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Tax Certification and Tax Compliance in the South West, Nigeria

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ABSTRACT

Purpose: Despite the efforts of Federal and State governments in Nigeria to employ administrative tools to improve tax compliance, the nation is still being bedeviled with the issue of low tax compliance, leading to the inability of the government to finance their statutory responsibilities due to the paucity of funds. Therefore, this study investigated the effects of tax certification on tax compliance in South-west Nigeria. Design/methodology/approach: A survey research design was opted for to obtain primary data from a sample size of 400 participants drawn from a population of 1,194 using Slovin's formula and purposive sampling technique. Both descriptive and influential statistics were performed. Partial Least Square (PLS) regression was used to analyze the data. Findings: The results show that tax certification (β = 0.261; p-value = 0.044) has a positive effect on tax compliance in South-West Nigeria, which is statistically significant at 0.05 level. Based on these findings, the study concluded that tax certification is an essential tax compliance tool in South West, Nigeria. Research limitations/implications: The results imply that improved efforts in issuing tax certificates tied to public services will enhance taxpayers' compliance with tax regulations. However, the study is not exhaustive as it specifically focused on a tax enforcement tool in a developing economy. Practical implications: It is therefore recommended that all obstacles around issuance of tax certificates, especially in developing economies, should be surmounted by the government through its tax authority. Originality/value: The study is unique in its approach and population by considering tax officers within South West states in Nigeria.

Keywords: Tax administrative tools, tax certification, tax compliance, tax revenue, Nigeria.

INTRODUCTION

From medieval time till now, individual countries in the world have been paying much attention to tax compliance owing to the importance of tax in providing necessary public infrastructure and services, and also as a tool for correcting some macroeconomic imbalances (Romer & Romer, 2010). Despite this importance, some taxpayers are averse to paying taxes, thus making it difficult for tax authorities to assess and collect the right amount of tax. This has become a worrisome challenge to various governments globally. Whereas, tax laws and regulations are made to inform and require eligible individual citizens and business concerns to compulsorily pay certain determinable part of their income to the coffers of the government in order to

provide common goods and services for the benefit of all. Tax payers are therefore expected to comply with the tax laws and reforms.

Tax compliance involves being aware of and observing tax laws and requirements of the government, as well as filing of tax returns with correct income, true deductions, and submitting the same within the stipulated time and ultimately paying the levied tax. Over the years in Nigeria, statistics have shown a wide gap between the actual tax collected as revenue and the expected tax revenue from actual tax liabilities. Statistics from the Nigerian Joint Tax Board as at May, 2017 had evidently revealed that out of the estimated seventy million who were economically active, only fourteen million were within the tax net, leaving fifty-six million economically active outside tax net. Further, according to Olokooba, Awodun and Akintoye, (2018), only 35 percent of the registered companies in Nigeria files tax returns, while a proportion of them did not pay tax liability.

Nigeria has long been bedevilled with the issue of low tax compliance (Alabede *et al.*, 2011; Adeyemi & Adeduro, 2020). Recently, it has become an issue as it has defied various solutions engaged by the state and federal governments in form of tax reforms and in exercising her power embedded in tax administrative enforcement tools, which did not yield significant positive results (Akinmurele, 2022). To address this identified weak compliance with tax laws, some tax administrative enforcement tools were deployed. These tools include tax audits, tax penalties and fines, tax amnesty, electronic tax (E-tax), tax education, tax certification and seizure of assets of tax defaulter and subsequent disposal of the asset, which in turn will enhance taxpayer compliance (Oladele, *et al.*, 2019; Olokooba, *et al.*, 2018).

Thus, several studies have been conducted to examine the effect of tax reforms and tax enforcement tools, such as tax amnesty, tax audits, and E-tax, among others, on tax compliance, with less attention paid to tax certification. Earlier studies, such as Okoye (2019), Oghuma (2018), and Alemu (2020), conducted on tax enforcement tools and tax compliance, engaged tax audits, tax penalties and tax amnesty, either singly or in combination thereof, thus overlooking tax certification. Meanwhile, Micah, Ebere and Umobong (2012) has identified this concern as part of the challenges confronting tax systems in Nigeria. In addition, the usage of tax clearance certificates in Nigeria has generated another problems such as large-scale forgery and lack of mechanism for tax authority to enforce their decision (Asada & Sekop, 2008). In 1978, the federal military government of Nigeria introduced tax certification which involves the issuance of tax clearance certificate to eligible taxpayers who had fulfilled their tax commitments, not only as proof of tax payment, but importantly as a pass to obtaining certain defined essential public services. Therefore, tax certification is an enforcement tool expected to boost tax compliance.

It therefore becomes pertinent to investigate the view point of the state and federal governments based tax enforcement authorities in Nigeria on the extent of tax compliance by the taxpayers with respect to issuance of tax clearance certificates, particularly in the South West states of Nigeria. As such, this study was an attempt to investigate the effect of tax certificates issuance on tax compliance with specific focus on the Federal Inland Revenue Services (FIRS) and State Internal Revenue Services (SIRS) in the South-West Nigeria. The

remaining sections of the paper cover literature review and hypothesis development, followed by data and methods, results and discussion, and conclusion and recommendation.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Tax Compliance

Tax-compliance is a degree to which a taxpayer responds to tax rules, and regulations. It can simply be expressed as the displayed attitude of eligible taxpayers' towards conforming to tax returns and payments. This degree of response could be propelled and attained through voluntary or forced compliance to non-compliance. Tax compliance has been a major problem for tax authorities across the world as it is not an easy task for tax authorities to persuade or force taxpayers to comply with tax laws and payments (James & Alley, 2002).

Naturally, no eligible taxpayer would want to pay tax from his or her hard-earned income, especially when the government seems not to be responsive to the provision of and maintenance of social and common public goods and services through which taxes are being funded. That is, compliance level is bond to improve if eligible taxpayers perceive they would enjoy some benefits from public goods funded by tax revenue.

Factors which influence tax compliance behaviour vary from one nation to another and also from one person to another (Kirchler, 2008). However, what drives tax compliance behaviour of taxpayers can be classified into pecuniary and non-pecuniary drivers. The pecuniary drivers are termed economic factors, and they are level of income, audit probabilities, tax audit, tax rate, tax benefits, penalties and fines (Alabede *et al.,* 2011). While non-pecuniary drivers are termed as non-economic and they are psychological and social factors such as attitudes towards tax, personal, social and national norms, perceived fairness. On the flipside, researchers have noted reasons why some eligible taxpayers are not tax compliant, such as internal factors like self-perception and judgement of taxpayers (Torgler, 2004); and external factors, like level of trust in government, a sense of civic virtue, level of acceptance of the ruling party, religious belief, social and demographic factors, opinions of taxpayers about what others do (Cataloluk, 2008).

Overview of Tax Compliance in Nigeria

Low or weak tax compliance is an unpleasant trend in Nigeria. The discovery of oil deposit and the consequent proceeds of the oil made matters worse in Nigeria as the pangs from inadequate fund flow from tax were not felt by the government. Eligible taxpayers' averse to tax compliance is a universal phenomenon that has, over the years, drawn the attention of government operatives and academic researchers, and Nigeria is not an exception.

Therefore, various tax reforms had been employed in Nigeria with the view to expand the tax net and widening of tax base. Unfortunately, these efforts have not yielded tangible result, though, the revenues collected had been increasing, but not so for tax compliance as indicated by statistical evidences. Even the World Bank reported in 2018 that only 19 million paid taxes out of 65 million active Nigerians, making 70% tax evaders. Tax compliance in Nigeria has not been up to expectation as the country is ranked the lowest nation in tax compliance in sub-Saharan African countries (Asabor, 2012). It is also ranked as the lowest in Africa (Alabede, *et al.*, 2011). In August, 2019, the presidency acclaimed that Nigerian had increased her taxable

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adult by 100%, from 10 million to 20 million. Though Nigeria is getting more people to pay tax, but the nation is not punishing tax defaulters as a deterrent.

Various efforts were made by the Federal and State governments of Nigeria under different heads of state, and governors to minimize weak tax compliance, but unfortunate the efforts have yielded no tangible result. Factors responsible for taxpayers' compliance attitude in the country, as observed and noted by sundry authors, are economic factors, financial condition, psychological factors, risk preference, tax service quality, public governance quality and ethnic diversity (Alabede, *et al.*, 2011; Oladele *et al.*, 2019).

Tax Certification

Tax certification was introduced in Nigeria in 1978 to ensure that an eligible taxpayer attends to his/her tax liabilities. Tax certification involves a written confirmation from tax authorities that a taxpayer's tax liabilities for the three years immediately preceding the current year of assessment have been settled at the date of issue of the certificate. The written confirmation document is referred to as tax clearance certificate. It was one of the reforms in taxation parlance in the Nigeria fiscal policy clime with the intention that it would enhance tax compliance.

The significance of tax certification to taxpayers' compliance is that an eligible taxpayer who evades tax will not be issued the certificate and therefore be barred from accessing the services of certain economic, social and public institutions. Tax certification is a process that entails mandatory statutory presentation of tax-clearance certificate to all departments of government and banks by eligible taxpayers requesting certain services from the institutions. Such services include request for loans, award of contract works, registration of motor vehicles, foreign exchange transactions, licensing of firearms, obtaining of certificate of occupancy, building plans, among others as contained in section 101(2) and 101(4) of company income tax acts as amended. Thus, making tax certification a weapon of tax revenue collection.

The potency of tax clearance certificate as an instrument of tax enforcement lies on the fact that without the presentation of it to the organization dispensing the needed services by the taxpayer, he will be denied such services. Unfortunately, the essence of introducing tax certification in Nigeria, which is to promote or enhance tax compliance, is being unseemly checkmated by the neglect to verify the genuineness of the tax clearance certificates by the relevant institutions before their services are being dispensed. In fact, Asada and Sekop (2008), noted some of the problems militating against smooth operations of tax certification which are not limited to unnecessary delay in the process of issuing tax clearance certificate leading to bribery; large scale forging of the certificates; token amounts are being paid by the certificate seekers without proper evaluation of his income; and lack of mechanisms for the enforcement of tax authorities' decisions which has made tax authorities toothless bulldogs.

Theoretical Review

Economic Deterrence Theory:

The theory came about as a result of efforts of some researchers aiming at resolving the challenges of tax compliance coming from intentional evasive behaviour of some taxpayers (Feld *et al.,* 2007). It has its root in the study of economics of crime by Becker, (1968) and

further worked upon by Allinghan and Sandmo (1972). According to McKerchar (2002), economic deterrence theory is based on the theory that behaviour is responsive to the strength of sanctions. The theory is based on the assumptions: that all taxpayers are rational and base their decision to pay tax or not on the choice that will give maximum utility and that tax compliance decision is made by taxpayer under certain circumstances due to likelihood that he/she could be caught and sanctioned (Alm & McKee, 1998). The rational economic concept can be explained through the hedonic principle that people behave in a way that will afford them the greatest pleasure and gain. The choice of decision is based on the expected cost and benefits between that of tax evasion and tax compliance.

A taxpayer is perfectly amoral, risk-averse and utility maximizing individuals who chooses to evade tax whenever the expected gain exceeds the cost of compliance (Milliron & Toy, 1988). Sandmo (2005), and Alabede, *et al.* (2011) reiterate that taxpayer is presumed to make best use of the anticipated benefits of the tax evasion games by balancing the benefits of successful tax cheating against the risky prospect of being caught and punished by tax authorities.

According to Chauke (2016), tax compliance could be achieved through a number of approaches that are both punitive and persuasive in nature. Frey and Feld (2002), and Feld, Schmidt and Schneider (2007) also affirmed that fear and sanction make taxpayer to be tax compliant. Since issuance of tax clearance certificate serves the both persuasive and punitive purposes, it is expected to drive tax compliance. However, poor compliance to tax laws and orders have been recorded in the Nigeria fiscal clime even long after the reform was implemented. This theory is important to tax compliance, which is the focus of this study.

Empirical Review

Myriad of empirical investigations have been conducted to exhume the implications of tax reforms and enforcement tools on tax compliance in order to come up with policy direction to improve on tax compliance. To start with, Okoye (2019), investigated the influence of tax amnesty program in Nigeria on tax compliance and the primary data-based result showed negative effect of tax amnesty on tax compliance. Wadesango *et al.* (2020) also found similar result as noted by Okoye (2019) in Zimbabwe. These suggest that tax amnesty defiles theoretical expectation as a driver of tax compliance. Furthermore, in Malaysia, Nuridayu *et al.* (2017) investigated the effect of tax penalty on tax compliance with a submission that the former impounds positive effect on the latter. This finding is not different from that of Oladipupo and Obazee (2016) carried out in Nigeria and that of Widuri, *et al.* (2019). It is also an indication that tax penalty deters taxpayers from failing to comply with tax regulations and reforms.

On the effect of tax audit on tax compliance, Badara (2012) carried out an empirical investigation with major focus on Bauchi State Board of Internal Revenue in Nigeria. The finding based on survey research design revealed that tax audit enhanced tax compliance. The results of primary data-based study by Appa and Eze (2013), Anyaduba and Modugu (2014), Onoja and Iwarere (2015) carried out in Abuja, and Olaoye and Ekundayo (2019) that focused on Ekiti state alone are not different from that of Badara (2012). This also implies that potency of tax audit as tax enforcement tool which enhance tax compliance is well established. However, Bedi (2016) found no significant effect of tax audit on tax compliance in Ghana.

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In a broad sense, Oladele *et al.* (2019) investigated combined effect of tax penalty, tax amnesty and tax audit in Ondo state with major attention on staff of the Federal Inland Revenue Services (FIRS). The study confirmed positive effect of the three enforcement tools on tax compliance consistently with Rahmayanti and Prihatiningtias (2020). However, Oladele *et al.* (2019) stressed that tax certification as one of the tools that can be engaged to enhance tax compliance, but did not include it in their scope of study. The current study therefore is different from Oladele *et al.* (2019), and Rahmayanti, and Prihatiningtias (2020) as it focused on two tax authorities (Federal Inland Revenue Services – FIRS, and State of Internal Revenue Service – SIRS) at the three selected States in the South West, Nigeria. In addition, the study investigated the effect of tax clearance certificate unlike previous studies.

Tax certification which had long been employed by various governments as a potent tax enforcement tool had been neglected in research studies. Thus, this study made an attempt to fill this identified gap, thereby extending search light on effectiveness of tax certification on tax compliance in Nigeria with major focus on the State and Federal governments' tax authorities in the South West region of the country. The outcome is expected to have policy implications for tax authority and taxpayers. Based on the abovementioned theoretical and empirical grounds, the study advanced a hypothetical guess that;

- H_o: There is no significant effect of tax certification on tax compliance in the South West, Nigeria.

DATA AND METHODS

The study employed survey research design. Survey research design was used because of its seeming appropriateness and suitability for measuring the effect of independent variable on dependent variable especially when information is to be obtained from primary source using questionnaire. The data used were obtained from primary source. The data consist of information extracted from the respondents using a well-structured close-ended questionnaire. The questionnaire was designed using a summated rating 5-Likert scale to measure the degree of agreement by the respondents to statement that describe a situation.

The population of the study was 1,194 staff of both Federal Inland Revenue Service (FIRS) of Nigeria and State Internal Revenue Service (SIRS) in the three purposively selected States of the South-West, Nigeria, precisely, Ekiti, Ondo and Osun States. These States were chosen because they seem to have same peculiarity in the nature of taxpayers. Table 1 presents breakdown of the population and sample of the study.

In consideration of the population size as indicated in Table 1, the sample size was therefore determined using the following Slovin's (1960) formula.

$$n = \frac{N}{1+N}(e)^2$$

Where: *N* = population size, n = sample size and *e* is error. A confidence level of 95% is assumed. Therefore, the error is 0.05%.

$n = 1194/1+1194(0.5)^2$

$n = 1194/1194(0.0025)$

$n = 1194/2.985$. Thus, $n = 400$.

The sample size of 400 was obtained proportionally from the population from each State as indicated in Table 1. Purposive sampling technique was finally used to select the sample from staff of Federal Inland revenue service (FIRS) and State Internal Revenue Service (SIRS) of the selected three states in South-West, Nigeria. Efforts were made to retrieve copies of questionnaire distributed to the respondents.

Table 1: Breakdown of Population and Sample size of the study

	Population			Sample		
States	**SIRS**	**FIRS**	**Total**	**SIRS**	**FIRS**	**Total**
Ekiti	215	84	299	60	52	112
Ondo	525	100	625	85	77	162
Osun	192	78	270	65	61	126
Total	932	262	1194	210	190	400

Source: Authors' compilation (2023)

The study gives adequate consideration to face and content validity of the instrument using Cronbach's Alpha value test to ascertain its reliability and the result is as presented in Table 2. The result indicates that all the Cronbach's Alpha of the constructs were more than 0.70, which implies that the variable is reliable and the result of Average Variance Extracted (AVE) which is more than 0.50, implies that the construct is valid because they all report AVE that is more than 0.50.

Table 2: Construct Reliability and Validity

	No of Items	Cronbach's Alpha	Average Variance Extracted (AVE)
Tax Certification		0.730	0.507
Tax Compliance		0.796	0.527

Source: Authors' compilation (2023)

The variables were measured using 5-likert scale ranging from strongly agree, agree, disagree to strongly disagree with strongly agree taking the value of 5, agree taking 4, neutral taking 3, disagree taking 2 and strongly disagree taking 1 as contained in the questionnaire. Measurement of the variables is as presented in Table 3.

Table 3: Measurement of variables

S/N	Variables	Description	Measurement	Sources
1	Tax compliance (Dependent variable)	This concept is about the ability and willingness of taxpayers to conform to tax laws and obligations. It is perceived that it is influenced by strength of sanctions and motivation from tax administrative enforcement tools and taxpayers' trust in government through how government deploy tax fund on public goods and services.	Items A1 to A5 in section B of the questionnaire were used	Oladele *et al.* (2019)
2	Tax certification	Government policy entrenching issuance of certificate to taxpayers who had paid their tax obligations as a pass to access some services. Its	Items B1 to B6 of the section B of the	Asada & Sekop (2008)

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	(Independent variable)	potency as tax enforcement policy lies on the confirmation of issuance and genuineness of the certificate by the third party whose services is being sought by the taxpayers	questionnaire were used.	

Source: Authors' compilation (2023)

The general model employed is adapted from Oladele *et al.* (2019) and is subsequently modified and stated below:

$$Taxcomp = \beta + \beta_1 TaxCt + e$$

Where: Taxcomp = Tax compliance; TaxCt = Tax certification, and e = error

The data were analysed using both descriptive and inferential statistics. The descriptive include percentages, frequency, mean, and standard deviation, while inferential analysis involved the use of Partial Least Square (PLS) Regression analysis since the study seeks to measure effects of tax enforcement tools on tax compliance. PLS is found relevant because it allows mixture of ordinal and scale variables. The PLS result formed basis for testing the hypothesis.

RESULTS AND DISCUSSION OF FINDINGS

Socio-demographic Characteristics of Respondents

This section presents the distribution of the respondents using their socio-demographic identities. These include gender, category of establishment of the respondents, and years of working experience. The result of the socio-democraphic characteristics as presencted in Table 4a and 4b shows that more females empoloyee of the Board of internal revenue returned their instrument compared to the male. It revealed that 65.4 percent of the respondents who returned the instrument were female, 34.6 percent were male. 51.3 percent of the respondents were staff of Federal Inland Revenue Service (FIRS) and 48.7 percent were staff of State Board of Internal Revenue (SBIR). This revealed no significant gap in the sample from the two groups. The years of working experience of the respondents indicates that 30.8 percent had 16 years and above experience, 19.2 percent had 11- 15 years experience , 28.2 percent had 6-10 years and 21.8% had less than 5 years, suggesting that more experienced respondents with five years work experience partcipated in the study.

Table 4a: Demographic characteristics of the respondents

	Frequency	Percent
Gender		
Female	204	65.4
Male	108	34.6
Total	**312**	**100.0**
Category of establishment		
FIRS	160	51.3
SBIR	152	48.7
Total	**312**	**100.0**
Years of Working Experience		
16 years and above	96	30.8

11 - 15 years	60	19.2
6 - 10 years	88	28.2
Below 5 years	68	21.8
Total	**312**	**100.0**

Source: Authors' computation, 2023

Table 4b: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Dev	Skewness	Kurtosis
Tax certification	312	2.00	5.00	3.9551	0.55086	-0.751	2.227

Source: Authors' computation (2023)

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Table 5: Path Coefficient of the Variables

	Coefficient	T Statistics	P Values
Tax Certification -> Tax Compliance	0.261	2.023	0.044

Source: Authors' computation (2023)

Tax certification reports statistically significant and positive effect on tax compliance among the taxpayers in the Southwestern states of Nigeria as presented in Table 5. That is, tax certification induces tax compliance by 0.261 with t-statistics of 2.023. This implies that compulsory presentation of tax clearance certificate as a prerequisite to obtaining some defined and certain services is cable of inducing tax compliance. Computerization and digitalization of issuance of Tax certificate will simplify the process of verification, and the importance attached to the services for which tax certification is being sought propels taxpayer to pay their tax liability. In view of this result, therefore, the study rejects the hypothesis that tax certification has no significant effect on tax compliance in South West, Nigeria.

Having discovered the loading effect of tax certification on the tax compliance of the respondents, the study further explored the respondents' opinion on the items of tax certification and tax compliances. The results as presented in Table 6 reveal distribution showing that about 89.70 percent of the respondents claimed that compulsory presentation of tax clearance certificate as a prerequisite to obtaining some defined and certain services induces tax compliance with mean of 4.282 and the Wilcoxon Signed rank test shows that there is difference in the degree of the assertion between SBIR and FIRS. The negative sign shows that FIRS respondents had stronger submission than the SBIR. Furthermore, 58.97 percent of the respondents in both SBIR and FIRS revealed that failure of tax certification to propel tax compliance is as a result of existence of fake tax clearance certificate with a mean of 3.551 and Wilcoxon Signed rank test showing that there is no significant difference between the SBIR and FIRS response.

About 38.46 percent the respondents agreed that none compulsory verification of issuance and genuineness of tax certification as a pass to obtaining services encourages tax compliance, while 14.10 percent strongly agreed with a mean of 3.371. The Wilcoxon Signed rank test shows that there is no significant difference between the SBIR and FIRS's submission on the item. 66.67 percent of the respondents agreed that the potency of tax certification will be prominent if the list of the services attached to it are increased, with a mean of 3.743 while the Wilcoxon test

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reveals no significant difference between the responses from SBIR and FIRS in the selected Southwestern states of Nigeria. In the same vein, there was stout submission from 80 percent of the respondents that computerization and digitalization of issuance of tax certificate will simplify the process of verification with a mean of 3.948. In addition, its Wilcoxon test result shows that submissions from both SBIR and FIRS are the same. It was also gathered that more than 70 percent of the respondents opined that the importance attached to the services for which tax certification is being sought propels taxpayer to pay their tax liability with mean of 3.897. Wilcoxon Signed rank test also shows that there is difference in the degree of responses between SBIR and FIRS.

Table 6: Tax Certification and Tax Compliance

Tax Certification and Tax Compliance	SA Freq (%)	A Freq (%)	U Freq (%)	D Freq (%)	SD Freq (%)	Mean	Wilcoxon Signed
Compulsory presentation of tax clearance certificate as a prerequisite to obtaining some defined and certain services induces tax compliance	124 (39.7)	156 (50.0)	28 (8.97)	4 (1.28)	0 (0)	4.282	-2.487 (0.013)
Failure of tax certification to propel tax compliance is as a result of existence of fake tax clearance certificate	28 (8.97)	156 (50)	88 (28.21)	40 (12.82)	0 (0)	3.551	-1.305 (0.192)
None compulsory verification of issuance and genuineness of tax certification as a pass to obtaining services encourages tax compliance	44 (14.1)	120 (38.46)	64 (20.51)	76 (24.36)	8 (2.56)	3.371	-0.749 (0.454)
The potency of Tax Certification will be prominent if the list of the services attached to it are increased.	52 (16.67)	156 (50)	76 (24.36)	28 (8.97)	0 (0)	3.743	-0.516 (0.606)
Computerization and digitalization of issuance of Tax Certificate will simplify the process of verification	76 (24.36)	180 (57.69)	28 (8.97)	20 (6.41)	8 (2.56)	3.948	-0.762 (0.446)
The importance attached to the services for which tax certification is being sought propels taxpayer to payment of tax liability	68 (21.79)	180 (57.69)	32 (10.26)	28 (8.97)	4 (1.28)	3.897	-2.953 (0.003)

Source: Authors' computation (2023)

DISCUSSION OF FINDINGS

In line with the core objective of the study, it has been established that tax certification has positive and statistically significant effect on tax compliance. This result indicates that issuance of tax certificates to taxpayers by tax authority drive the former to comply with tax regulation. That is, further effort to make tax certificate available to the tax payers will enhance tax compliance, especially in the region investigate. Generally, the findings unveil further those taxpayers take delight in collecting tax certificate because of other benefits, importance of attached services, and the compliance can improve if there is increase in the benefits and services attached. However, issuance of fake tax certificate impedes compliance with tax

regulation, while none compulsory verification for genuineness of the tax certificate fairly makes tax payers embrace tax compliance. This suggests that none stringent or harsh tax environment is celebrated by the tax payers to comply with tax requirements in the states. Although this might imply a win-win strategy deployed by the tax agencies, it could impound negative consequences in tax administration in the long run, hence, it has policy implication for the tax authorities. It is of note that there has been no known existing empirical study or otherwise on tax certification that this study can be compared with, but in a write up by Asada and Sekop (2008), they suggested what could make tax certification impotent, such as issuance of fake tax certificates and the failure to subject it to verification of its genuineness and issuance from the relevant tax authorities. Nevertheless, the finding is in tandem with the submission of Okeke and Saluadeen (2021) that tax payers' compliance increases after tax reforms of which issuance of tax certificate is one.

The fact that the study indicated that tax certificate has positive and significant effect on tax compliance implies that the state governments should direct its tax collection and enforcement agencies to make more use of the tool by enlarging the scope of essential services where the tax certificates will have to be presented as a pass to obtain such services, like banking and educational services. Thus, the study found no ground to accept the null hypothesis that tax certification has no significant effect on tax compliance. As such, the study upholds the alternative hypothesis that tax certificate affect tax compliance in the Southwestern states of Nigeria.

CONCLUSION AND RECOMMENDATION

The study was an attempt to investigate the effect of tax certification on tax compliance as continued engagement of tax administrative enforcement tools seemed not to affect high tax compliance. Previous related studies were reviewed to explain the variables of the study. Relevant established theories on tax compliance were explored. The theories are grouped under two opposing models: deterrence and norms. Interestingly, the review noted that none of the models can sufficiently explain taxpayers' compliance behaviour. Findings based on survey research design revealed that tax certification has positive and statistically significant effect on tax compliance. Thus, the study concluded that, compulsory presentation of tax clearance certificate as a condition to obtain defined and certain services can induce tax compliance; computerization and digitalization of issuance of tax clearance certificate will simplify the process of verification of tax certificate by third party to whom the certificate is presented; and the importance attached to the services for which tax certification relates to by the taxpayer propels taxpayers to tax compliance. In addition, although the submissions of the respondents from the SBIR is generally not different from that of FIRS, suggesting their common views on the subject matter, divergence exist. Conclusively, tax certification has positive effect and statistical significance on tax compliance. Since tax certification has positive effect on tax compliance, more efforts should be directed at verification of the issuance of the certificate from the relevant tax authority to checkmate fake certificates, efforts should be boosted in easing the process of obtaining the certificate. The application of modern technology is also necessary. Tax certification has proved to be beneficial to both government and individual tax payers. To the government, improved issuance of the certificate by tax authorities is most likely to generate more fund to the government and individuals. It is evidence of being responsible citizens which is equally a booster to the tax payers.

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