntary Assets and Income Declaration Scheme (VAIDS).

INTRODUCTION

The Nigerian Government has recognised that the revenues from the oil sector can no longer sustain the economy; the issue bothering the government is how it plans to fund the economy from internally generated revenue. Raising revenue to meet expenditure is a vital function of any tax administration. In the absence of

taxes, the government's ability to fulfil their obligation to society can severely be impaired. According to PricewaterhouseCoopers (PwC) report (2018), only 4% of people in the tax net file returns as businesses or high net worth individuals, 96% were employees who paid their taxes via Pay as you earn tax (PAYE), and this

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accounted for about 75% of total internal generated revenue (IGR). The Federal Inland Revenue Service (FIRS) observes that Nigeria has one of the lowest tax collection rates in the world at about 6% of GDP and that the reliance on crude oil has made the Nigerian government to forsake other revenue collection systems. Over the years, taxes have not played a major role in running the affairs of Nigeria's administration. With proceeds from oil, Nigeria became over-dependent on the commodity and little attention to taxes. Not paying taxes has gradually become a culture of Nigerians, as they do not see taxes as a sustainable source of revenue to Nigeria. As a result, most citizens do not see any need to pay taxes. The Nigerian government launched the Economic Recovery and Growth Plan (ERGP) 2017-2020 in which growth is expected to be strengthened in the medium term, reaching about 2.8% by 2019. As part of the plan the Voluntary Assets and Income Declaration Scheme (VAIDS) a tax amnesty programme was introduced by the Federal Government of Nigeria to revive the Nigerian economy. VAIDS is expected to transform the Nigerian tax system and ensure sustainable funding for the government at all levels. VAIDS provides a second chance for taxpayers in default of prior years' taxes, to regularise their tax status and avoid interest, penalty and criminal prosecution. The scheme should positively influence the country's tax revenue (KPMG report, 2018).

From the extant literature on tax compliance, some studies have argued that tax amnesty has a positive relationship with tax compliance (Ashman et al., 2011; Mikesell and Ross, 2012; Orrenius and Zavodny, 2012; Yuesti et al., 2016; Yuesti et al., 2018). Some other studies have argued that tax amnesty no significant impact on tax compliance as the government only collects previously evaded taxes in the form of tax liabilities (Aim et al., 1990; Luitel and Sobel, 2005). Hence, offers for tax amnesty therefore only boost the tax collection during the amnesty period and do not affect the compliance of other taxpayers. Other empirical research argues that tax amnesty has a significant negative relationship on tax compliance (Malik and Schwab, 1991). They argue that offering tax amnesties to taxpayers reduces voluntary compliance as the previously compliant adopt a wait and see the strategy. Aim and William (1993) explained that the anticipatory behaviour of taxpayers for future amnesties makes them evade tax payments during the current period with the hope of been forgiven in the future.

The mixed findings from the existing literature have led to a call for further empirical investigations. To the best of our knowledge, most studies do not take into consideration political trust in moderating the effect of tax amnesty on tax compliance. The paper extends the Allingham and Sandmo (1972) model on taxpayers behaviour by moderating the relationship between tax amnesty and tax compliance with political trust integrated

into the model to stimulate the relationship. Therefore, the objective of this paper is to examine the influence of tax amnesty on tax compliance in Nigeria with emphasis on the moderating effect of taxpayers political trust.

LITERATURE REVIEW

Tax compliance

The notion of tax compliance can be seen in various dimensions. Its dimension varies from law enforcement to the economic ambit. Tax compliance is the zeal of individuals and other chargeable bodies to behave in conformity with the provisions of tax laws without being forced or compelled (James and Alley, 2002). In other words, it is the extent to which a taxpayer obeys the provisions of tax rules and mandates. Three categories of compliance are identified by McBarnett (2003). They are: committed compliance, capitulative compliance, and creative compliance. Committed compliance exists when the taxpayer pays tax willingly without any form of coercion. Capitulative compliance, on the other hand, has to do with reluctance in the payment of tax liability by the taxpayer. While creative compliance is an effort by the taxpayer directed at cutting down his tax liability by re-computing income and allowable expenses within the scope of tax canons. The scope of compliance might also be expanded to accommodate voluntary and enforced compliance (Kirchler, 2007). Voluntary compliance is made possible by the ensuing trust and partnership between tax bodies and chargeable persons. It is the positive enthusiasm of the chargeable persons to adhere to tax mandates. Furthermore, tax compliance can also be classified into Administrative compliance and Technical compliance. Administrative compliance relates to adhering to reporting rules and procedures. Technical compliance on the other hand is concerned with fulfilling the operational demands of tax mandates in the calculation of taxes (Organisation for Economic Cooperation and Development (OECD, 2010). Tax adherence does not only pertain to accurate reporting of the taxable income, it also involves accurate estimate and prompt submission of tax returns in addition with on-time payment of the tax liability. Actions by taxpayers which do not conform to the above represent noncompliance (Franzoni, 2000; Chatopadhyay and DasGupta, 2002). However, the level of non-compliance may be measured by way of the tax gap, that is, the variance between the actual revenue collected and the amount that would be obtained if there were compliance to a maximum rate of 100%.

Tax amnesty

According to Baer and Le Borgne (2008), tax amnesty

can be seen as a limited-time offer by the government to taxpayers to pay an amount of tax, to forgive their tax liability which includes the interest and penalties for the previous tax year. Tax amnesties generally fall into two categories: financial and legal. In the financial, a tax amnesty implies a reduction of taxpayers' declared or undeclared tax liabilities as established by law. This reduction can be achieved through a variety of measures: by a decrease or cancellation of interest and penalties owed on the undeclared taxes or tax liabilities. The legal includes a waiving of civil and criminal penalties. Tax amnesties can be designed to cover all taxpayers including corporate income tax and personal income tax. According to Franzoni (1996), tax amnesty regulations are executed in three ways. First, Revision Amnesty offers taxpayers the platform to modify the income return of specific tax years with lower punishments. Acceptance of the pardon does not exempt taxpayers from the scrutiny and auditing activities of tax bodies. Secondly, Investigation *Amnesty* exempts chargeable persons from tax audits on specific periods on when an amnesty fee is paid. Lastly, Prosecution amnesty partly waives the punishment for taxpayers who face charges of tax offences and eases the judicial process. The government may also discontinue its court proceedings with respect to certain tax-periods in place of a gross-sum of money.

Tax amnesty programmes and tax compliance

Fox and Murray (2011) explored the effects of amnesties on tax revenues and filing rates using a Bayesian empirical framework. The results indicated that an initial amnesty adopted by a country improved the country's revenue and filing rates from tax. But although subsequent amnesties enhance revenue performance, the effects diminish compared to the first amnesty, ultimately pushing filing rates below their pre-amnesty levels. According to the United States Congress (1998), some individuals believe that tax amnesties are only fair to the loyal taxpayer because they bring in tax revenues that would not have been collectable which can finance additional public services without raising taxes, or can be used to reduce taxes for law-abiding taxpayers. However, the views of these critics are dependent on the long-run revenue from an amnesty being positive. Becourtney (2010) confirmed that the attraction of future tax reprieve might encourage taxpayers' dishonesty. An honest taxpayer will not make an intentional decision to default in his tax payment but may be caught off guard if indicted for a false filed tax return. Thus, for the honest taxpayer, the amnesty is a previously inaccessible platform to lessen punishments meted out, or expected to be enforced as a result of tax default (Mello e Souza, 2006). Borgne (2006) also discovered that tax amnesties are instituted more in countries with increasing debts. Tax amnesties are, therefore, viewed as a source of

generating funds or revenue by the government. Tax amnesty and compliance in developing countries have hardly been analyzed empirically in literature (Torgler et al., 2003).

Torgler et al. (2003) further stated that the granting of a second amnesty gave honest taxpayers the feeling that the state cannot be relied upon because of increased expectations of additional tax pardons by tax evaders. Mattiello (2005) described the impacts of proposing tax amnesties. Firstly, granting tax reprieves could increase the adherence rate by conceding citizens to divulge their taxable income. Secondly, in the long term, tax amnesties might reduce the taxpayers' will to fulfil their tax duties with the State. According to Fjeldstad et al., (2012) and Ali et al. (2014), confidence in the government is seen to be pertinent when it is applicable for the good of everyone. It is normal to expect that taxpayers' reliance on their government will make them voluntarily abide by the mandates set by such government and institutions, and this influences tax adherence decisions (Tyler, 1990; OECD, 2010). Researchers such as Picur and Riahi-Belkaoui (2006) observed that taxpayers in countries with a high curb of corruption comply with tax regulations. Richardson (2008) suggests the need for governments to improve their reputations, as a means of gaining the taxpayers' loyalty. Closely linked with political legitimacy are the issues of national pride and political affiliations. Tyler (1990) argued that national pride has an effect on peoples' tax morale (Torgler and Schneider, 2005; McKerchar and Evans, 2009). Palil (2010) also noted that support of the ruling government administration and its policies also has an impact on tax compliance.

Political trust and tax compliance

Extant works of literature have shown that when citizens discern government to be credible, they are more likely to comply with their mandates and decisions (Levi and Stoker, 2000). As such, a strong link between citizens' conformity and the dependability of government has been established; the findings from this confirmation, however, have produced mixed results. Several studies have interpreted political trust in different ways: some studies have viewed it from the angle of scrutiny of government affairs and ensuring that the government does not misuse its authority over citizens (Majone, 1997). Other studies focus on the cognitive inter change between the ruled and the rulers. It was revealed that continuous communication fosters trust amongst individuals (Scholz and Lubell, 1998). Many of the studies agree that public servants with trusting manners are more likely to elicit compliance and trustworthy behaviour from citizens (Levi and Stoker, 2000). Esaiasson and Ottervik (2014) developed a theoretical measure of compliant behaviour that comprises abiding tax regulations, and conformance

with an unbiased government. Their study found a strong country-level correlation between citizens' support and compliance. Furthermore, the results of the study give proof that there is a positive association between political trust and tax compliance. Chargeable persons are only encouraged to make tax payment if they perceive the government to be credible. Trust is also based on the notion that government representatives endeavour to be morally upright and they do not squander taxpayers' money. Nangih et al. (2018) examine the challenges facing VAIDS implementation in Nigeria. Their study revealed that inadequate data, corruption of some revenue staff, delay in our judicial process, capacity issues and lack of political will on the part of the government have a significant negative effect on VAIDS implementation. Nangih et al. (2018) examined the effect of voluntary asset and income declaration scheme on tax compliance in Nigeria using the Spearman's rank order correlation. Their study found that VAIDS implementation has a positive correlation with voluntary tax compliance and enforced tax compliance through persuasion or taxpayers' inducement.

MATERIALS AND METHODS

This research used a survey research design to understand the perception of taxpayers on VAIDS and the factors that are likely to influence compliance. The data were obtained through the distribution of questionnaires. The questionnaire was distributed to one thousand taxpayers across the most commercial states in Nigeria. The states include Lagos (West), Awka (East), Port-Harcourt (South) and Kaduna (North). The questionnaire used well-structured close-ended questions comprising twenty-five statements using a Likert Scale ranging from one to five. Cronbach's Alpha test was used to check the reliability of the research instrument. The Cronbach's Alpha test is reliable when the coefficient is at 0.7 (70%) or higher. The binary logistic regression technique was adopted dichotomous nature of the dependent variable which lies between one and zero. One representing taxpayers that have VAIDS declaration certificate and zero for taxpayers who do not have VAIDS declaration certificate issued. The data collected from the field were analysed using STATA 15.

Theoretical framework and Model specification

We adopted the work of Allingham and Sandmo (1972) which is known as the A-S model and a model of tax compliance. We adopted this theoretical perspective of this study because our study focuses on some of the determinants that influence the likelihood of the compliance of tax payers in Nigeria. The theory explores the relationship between risk appetite of the tax payer and the willingness to pay tax. The A-S Model, the decision to declare tax to the tax authority is associated with a lot of uncertainties. They opined that when an individual does not disclose his taxable income fully to the relevant tax authorities it does not immediately imply sanctions in such as interest and other forms of fines or penalties imposed by the relevant tax authority. As a result, the taxpayer has two strategic choices: First, the taxpayer may declare his actual income or secondly the taxpayer may report an income lower than what it ought to be. If the taxpayer decides to report lower than the real income then he has to consider if he will be audited by the relevant tax authorities which will determine his payoff. If the

taxpayer will be audited, then he adopts the first strategy otherwise, he will be worse-off.

The A-S model assumes that the behaviour of the taxpayers follows Von Neumann-Morgenstern assumptions of behaviour under conditions of uncertainty. Ceteris paribus, a rational taxpayer is usually not willing to take risk that is the taxpayer is usually tax adverse. Mathematically, the model can be explained below:

Let I will be the total income of the taxpayer. There is a direct relationship between the tax paid and the tax rate (t). To further explain this using the Absolute Income Hypothesis (AIH), According to consumption is a function of the level of disposable income.

$C = f(Y^d)$ where, Y^d is disposable income = Income(Y) – Tax(T) ($Y^d = Y - Tax$).

In Nigeria, there are two kinds of income: disclosed income and undisclosed income. The undisclosed income is usually higher than the disclosed income, which is the income usually, communicated to the relevant tax authorities and this, which is generally under-reported. The amount of income under-reported, is U , hence the reported income is represented by $I-U$.

If the tax authority does not detect the income not disclosed, the net income of the taxpayer is,

$$Y = I - t(I - U) \quad (1)$$

Expanding Equation 1, then

$$\begin{aligned} Y &= I - t(I - U) \\ Y &= I - tI + tU \\ Y &= (1-t)I + tU \end{aligned}$$

Where, the tax authority finds out that the taxpayer has reported less than his actual income then he is going to be charged a penalty for non-disclosure. He is going to pay a penalty tax rate of p , which is charged on the income not disclosed. This can be expressed mathematically as:

$$Y = (1-t)I + tU + pU \quad (2)$$

A-S model suggests that if the additional tax rate is high, it will encourage taxpayers not to fully report their total income savings from withholding the total income from the tax authority. The A-S model posits the tax rate increases when there is a significant difference increase between the rate of penalty and the normal rate of tax.

Recall that from the theory, the taxpayer has a decision to declare or not declare under conditions of uncertainty, hence the taxpayer may declare or not declare his total income. This means that under a tax amnesty programme (VAIDS) the taxpayer may declare or not declare their assets and income to the relevant tax authority. Thus,

$$\text{Tax compliance} = f(\text{Tax Amnesty Programme}) \quad (3)$$

Adapting from the A-S Model, there is a likelihood that the taxpayer will be detected for not disclosing his total income; he will likely disclose but if he is not detected he will likely not declare. This implies that tax audit will likely increase tax compliance. Thus,

$$\text{Tax compliance} = f(\text{Tax Audit}) \quad (4)$$

The A-S model also suggests that if the tax authority discovers that the taxpayer did not fully declare his total income, a tax penalty will be imposed on the income not declared. Thus:

$$\text{Tax compliance} = f(\text{Tax Penalty}) \quad (5)$$

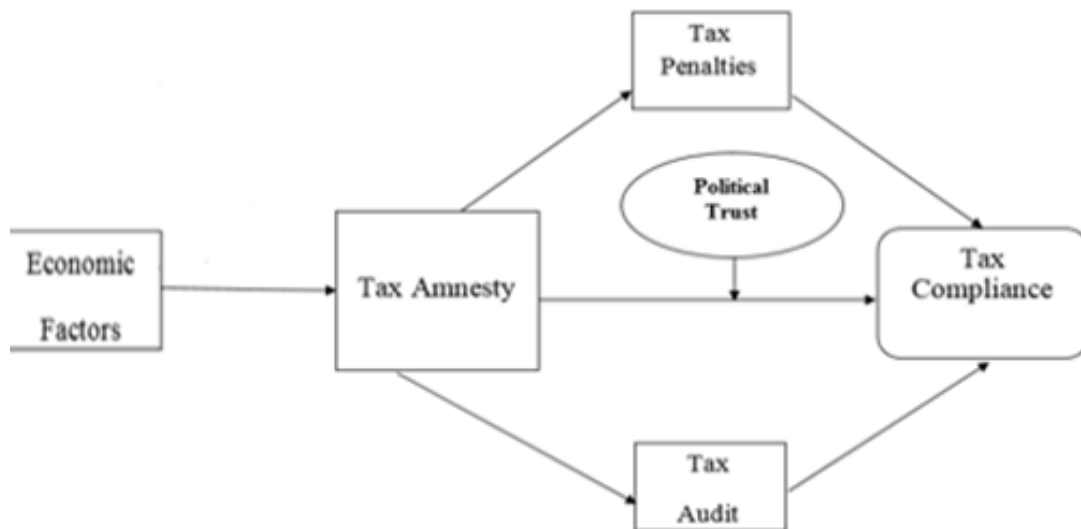


Figure 1. Schematic representation of tax compliance framework
 Source: Researcher's compilation (2019)

Table 1. Operationalization of variables.

Variable	Code	Questions	Studies	Apriori
Tax Compliance	TCOMP	Q1-Q5	Brooks (2001)	Positive
Tax Amnesty	AMNESTY	Q6-Q9	Baer and LeBorgne (2008), Franzoni,1996)	Positive
Tax Audit	AUDIT	Q10-Q15	Shanmugam (2003), Dubin (2007).	Positive
Political Trust	TRUST	Q16-Q18	Fjeldstad et al., (2012)	Positive
Tax Penalty	PENALTY	Q19-Q22	Doran (2009)	Positive
Economic Factors	ECO	Q23-Q25	Ali, Fjeldstad and Sjursen (2014)	Positive

Source: Researcher's compilation (2019).

From the existing literature Cullen et al. (2018) argue that when the citizens have a positive perception of the government, many will be willing to comply with government regulations and will be more likely comply to the tax authority. Gerber and Huber (2009) argued that a taxpayer would usually decide about his taxpaying behaviour by how the taxpayer perceives overall government spending and this may affect taxpayers' affiliation toward the government. Based on these views, we propose a functional relationship between tax amnesty and political trust.

$$\text{Tax compliance} = f (\text{Political Trust}) \tag{6}$$

The schematic relationship is represented in Figure 1. By linearising equation (3 - 6) into the econometric model, we introduced the moderating variable political trust and a control variable economics factors. The econometric form of the model is specified thus (Table 1):

$$TCOMP_i = \delta_0 + \delta_1 AMNESTY_i + \delta_2 AMNESTY_i * TRUST_i + \delta_3 PENALTY_i + \delta_4 AUDIT_i + \delta_5 ECO_i + \delta_6 TRUST_i + \epsilon_i$$

RESULTS AND DISCUSSION

A preliminary analysis was carried out using the

Cronbach Alpha test, and also the regression analysis was carried out. In conducting this research, one thousand copies of the questionnaire were administered to taxpayers in the major commercial cities in Nigeria which include Lagos (West), Awka (East), Port-Harcourt (South) and Kano (North). Seven hundred and sixty-eight copies were retrieved, representing a 76.8% response rate. A summary of the results from the analysis are presented in Tables 2 to 4.

Table 2 shows the reliability statistics using Cronbach's alpha test. The acceptable reliability coefficient is 0.70 or higher in most social science research. Hejase and Hejase (2013) contend that the generally agreed upon lower limit for Cronbach's alpha is 0.70. Values between 0.70 and 0.80 are labelled good while values between 0.80 and 0.90 are very good. Thus, the majority of the variables had a score of at least 0.75, which implies that the research instrument is reliable since their degree of internal consistency is high.

A total of 768 taxpayers have responded to the questionnaires. In our survey, the question asked to determine their compliance was "Do you have a VAIDS

Table 2. Reliability statistics.

Variable	Questions	Cronbach Alpha	Explanation
TCOMP	Q1-Q5	0.788	Reliable
AMNESTY	Q6-Q9	0.755	Reliable
AUDIT	Q10-Q15	0.8	Reliable
TRUST	Q16-Q18	0.832	Reliable
PENALTY	Q19-Q22	0.78	Reliable
ECO	Q23-Q25	0.895	Reliable

Source: Researcher's computation (2019).

Table 3. Frequency analysis.

Compliance	Frequency	Percent	Cumulative
0	596	77.60	77.60
1	172	22.40	100.00
Total	768	100.00	-

Source: Researcher's computation (2019).

declaration certificate issued by the relevant tax authority between July 1, 2017, and June 30, 2018"? It was observed that 172 of the taxpayers have filled and complied with VAIDS while 596 taxpayers did not fully comply with VAIDS indicating that the compliance rate was about 22% (Table 3). The low compliance rate could be that most of the taxpayers believe that there will still be another tax amnesty in the future which is in tandem with the findings of Alm and Martinez-Vazquez (2003). They found that there is a reduction in the level of tax compliance where taxpayers believe that there will be another tax amnesty programme in future. To examine the factors that explain the low tax compliance of VAIDS, we carried out a regression analysis using the logistic regression analysis. The result of the analysis is presented in Table 4.

The regression analysis was carried out to examine several factors that were associated with tax compliance more specifically the influence of tax amnesty programme (VAIDS) on tax compliance in Nigeria. The predictor variables in the model include tax audit, political trust and economic factors to explain the likelihood of compliance by taxpayers. The LR Chi2(6) with a p-value (Prob >Chi2 = 0.0000) indicates that the overall model has a good fit since it is statistically significant at 1% level of significance. The empirical analysis showed that the tax amnesty programme (VAIDS) has a significant positive association with tax compliance in Nigeria. The implication of this finding is that the tax payer believes that VAIDS will improve voluntary tax compliance. However, there is a 20.9% chance that tax amnesty programme will likely increase tax compliance in Nigeria. This agrees with the findings of Gerger (2012) which

suggests that voluntary tax compliance behavior has declined over the series of tax amnesty programmes in Turkey.

It is evident from the result that the low tax compliance is as a result of the moderating effect of political trust of the tax payers as indicated by the amnesty*trust and trust showed a negative relationship with tax compliance. However, amnesty*trust relationship is statistically significant at 5% standard error while trust relationship is statistically significant at 10% standard error. The result suggests that tax amnesty programme should improve tax compliance but due to the inability of the tax payers to trust the Government as it has not fulfilled its promises on providing security, infrastructural development and fighting corruption. Thus, as the level of trust increases there is a 63% likelihood that will lead to a decrease in the level of compliance as it reduces the willingness to pay taxes and thus prevent voluntarily tax compliance. This is as a result of the inability of the government to secure the commitment of its citizens in policy implementation; it indicates that there is something fundamentally wrong with government-citizen relations. The mistrust of government reinforces certain anti-social behaviours like tax evasion and political apathy. Therefore, it is one of the major reasons tax payers will not voluntarily comply with the tax amnesty programme (VAIDS) because they have not seen the revenue from oil and other sectors used in the development of the economy. This is also evident from result which shows that trust had a negative relationship with tax compliance. This is in tandem with the findings of Frey and Feld (2002); Bloomquist (2003); Torgler (2004); Kirchler et al. (2008) and Birskyte (2014).

Table 4. Logistics regression analysis.

Number of obs	768					
LR Chi2(6)	125.16					
Prob >Chi2	0.0000					
Psedudo R2	0.1716					
log Likelihood	-302.10605					
Compliance	Coef.	Std. Err.	Z	P> z 	[95% Conf. Interval]	
Amnesty	0.2085699	0.0946973	2.2	0.028	0.0229665	0.3941733
Amnesty*Trust	-0.6365979	0.1388376	-4.59	0.000	-0.9087146	-0.3644812
Penalty	-0.1335632	0.1402013	-0.95	0.341	-0.4083528	0.1412263
Audit	0.4808389	0.0908789	5.29	0.000	0.3027196	0.6589582
Eco	0.227767	0.1056867	2.16	0.031	0.0206249	0.4349092
Trust	-0.2434882	0.1310735	-1.86	0.063	-0.5003876	0.0134111
Constant	0.6550913	0.6150486	1.07	0.287	-0.5503819	1.860564

Source: Researcher's computation (2019).

These also suggest from their studies that political trust has a significant influence on the likelihood of voluntary tax compliance. The study also agrees with the finding of Fareg et al. (2016) who showed that there is a significant relationship of political instability on tax noncompliance among Libyan self-employed taxpayers. They argue that taxpayers trust in government tends to contribute towards tax compliance. However, political instability is likely to reduce trust in government due to rapid change government policies. This causes noncompliance as tax payers have little confidence in political governments. The voluntary compliance of VAIDS will also decline.

It was observed that penalty had no relationship with tax compliance, however the relationship was not significant. This agrees with the findings of several studies such as those of Sapiei and Kasipillai (2013); Mohd et al. (2014); and Mohdali et al. (2014) which also found an insignificant relationship between tax penalties rate and tax compliance. The result shows an insignificant inverse relationship between tax penalties and tax compliance. This implies that an increase in penalty will likely lead to a 13.3% chance of a decrease in tax compliance. The corrupt tax officials are an explanation for this finding as the taxpayers believe that a penalty can be negotiated illegally and thus reduce the level of tax compliance. As a result of the level of corruption in the government, any form of corruption even when investigated never gets punished. Thus, the tax-payers and tax officials are usually involved in corrupt practice which significantly contributes to a culture of corruption. Taxpayers when interacting with the relevant tax authorities face a risk of corruption. The taxpayers are usually expected to pay a bribe or give gifts even when the penalty has been imposed; the taxpayer gives illegal payments to the tax authority in exchange for being charged lower tax rates. Thus, the level of compliance will be low irrespective of the tax penalties after the expiration of VAID. Also, another possible reason is the lack of political will to

eradicate corruption within tax administration; the taxpayer deliberately refuses to comply as an act rebellion towards the government.

Results also showed that the tax audit had a significant positive relationship with tax compliance. This implies that an increase in an unannounced ad hoc tax audit will likely lead to a 48% chance of an increase in tax compliance. This is in line with the findings of Slemrod et al. (2001); Alm and McKee (2006); Mittone (2006); and Kastlungera et al. (2009). This could be that when there are unannounced ad hoc tax audits, business activities will be put on hold, and this can cause an embarrassment. Therefore they will likely increase compliance to avoid such embarrassment. This implies that tax compliance increases when taxpayers are aware they will be audited. From our survey, it shows that taxpayers believe that tax audits will be conducted after the VAIDS. This indicates an increase in the tax compliance level. Further result showed that macroeconomic factors have a significant positive relationship with tax compliance. During the recession in Nigeria between 2017 and 2018, when the VAIDS scheme was launch, the timing of the tax amnesty programme could also have accounted for the low compliance level. When the economy is contracting recession, the growth rate becomes negative for two consecutive quarters, arising from the rapid decline in income. Hence, when there was a decreased level of consumer purchases and investment from the private sector, the government invariably pursues policies to stimulate aggregate demand. The government can reduce the effect of recession by cutting taxes and increasing spending, but attempting to increase revenue through taxation by introducing VAIDS when the economy was experiencing a period of recession and gradually recovering from economic shock. The level of tax compliance decreased as taxpayers were under pressure to pay for taxes; thus, a decrease in the economic factors will likely lead to a 22% chance of tax

compliance. This suggests that when taxpayers observe the government is not providing goods and service it may lead to low compliance which is in line with the findings of Moore (2005).

Conclusions

In order for Nigeria to grow rapidly and sustainably, the ratio of non-oil tax to GDP will have to be increased from its current level of six per cent to about fifteen per cent by the year 2020. The current state of the Nigerian economy in the face of dwindling revenue and growing budget deficit, and also increase in the cost of servicing Nigeria's debt, these issues have to led to changing the revenue model by focusing on the non-tax revenue especially as it relates to taxation. It is in pursuit of this economic agenda to diversify its revenue streams that the Federal Government of Nigeria introduced its tax amnesty called the Voluntary Assets and Income Declaration Scheme (VAIDS).

VAIDS gave Nigerians a time frame within which their taxes were expected to be regularised and all penalties and interests which have been overdue were forgiven and not expected to face any procession for the offences as it relates to tax matters. It raises a series of concerns as the real success for VAIDS is not the amount of money that would be collected by the government in the short term. Therefore, the major objective of this paper is to examine the influence of tax amnesty programme (VAIDS) on tax compliance in Nigeria moderating the effect of political trust. And based on the empirical analysis the study concludes that tax amnesty programme (VAIDS) has a significant influence on tax compliance in Nigeria. However, political trust has a significant negative influence on tax compliance in Nigeria. The paper also concludes that the main driver of tax compliance in Nigeria is the tax audit which implies that an increase in unannounced ad hoc tax audit will likely lead to a 48% chance of an increase in tax compliance.

Contribution

This study contributes to the existing wealth of literature by providing evidence from a developing country's perspective, as well as extending prior studies that merely examined the relationship between tax compliance and tax amnesty programmes to explore the moderating effect of political trust in the relationship between tax amnesty programmes and tax compliance using a larger sample size.

Policy implications

The findings of the paper have several policy implications:

This study shows that the level of compliance has increased however not as high as expected. We recommend that Federal Inland Revenue Service should continue with its tax awareness efforts and also it should build tax systems, which are sustainable in order to make tax compliance much more easier for the taxpayers in Nigeria.

Political trust has been seen to be a major driver of tax compliance, thus the government needs to genuinely fight against corruption and also ensure that the utilisation of nations resources is transparent and there is accountability. When Nigerians have a positive perception of the government they are more likely to comply with the government regulations in general and taxes in particular. We therefore recommend that government should build and strengthen the institutions. We have seen from the research that the major driver of tax compliance in Nigeria is tax audit rather than tax penalty. Therefore, we recommend that the FIRS should carry out unannounced ad hoc tax audit on a regularly basis. This will keep the taxpayers in check and get them ready to regularize their taxes.

CONFLICT OF INTERESTS

The author has not declared any conflict of interests.

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