

**Tax Knowledge, Compliance Cost and Legal Framework as Predictors of Tax
Compliance among Small Scale Enterprises in Oyo State**

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Certification

This is to certify that Victoria Olubose OLATAYO with matriculation Number LCU/PG/001161 carried out this research work titled “Tax Knowledge, Compliance Cost, and Legal Framework as a Predictor of Compliance among Small Scale Enterprises in Oyo State” in the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University Ibadan, Oyo State, Nigeria for the award of Master’s Degree (MSc) in Accounting and that this has not been previously submitted.

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Head of Department

Date

Dedication

This project is dedicated to the Almighty God for his love, grace, and faithfulness that has brought me this far and also to my families and loved ones.

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My profound gratitude goes to Lead City University Ibadan, and the entire staff of faculty of management sciences, I will also like to appreciate all the staff and management of all the sachet water factory used for the research as well as my research assistant.

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Even though the above mentioned institutions and persons have assisted in the process of this research work, I alone stand responsible for the errors, if any, found in this work.

Abstract

The research was undertaken with the intention of determining the extent to which small scale enterprise in Oyo state are complying with the payment of required tax to the government. Sachet water factories were the focus. Simple descriptive research design, where questionnaire were administered on the staff of selected sachet water factories was adopted, the measurement variable used include compliance cost, legal framework, and tax knowledge while correlation and regression analysis was used to analyze the data collected. The result showed that at ($P \leq 0.05$) level of significant and with correlation coefficient(r) = 0.00 there was strong positive significant relationship between tax compliance and legal framework of small scale enterprises in Oyo state, there was strong positive significant relationship between tax compliance and tax knowledge of small scale enterprises operators in Oyo state, also there was a moderate positive relationship between tax compliance and compliance cost of small scale enterprises operators in Oyo state. Regression analysis carried out showed R-square variation for the dependent variable that could be explained by the independent variables. A value greater than 0.5 shows that the model is effective enough to determine the relationship. In this research, the value is .802, which is 80%, this means 80% of compliance cost, and legal framework and tax knowledge can predict tax compliance of small scale enterprise in Oyo state. Based on the findings it was recommended that government should create and put into action comprehensive tax education programs designed especially for small sachet water businesses, also government Enhance coordination between tax authorities and pertinent regulatory organizations to strengthen enforcement procedures. Establish thorough monitoring programs to identify tax evasion tactics, and impose suitable fines and consequences on noncompliant companies to discourage tax evasion.

Keywords: Compliance, Compliance cost, Legal framework, Small scale enterprise, Sachet water factories, Tax knowledge

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List of Acronyms

Abbreviation	Meaning
CITA	Companies Income Tax Act
FIRS	Federal Inland Revenue Service
GDP	Gross Domestic Product
IRS	Internal Revenue Service
KRA	Kenya Revenue Authority
LLC	Limited Liability Company
LTO	Large Taxpayers
MRA	Malaysia Revenue Authority
MSEs	Medium Scale Enterprises
MSMEs	Micro, Small and Medium Enterprises
MST	Medium and Small Taxpayers
MTO	Medium Taxpayers' Office
NAFDAC	National Agency for Food and Drug Administration and Control
NRA	Nigeria Revenue Authority
OYSIRS	Oyo State Internal Revenue Service
PAYE	Pay-As-You-Earn
PBC	Perceived Behavioral Control
SMEDAN	Scale Enterprises Development Agency of Nigeria
SMEs	Small and Medium-sized Enterprises
SSE	Small Scale Enterprises
TPB	Theory of Planned Behavior
TRA	Theory of Reasoned Action
VAT	Value-Added Tax