JCRBE (Journal of Current Research in Business and Economics)
Volume 5, No. 1, pp. 3792-3798
https://jcrbe.org

Perception of Taxpayers on the Tax Administration Act 2025

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Abstract

The purpose of the study was to examine the perception of taxpayers on the tax administration act 2025. The specific objectives were to: examine the level of awareness and understanding of the Act among taxpayers, evaluate taxpayers' perception of the fairness and equity of the Act, and assess the perceived efficiency and effectiveness of the new tax administration system. Survey design was employed in the study. A cross-sectional survey design was used and data were collected from taxpayers using a structured questionnaire. Data were analyzed using multiple regression statistical tool. Based on the empirical results, it was found thus: there was a positive significant level of awareness and understanding of the Act among taxpayers, there was positive significant effect of taxpayers' perception of the fairness on equity of the Act. Perceived efficiency has a positive significant effect on the new tax administration system. Based on the findings, the following recommendations are proffered thus: there should be continuous and targeted taxpayer sensitization programs that clearly explain the provisions, benefits, and procedures under the Act. There should develop practical training modules on digital tax filing systems, particularly for SMEs and informal sector operators, to bridge digital literacy gaps. Also to utilize multimedia platforms, community outreach, and workshops to increase awareness among technologically disadvantaged groups.

Keywords: Perception of taxpayers, tax administration act 2025, level of awareness, understanding of the Act, fairness and equity of the Act.

INTRODUCTION

Taxation constitutes one of the most reliable and sustainable sources of government revenue, particularly in developing economies where dependence on volatile external revenues such as oil exports poses significant fiscal risks. In Nigeria, the need to strengthen domestic revenue mobilization has become increasingly urgent due to economic fluctuations, rising public expenditure, and fiscal deficits. Consequently, reforms in tax policy and administration have emerged as central components of economic governance. Historically, Nigeria's tax system has been characterized by inefficiencies, weak institutional capacity, multiplicity of taxes, poor enforcement, and a high level of informality (Abdul-Wahab, & Holland, 2022). These structural deficiencies have contributed to low tax compliance and limited revenue generation relative to the country's economic potential. In response, the government introduced the Tax Administration Act 2025, a comprehensive reform aimed at modernizing tax administration, enhancing transparency, improving compliance mechanisms, and integrating digital technologies into tax processes (Armstrong et al., 2022).

The Act introduces several key innovations, including automated tax filing systems, integration of taxpayer databases, stricter compliance monitoring, and enhanced penalties for defaulting taxpayers. It also seeks to harmonize tax administration across different tiers of government, thereby reducing duplication and administrative inefficiencies. However, the success of such reforms is not solely dependent on legislative provisions or administrative efficiency. A critical determinant is the perception of taxpayers toward the tax system (Bassey, 2023). Taxpayer perception reflects the extent to which individuals and businesses view tax policies as fair, transparent, efficient, and beneficial. According to Kirchler (2017), tax compliance is largely influenced by psychological and behavioral factors, particularly trust in government and perceived fairness of the tax system. In the Nigerian context, where public trust in government institutions has historically been low, taxpayer perception becomes even more crucial. If taxpayers perceive the Tax Administration Act 2025 as burdensome, inequitable, or lacking transparency, compliance levels may decline despite improved enforcement mechanisms. Conversely, a positive perception can enhance voluntary compliance, reduce enforcement costs, and strengthen the overall effectiveness of the tax system (Chen et al., 2020). This study therefore seeks to provide a comprehensive analysis of taxpayers' perception of the Tax Administration Act 2025, with particular emphasis on its implications for compliance behavior and administrative efficiency.

Despite numerous tax reforms implemented over the years, Nigeria continues to face significant challenges in achieving optimal tax compliance. The tax-to-GDP ratio remains low compared to global benchmarks, reflecting inefficiencies in tax administration and widespread non-compliance among taxpayers (Chua, 2025). One of the major underlying issues is the negative perception of taxation among citizens. According to Fjeldstad and Rakner (2023), many taxpayers view the tax system as exploitative, complex, and lacking in accountability. This perception is reinforced by inadequate public service delivery, corruption, and weak institutional frameworks. As a result, taxpayers often question the legitimacy of tax obligations and exhibit reluctance to comply voluntarily. The introduction of the Tax Administration Act 2025 is intended to address these issues by strengthening enforcement, simplifying procedures, and leveraging digital technologies. However, the effectiveness of the Act depends largely on how it is perceived by taxpayers (Chukwumerije & Akinyomi, 2021).

There are concerns that the digitalization of tax processes may exclude technologically disadvantaged groups, increased enforcement measures may be perceived as coercive rather than supportive, lack of adequate sensitization may result in low awareness of the Act, persistent distrust in government may undermine acceptance of the reforms. If these concerns are not addressed, the Act may fail to achieve its intended objectives, leading to continued revenue shortfalls and inefficiencies in tax administration (Desai & Dharmapala, 2019). Therefore, there is a need for a systematic examination of taxpayer perception to assess the likely impact of the Act. The main objective of this study is to critically examine taxpayers' perception of the Tax Administration Act 2025. The specific objectives were to: examine the level of awareness and understanding of the Act among taxpayers; evaluate taxpayers' perception of the fairness and equity of the Act; and to assess the perceived efficiency and effectiveness of the new tax administration system (Ftouhi et al., 2024).

METHOD

The study adopted a survey research design. The population of the study was 200 respondents from selected organizations in Cross River State. Census sampling was used in the study. Appropriate information for this study was gathered from two main sources: the primary and secondary sources. The study adopted structured questionnaire using 5-points Likert scale of strongly agreed = 5, agreed = 4, undecided = 3, strongly disagreed = 2 and disagreed = 1. In this study, the researcher used inferential and descriptive statistics in analyzing data and summarized numerically with the use of simple percentage for analyzing

Bio-Data. Hypotheses were tested using multiple regression and was done with the use of SPSS version 23.

Model specification

The combined effect of the three independent variables i.e. level of awareness, taxpayers' perception, and perceived efficiency on the dependent variable. The model is stated below:

Y=f (X1, X2, X3------------Xn)

TAD = bo + b1LEAW + b2TAXP + b3PEF + Ut…………….…………….(1)

Where:

TAD = Tax administration
LEAW = level of awareness
TAXP = taxpayers' perception
PEF = perceived efficiency
bo = Regression constant
b1-b3 = Regression parameters or coefficients
Ut = Error Term

The above model is used to test the three hypotheses of the study at 5% level of significance. If the multiple regression result is significant at less than 0.05, the hypotheses would be accepted and if the result shows a value above 0.05, the hypotheses would be rejected.

RESULT AND DISCUSSION

Test of hypotheses

H01: There is no significant effect of level of awareness and understanding of the Act among taxpayers

H02: There is no significant effect of taxpayers' perception of the fairness and equity of the Act

H03: There is no significant effect of perceived efficiency of the new tax administration system

Table 1. Model Summary Showing the Effect of Level of Awareness, Taxpayers' Perception, Perceived Efficiency on Tax Administration

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	Cc1	Cc2	Sig. F Change	Durbin-Watson
1	.587[a]	.344	.322	1.41535	.344	15.231	3	184	.000	1.862

a. Predictors: (Constant), LEAW, TAXP, PEF
b. Dependent Variable: TAD

Table 2. ANOVA[a] Showing the Effect of Level of Awareness, Taxpayers' Perception, Perceived Efficiency on Tax Administration

Model		Sum of Squares	CC	Mean Square	F	Sig.
1	Regression	152.555	3	30.511	15.231	.000[b]
	Residual	290.465	184	2.003		
	Total	443.020	187			

a. Dependent Variable: TAD
b. Predictors: (Constant), LEAW, TAXP, PEF

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Correlations Zero-order	Correlations Partial	Correlations Part	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1 (Constant)	-4.297	2.578		-1.667	.098					
LEAW	.213	.055	.265	3.865	.000	.318	.306	.260	.963	1.038
TAXP	.127	.068	.128	1.868	.064	.214	.153	.126	.968	1.033
PEF	.246	.068	.253	3.611	.000	.365	.287	.243	.918	1.090
TAD	.267	.074	.245	3.616	.000	.297	.288	.243	.984	1.016

a. Dependent Variable: TAD

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions (Constant)	LEAW	TAXP	PEF	TAD
	1	5.970	1.000	.00	.00	.00	.00	.00
	2	.010	24.139	.00	.84	.00	.03	.05
	3	.007	28.927	.00	.03	.42	.44	.02
	4	.002	60.335	1.00	.08	.15	.06	.20

a. Dependent Variable: TAD

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	14.4950	19.7364	17.4305	1.00848	187
Residual	-3.99756	3.00689	.00000	1.39156	187
Std. Predicted Value	-2.911	2.287	.000	1.000	187
Std. Residual	-2.824	2.124	.000	.983	187

a. Dependent Variable: TAD

The multiple regression analysis conducted above was to examine perception of taxpayers on the tax administration act. The findings show that perception of tax payers such as level of awareness, taxpayers' perception, perceived efficiency have positive significant effect on tax administration and these remains evident as the overall model summary which produced an R of .527a, and an R-square = .344. This implies that the independent variables have influence on the dependent variable. The above influence is further explained as follows: level of awareness (B =.213, P = .098 < 0.05), tax payers' perception, (B=.127, P = .000 < 0.05) and perceived efficiency (B =.246, P = .064 < 0.05), proves to have significant influence on tax administration. Based on the above, it is concluded that perception of taxpayers has a positive significant effect on tax administration act

Based on the empirical results, it was found thus: There is a positive significant effect of level of awareness and understanding of the Act among taxpayers. There is a positive significant effect of taxpayers' perception on the fairness and equity of the Act. Perceived efficiency has a positive significant effect on the new tax administration system.

CONCLUSION

The analysis of taxpayers' perception toward the Tax Administration Act 2025 underscores the critical role of psychological, behavioral, and institutional factors in shaping compliance outcomes. While the Act introduces several structural reforms—including digitalization, harmonization of tax procedures, and enhanced enforcement mechanisms—its effectiveness is not solely contingent upon legislative rigor or technological innovation. Specifically, the study reveals that positive perception is closely tied to awareness, understanding, perceived fairness, and trust in government institutions. Conversely, low awareness, perceived inequities, procedural complexity, and weak institutional credibility can undermine compliance despite improvements in administrative efficiency. The study demonstrates that voluntary compliance is strengthened when taxpayers perceive a fair exchange between their obligations and the provision of public goods, coupled with supportive enforcement and user-friendly digital platforms. In the Nigerian context, where historical distrust in government and institutional inefficiencies are prevalent, the success of the Tax Administration Act 2025 hinges on both administrative reforms and strategic interventions to shape positive taxpayer perceptions. Without addressing these perceptual and behavioral dimensions, even the most technologically advanced or coercively enforced tax system risks falling short of its revenue mobilization and governance objectives.

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