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# TAX ADMINISTRATION IN THE INFORMAL SECTOR: KWARA STATE INTERNAL REVENUE SERVICE PERSPECTIVE

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## Abstract

*Taxation in the informal sector has been very challenging for most tax authorities in Nigeria. The sector is largely characterised by low voluntary tax compliance. This study examines the challenges facing tax administration in the informal sector in Kwara State and the impact of measures taken by Kwara State Internal Revenue Service (KW-IRS) particularly, the Community Impact Programmes (CIPs)—direct and indirect intervention programmes to inspire voluntary tax compliance in the informal sector of the State. Survey research design was used for the study. A total of 56 staff from a population of 83 staff deployed to the Informal Sector Directorate of KW-IRS as at the period of the survey were sampled and descriptive statistical methods were used to analyse the results. The study finds that CIPs are impactful, but would not suffice in sustaining high level of tax compliance. Government therefore should provide basic social amenities to citizens in order to inspire voluntary tax compliance, and enforce penalties for those who evade tax payment.*

**Keywords:** Tax Administration, Informal Sector, Kwara State

**JEL Classification:** H21, H26

## Introduction

The goal of every tax administration is to achieve high level of voluntary tax compliance[1] (Jacobs, 2013: 27). Achieving this goal in the informal sector has been difficult. The sector, also known as "underground economy", is characterised by economic activities that take place "under the radar". Most businesses in the sector are usually not registered. Many of them are survival activities, and some others are illegal (Awodun, 2016). The sector also comprised largely of unskilled or semi-skilled people who received trainings under various apprenticeship schemes. The composition of the sector makes it a home for most of the people who could not secure gainful employment in corporate and public sectors. For instance, about 50 percent of the labour force (World Bank, 2019) and 65 percent of the non-agriculture labour force (Meagher, 2018) in Nigeria are employed by the informal sector. Conversely, the sector is the lowest contributor to government tax revenue.

That the informal sector contributes less to tax revenue has been a serious concern among stakeholders, scholars and revenue authorities. The nature of the informal sector coupled with its large size has posed serious tax compliance risks to tax authorities all over the world, developing countries in particular (Stern & Barbour, 2005). Tax authorities have serious challenges assessing and enforcing tax liabilities of participants of the sector (Gurama & Mansor, 2015). Participants of this sector also constitute majority of

[1] The goal is to attain a level where taxpayers voluntarily register, make accurate declarations, and pay right taxes at the right time.

voters. As a result, attempts by tax authorities to resort to aggressive tax enforcement are often not encouraged by government, due to political risks this could pose to re-election of a ruling party.

Having all these challenges in mind, Kwara State Internal Revenue Service (KW-IRS) has taken alternative proactive measures to encourage voluntary tax compliance in the sector, as against forceful enforcement. These measures include establishment of Directorate for the informal sector, establishment of Research and Data Gathering Department, strategic engagements with stakeholders—market executives, artisan union leaders, traditional rulers, and embarking on Community Impact Programmes (CIPs) in six critical areas—environment, enterprise, education, empowerment, employment and energy. These measures among other things were to make the sector a revenue priority sector, enumerate participants in the sector, persuade them through their stakeholders, and also impact on the taxpayers directly through CIPs.

The effects of these measures have not been studied in the past, and can hardly be discerned from previous empirical literature on tax administration in Nigeria's informal sector (for example Gurama & Mansor, 2015, Dang & Zubairu, 2018; and Meagher, 2018). Many of these studies examined challenges from taxpayers perspectives. For example, Meagher (2018) examined the "big idea" that informal sector taxation would help increase political voice of taxpayers, and rebuild the social contract between citizens and their government in Kano and Kaduna states in north-western Nigeria.

This study departs from Meagher (2018) in two ways: First, it looks at the impact of CIPs, a direct provision of public goods by tax authority to the taxpaying public as a tactic to persuade the latter on tax compliance. Secondly, the current study is based on the experiences of field staff of Kwara State Internal Revenue Service (KW-IRS). The field staff relate with the taxpayers one-on-one daily. They are the recipient of all sort of ill treatments and complaints from the taxpayers. The paper tests the popular belief and previous findings that tax compliance improves when taxpayers see the benefits of the taxes they pay (Ortega, Ronconi, & Sanginetti, 2016).

The broad objective of this study is to examine whether or not the challenges of tax administration in informal sector have wane with CIPs. The specific objectives are to examine the relative significance of the challenges faced by field staff, and the impact of CIPs on taxpayers friendliness toward tax collectors, and willingness to pay taxes. We also compared the relative tax compliance rate among indigenous and non-indigenous tax payers in the sector.

The paper is organised into six sections. The current section is the introduction. Section two contains review of related literature. Section three presents the methodology. Section four presents an overview of strategies adopted by KW-IRS and revenue performance in the informal sector. Section five presents survey results and discussions. Section six concludes with recommendations.

## Review of Related Literature

Theoretical literature on tax compliance could be grouped into two—economic and sociological literature (Posner, 2000; and Davis, Hecht & Perkins, 2003). The economic literature on tax compliance has its foundation on the work of Berker (1968) which argues that non-compliance to tax laws is like any other crime. The choice to commit such a crime by any rational taxpayer would depend on expected net benefit (expected benefit minus cost) and probability of being caught (Alm, Rahl & Murray, 1990). The sociological literature on the other hand, argues that people comply with tax laws for other reasons such as to create a reputation of "good citizens", particularly, in societies where tax compliance is regarded as a signal of being a good citizen (Posner, 2000).

Emerging from the sociological literature is the social contract theory. The theory posits that tax payment is a moral obligation of the citizens to support provision of public goods and services by the state. Citizens thus, deem tax payment as a social responsibility and many comply without enforcement by tax authorities. Meanwhile, relying on citizens to voluntarily pay their taxes as moral obligation without some enforcement or occasional audit reduces the cost of non-compliance. And this could make hitherto honest taxpayers to become tax evaders (Davis, Hecht &Perkins, 2003).

Other studies like Ajaz and Ahmad, (2010) and Ortega, Ronconi, and Sanginetti, (2016) also hinged on the social contract theory to argue the existence of reciprocity between good governance and tax compliance. That tax compliance among citizens is likely to be high when government play its own part of the social contract—provide basic social amenities to citizens and ensure security of life and property, otherwise tax compliance will be low. Meanwhile, studies including Anyaduba, Eraghelu and Modogu (2012), Alon and Hageman (2013); and Anyaduba and Balogun (2018) blame inadequate awareness and taxpayer education, and corruption among public officials as the principal reasons for non-compliance on the part of taxpayers. Meanwhile, studies such as de Gramont (2015) and Meagher (2018) attribute low compliance in the informal sector to complexities of the sector and tax payer resistance, through various associations and traditional institutions.

On the part of revenue authorities, peculiarities of the informal sector which include complex logistics, political risk of enforcement, and high cost of tax collection discourage tax efforts in the sector (Stern & Barbour, 2005). Taken together, taxpayers' resistance for various reasons and weak enthusiasm of many tax authorities to pursue taxpayers may have been responsible for the very wide 'tax gap' in the informal sector.

## Methodology

The study used a survey research design. The survey covers the staff deployed to the Informal Sector Directorate of KW-IRS. The survey focuses on the challenges of tax administration in the informal sector from the perspectives of field staff who are deployed to collect taxes from market men and women, microbusiness (street shops) owners and artisans in Kwara State. The Directorate had eighty three (83) staff as at the period of the survey which was between May and June, 2019. The eighty three (83) staff constituted the population of study. The study considered a random sample of fifty six (56) staff in Ilorin metropolis, who have spent at least one month in the Directorate (See Appendix III). Field staff in Ilorin made the sample because over 70 percent of registered taxpayers in the sector are in the city. A questionnaire was designed and administered to the sampled fifty six (56) staff of the Directorate. The responses to the questionnaire were presented and analysed using descriptive statistical tools (percentages, tables and frequency distributions).

## KW-IRS Strategies and Tax Revenue Performance

Despite the challenges of taxing the informal sector, Kwara State Internal Revenue Service (KW-IRS) upon establishment in 2016 saw a huge revenue potential in the sector. The first strategy adopted to administer revenue in the informal sector was establishment of "Informal Sector Tax Directorate". The Directorate was responsible for the collection of Personal Income Taxes (PITs) from taxpayers engaged in the sector. The taxpayers include artisans, unregistered street businesses, market men and women. The Directorate was divided into three PIT collecting units—Markets, Microbusiness and Artisans. The units are supported and coordinated by an administrative unit.

The assessment of tax liabilities, particularly of those taxpayers classified under microbusinesses is carried out by the Tax Assessment Directorate of the Service. The assessment unlike "Pay-As-You-Earn" (PAYE) is based on the Presumptive Tax Schedule, provided in Presumptive Tax Regulation (PTR) Act, 2014 or 'best of judgment'. The resulting bills containing tax liabilities are distributed to prospective taxpayers by staff of microbusiness unit. Bill distribution and collection process involve route ledger approach. Taxpayers have the privilege to object their liabilities, when they feel unsatisfied with their bills or wrongly assessed. But this has to be done within a grace period of 30 days, following established procedure.

However, the collections of PITs from artisans are done through union/association executives. The use of associations reduces the cost and stress of collecting taxes. But has its own risks. The associations/unions use power of their numbers to bargain for lower taxes for members, and also provide shields for members against exploitation from tax collectors. Each member of the artisan unions in Kwara state for example paid a lump-sum presumptive tax of ₦ 1,500 irrespective of his/her capacities. Out of the lump-sum, a percentage goes back to the association as cost of collections. Just as observed by Meagher (2018) in Kano and Kaduna states, payment of lower tax is one of the benefits association members enjoy in Kwara state. The same approach to collecting PITs is also used in the markets subsector.

Table 1 presents the total and subsector by subsector tax revenue performance of the informal sector of Kwara State between 2016 and 2018. The informal sector component of the revenue comprise of Personal Income Tax (PIT) collections (tax revenue) from the taxable adults who are engaged in informal sector (markets, microbusinesses and artisans on the streets); and non-tax revenue (mainly administrative charges on processing of citizenship certificates and commissions on revenue collected on behalf of local governments). Given the focus of the study, Table 1 reports PITs only. The sum of ₦63.06 million was generated in total tax revenue from the informal sector in 2016. This figure increased to ₦120.31 million in 2017 but declined to ₦91.54 million in 2018. The decline in the total tax revenue from the sector and its percentage share in 2018, were attributable to the substantial decline in the taxpayers' compliance rate in the sector from 72.97 to 39.36 in Table 2.

The trend of PIT collections from the individual subsectors, particularly from taxpayers in microbusiness and markets subsector is similar to the global trend (see Table 1). For instance, microbusiness experienced an increase in tax revenue from ₦ 32.68 million in 2016 to ₦ 92.13 million in 2017. This figure however declined to ₦ 67.71 million in 2018. In contrast to other subsectors, the PIT collection from artisans has been on a steady decline over the reviewed period (from about ₦ 29 million in 2016 to ₦ 24.29 million in 2017, and to ₦20.96 million in 2018). Similarly, tax compliance rate (measured as percentage of registered taxpayers in the sector that have paid) in the sector also declined in 2018. The steady decline in PITs of artisans in Table 1 suggests that involvement of unions may have affected tax compliance negatively. This class of taxpayers enjoy shield and protection by their respective associations against aggressive tax enforcement. More so, the associations also enjoy greater political relevance, government recognition and patronage (Meagher, 2018).

In the microbusiness subsector, unlike the artisans and markets, tax compliance appears to be comparatively higher even in 2018. The compliance rate was about 93.84 percent in 2017 and 43.34 percent in 2018, while the rates in markets and artisans were 21.96 and 40.82 percent respectively (see Table 2). The market sub-sector houses owners of street shops and related street businesses aside from artisans. The taxpayers under this classification do not enjoy shield from the associations. Each taxpayer is assessed individually based on a rebuttable presumptive tax system, and pay his/her taxes independently to the Service. Individual taxpayers in the subsector lacked the bargaining power to negotiate for lower and flat rate as their counterparts do through the artisans and markets associations.

Table 1: Tax Revenue Performance in Informal Sector, (In percentage)

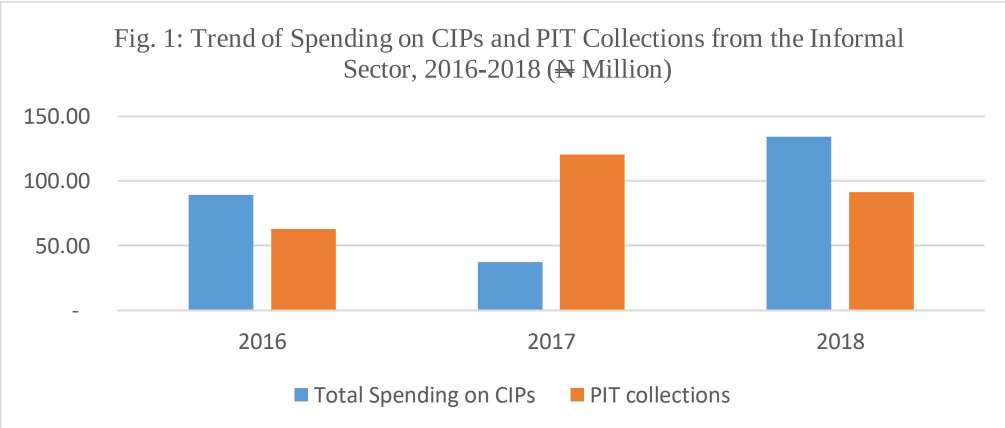
| Year | 2016 | 2017 | 2018 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| | In Million Naira | | | Percentage Distribution | | |
| Markets | 1.37 | 3.89 | 2.87 | 2.17% | 3.14% | 3.23% |
| Micro-business | 32.68 | 92.13 | 67.71 | 51.82% | 73.97% | 76.58% |
| Artisans | 29.01 | 24.29 | 20.96 | 46.00% | 22.90% | 20.19% |
| Total | 63.06 | 120.31 | 91.54 | 100.00% | 100.00% | 100.00% |

Source: KW-IRS, 2019 and Authors' computations.

Table 2: Tax Compliance Rate in Informal Sector (In percentage) 2017-2018

| Year | 2017 | 2018 |
|---|---|---|
| Markets | 68.46 | 21.96 |
| Micro-business | 93.84 | 43.34 |
| Artisans | 58.58 | 40.82 |
| Total | 72.97 | 39.36 |

Source: Compiled from Informal Sector Directorate, May 2019.




Source: Compiled from Informal Sector Directorate and Corporate Affair Department, KW-IRS, 2019.

The total tax revenue trend of the informal sector shows that both compliance rates and contributions of all the subsectors declined in 2018. The Service relied exclusively on relationship management and friendly persuasions to collect taxes in the sector from the last quarter of 2017 through 2018. And that the decline occurred amidst increased spending on the Service CIPs, while tax enforcement was on hold, as shown in Fig.1 suggests that tax compliance in the State appears to be sensitive to enforcement. The no enforcement policy as argued in the literature could have made hitherto honest taxpayers in microbusiness, artisans and market subsectors to become non-compliant (Davis, Hecht & Perkins, 2003).

**Survey Results and Discussion**

This section is divided into four sub-sections. Sub-section one looks at the bio-data of the staff surveyed and two examines staff responses with respect to relative significance of the challenges they face while collecting taxes. Sub-section three presents the results on impact of CIPs on taxpayers' friendliness and willingness to pay taxes, while four examines the relative tax compliance rate among indigenous and non-indigenous traders.

***Bio-Data Analysis of the Staff Surveyed***

The distribution of the bio-data analysis of staff surveyed is presented in Table 3. The distribution shows that 36 (64.29 percent) of the staff are male, while 20 (36.71 percent) are female. The age distribution is shown also in Table 3. Out of 56 staff, 10 (17.86 percent) of the staff aged between 26 and 30 years, 28 (50 percent) between 31-35 years and 14 (25 percent) above 35 years. The age distribution appeared negatively skewed due to a few staff in the sample who are below 26 years. Majority of staff in the sector are above 30 years of age. With respect to staff duration in the Directorate, Table 3 shows that about 40 (71.43 percent) of the staff have worked in the sector for at least 1 year. The bio-data distribution of surveyed staff showed that majority of them are male, matured in age and have worked in the Service for more than two (2) years. A mixture of maturity in age and work experience of majority of staff is expected to aid staff performance and guarantee the reliability of the responses to the questionnaire (See Appendix I-II).

***Challenges faced by Staff Surveyed in Collecting Taxes***

The study categorised the challenges into four (4)—logistics such as vehicles for transporting staff, unrealistic revenue targets, wrong addresses, non-compliance by taxpayers and other challenges such as untraceable taxpayers and duplications of bills. The first two are internal to the Service as they are determined by the Service, while the third and those in the category of “others” are external. The external challenges may be consequent upon the internal operation or a host of other factors.

Table 3: Results of Distribution of Bio-Data of the Staff of Survey

| | | |
|---|---|---|
| Staff by Gender | | |
| Gender | Frequency | Frequency (In %) |
| Male | 36 | 64.29 |
| Female | 20 | 36.71 |
| Total | 56 | 100 |
| Staff by Age | | |
| Age | Frequency | Frequency (In %) |
| <20 Years | 2 | 3.57 |
| 20-25 | 2 | 3.57 |
| 26-30 | 10 | 17.86 |
| 31-35 | 28 | 50.00 |
| >35 | 14 | 25.00 |
| Total | 56 | 100 |
| Staff by Years with KW-IRS | | |
| Years in KW-IRS | Frequency | Frequency (In %) |
| <1 years | 16 | 28.57 |
| 1-2 Years | 4 | 7.14 |
| >2 years | 36 | 64.29 |
| Total | 56 | 100 |

Source: Author’ Survey, May 2019.

Of the challenges facing field staff that were considered, non-compliance of taxpayers tops the list as presented in Table 4. Twenty three (23) staff representing 41.07 percent of the sample indicated non-compliance of taxpayers as the sole major challenge. The next major challenge was unrealistic targets, and then logistics such as unavailability of vehicles to transport staff to the field. Only three (3) staff recognised logistics as a major challenge. Meanwhile, sixteen (16) staff indicated combination of two or more challenges, out of which fifteen (15) or 26.72 percent of the participants also indicated non-compliance as a challenge. Five (5) staff, however, did not respond. In all, about thirty eight (38) or 67.86 percent of the staff identified non-compliance as either the sole or one of the challenges hindering revenue collection in the sector. The inference from the breakdown of the responses is that non-compliance is still the biggest challenge facing tax administration in the sector. This point was also buttressed in Table 5 by the responses to the question related to the frequency of visit before a taxpayer complies. Thirty one (31) or 55.36 percent of the staff indicated that they visit a taxpayer more than three times to get him/her comply with his/her tax liability, three (3) or 5.36 percent indicated three times, six (6) or 10.71 percent indicated twice. Overall, over 90 percent of the staff in the informal Sector said that they visited a taxpayer at least twice before the latter complied with tax payment.

Table 4: Results of Distribution of Challenges of Field Staff in Collecting Taxes

| Challenges faced by Staff | Frequency | Frequency (In %) |
|---|---|---|
| Logistics | 3 | 5.36 |
| Unrealistic Targets | 5 | 8.93 |
| Non-Compliance by taxpayers | 23 | 41.07 |
| Other Challenges | 4 | 7.14 |
| Non-Compliance by taxpayers & Logistics or Unrealistic targets or both including others Challenges | 16 | 28.57 |
| No Response | 5 | 8.93 |
| Total | 56 | 100 |

Source: Authors' Survey, May 2019

Table 5: Results of Number of Times a Taxpayer is visited before Complying

| Average Number of Visits | Frequency | Frequency (In %) |
|---|---|---|
| Once | 3 | 5.36 |
| Twice | 6 | 10.71 |
| Thrice | 13 | 23.21 |
| More than thrice | 31 | 55.36 |
| No response | 3 | 5.36 |
| Total | 56 | 100 |

Source: Authors' Survey, May 2019

Analyses of responses to the question on preferred mode of paying taxes by the taxpayers show that thirty (30) of 53.57 percent of the staff surveyed said that taxpayers preferred cash payment to the tax collectors to other medium of payments including bank lodgment, e-payment and through associations. The preferred mode of payment has implication on cost of tax administration in the sector, the extent to which staff meet their weekly revenue targets, and the adoption of e-payment system.

For instance, staff response to question on missing set revenue targets is presented in Table 6. The distribution shows that thirty (30) or 53.57 percent out of the 56 staff have at one time or the other missed their targets. Twenty six (26) staff said they have never missed their targets. In Table 7, sixteen (16) or 53.33 percent of the 30 staff that have ever missed their targets adduced their failure to taxpayers' refusal to comply. Nine (9) or 30 percent said the targets were unrealistic. Only one person blamed lack of logistics as the reason for not meeting target. Four (4) or 13.33 percent had other reasons such as lack of tax education among the taxpayers. The finding is that non-compliance of taxpayers is largely responsible for staff's failure to meet their targets.

Table 6: Results of Distribution of Staff Meeting their Target

| Missing Revenue Target | Frequency | Frequency (In %) |
|---|---|---|
| Yes | 30 | 53.57 |
| No | 24 | 42.86 |
| No response | 2 | 3.57 |
| Total | 56 | 100 |

Source: Author' Survey, May 2019

Table 7: Results of Distribution of Reasons for Not Meeting Targets

| Reasons for not Meeting Targets | Frequency | Frequency (In %) |
|---|---|---|
| Unrealistic Target | 9 | 30.00 |
| Non Compliance by Taxpayers | 16 | 53.33 |
| Logistics | 1 | 3.33 |
| Others | 4 | 13.33 |
| Total | 30 | 100.00 |

Source: Author' Survey, May 2019.

***Impact of CIPs on Taxpayers' Friendliness and Willingness to Pay Taxes***

Previous empirical studies including Mergher (2018) argued that taxpayers in the informal sector blame their resistance to tax compliance on lack of dividends of tax payment in delivery of public services by the government. To support government efforts in infrastructural development in Kwara State, the KW-IRS has introduced programmes and projects (CIPs) in different communities, markets and other strategic areas to show taxpayers that their money is at work. This section examines the perceptions of field staff with regard to the impact of CIPs on taxpayers' compliance (see Table 8 for the results). As indicated in Table 8, forty six (46) or 82.14 percent of the staff believed that the CIPs had yielded positive impact on tax compliance. However, the analyses of the responses about tax payers' friendliness to field staff and willingness to comply in same Table 8 show that majority of taxpayers were largely unfriendly and unwilling to pay taxes. For example, out of the fifty six (56) staff covered by the survey, forty five (45) or 80.36 percent said that taxpayers were always unwilling to pay their taxes. Seven (7) staff said taxpayers were willing and only three (3) said they were very willing to pay their taxes. This clearly indicates a major paradox and that tax collectors are still facing challenges with the taxpayers.

The study went further to examine possible reasons for the unwillingness of taxpayers to comply with their tax obligations. The responses of the staff show that most taxpayers complained of lack of social amenities, and/or trust in the government. One or combination of these two frequent complaints were given by taxpayers as the main reason(s) for their unwillingness to pay taxes. These findings are in line with previous studies (e.g., Ortega, Ronconi & Sanginetti, 2016; and Anyaduba & Balogun, 2018). These studies conclude that citizens are more willing to taxes if they enjoy necessary public services from their government.

Table 8: Staff's Perspective of Impact of CIPs, Taxpayers' Friendliness and Willingness to Pay Taxes

| | | |
|---|---|---|
| Staff's Perspective of Impact of CIPs on Taxpayers Behaviour | | |
| Staff's Perspective | Frequency | Frequency (In% ) |
| Yes (Impactful) | 46 | 82.14 |
| No(Not Impactful) | 9 | 16.07 |
| No response | 1 | 1.79 |
| Total | 56 | 100 |
| Staff Perspective on Taxpayers' Friendliness to Staff | | |
| Very friendly | 3 | 5.36 |
| Friendly | 19 | 33.93 |
| Not friendly | 32 | 57.14 |
| No response | 1 | 1.79 |
| Indifference | 1 | 1.79 |
| Total | 56 | 100 |
| Staff's Perspective of Taxpayers' Willingness to pay Taxes | | |
| Very willing | 3 | 5.36 |
| Willing | 7 | 12.5 |
| Unwilling | 45 | 80.36 |
| No response | 1 | 1.79 |
| Total | 56 | 100 |

Source: Authors' Survey, May 2019.

### *Comparative Analysis of Tax Compliance among Indigenous and Non-Indigenous Traders*

Kwara State is a multi-ethnic state with Yoruba as the major indigenous ethnic group. Other indigenous ethnic groups with appreciable population include Nupe, Baruba, Boko-baru, Hausa and Fulani. Non-indigenous ethnic groups particularly Igbos from south-eastern Nigeria are resident in the state and largely engaged in street businesses. The Igbo traders dominate major business hubs like Ibrahim Taiwo Road and Murtala Muhammed Way in Ilorin metropolis, the state capital. There are also non-indigenous Yoruba, Hausa and Fulani speaking residents in the state. Both indigenes and non-indigenes are obliged to pay their personal income taxes (PIT) to the state government provided they are resident in the State (KW-IRS Act, 2015).

According to some empirical studies such as Meagher (2018), non-indigenous traders in the informal sector are more tax compliant compared to indigenes. This section examines this belief with respect to Kwara State. From the analysis in Table 9, non-indigenes are more tax compliant than indigenes. For instance, thirty (39) or 69.64 percent of the fifty-six (56) staff surveyed revealed that non-indigenous traders are more tax compliant, than indigenes, while only three (3) or 5.36 percent believed that indigenes are more compliant. However, fourteen (14) said there is no significant difference in their tax compliance levels.

The results in Table 9 indicated further that Igbo traders, are relatively more tax compliant compared to other non-indigenous ethnic groups. The inference from the analyses suggests that staff deployed to markets or streets dominated by Igbo traders are most likely to meet their target compared to staff sent to areas dominated by indigenous traders or other ethnic groups.

Table 9: Results of Relative Tax Compliance Rate among Indigenes and Non-Indigenes

| Staff's Opinion on relative Tax Compliance | | |
|---|---|---|
| Staff's Opinion | Frequency | Frequency (In %) |
| Indigenes are more tax compliant | 3 | 5.36 |
| Non-indigenes are more tax compliant | 39 | 69.64 |
| No significant difference between them | 14 | 25.00 |
| Total | 56 | 100.00 |
| The Most Tax Compliant Traders among the Non-indigenous Traders | | |
| Traders | Frequency | Frequency (In %) |
| Hausa traders | 2 | 3.57 |
| Igbo traders | 25 | 44.64 |
| Yoruba traders | 7 | 12.50 |
| Hausa, Igbo and Yoruba | 1 | 1.79 |
| Hausa and Igbo | 4 | 7.14 |
| Igbo and Others | 1 | 1.79 |
| No response | 13 | 23.21 |
| Others | 3 | 5.36 |
| Total | 56 | 100.00 |

Source: Authors' Survey, May 2019

**Conclusion and Recommendations**

The study examined the strategies and challenges facing tax administration in the informal sector of Kwara State, Nigeria over the period between 2016 and 2019. The paper drew from the staff of KW-IRS through purposefully designed questionnaires. The study concludes that field staff were faced with numerous challenges, particularly non-compliance and unfriendliness of tax payers despite the CIPs. Tax compliance rate is low particularly among indigenes, artisans and market men and women, who pay their taxes through their respective associations. The study also revealed that among the non-indigenous traders, the Igbo traders are relatively more tax compliant.

Frequent reasons advanced by taxpayers for their resistance revolve around lack of social amenities and dismal trust in government. However, the relatively higher compliance rate among the non-indigenes and microbusiness owners suggests that aside from lack of trust in government and social amenities, other social factors and enforcement policy also play some roles in the taxpayers non-compliance puzzle in the informal sector.

The findings in this study shows that the CIPs or related compliance programmes cannot suffice to stimulate a sustainable voluntary tax compliance in the informal sector. The government has to provide basic amenities. In other words, government must continuously play its own part and earn the trust of taxpayers. More so, the revenue agencies should pursue "Tax Compliance Programmes", with special focus on indigenous traders to improve their level of compliance. There is a need for continuous collaboration and information sharing between government, the Internal Revenue Service and operators in the informal sector to enhance the success of any revenue driving strategy for the informal sector.

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We take responsibility for any gaps in the paper. The views expressed in the paper are based on the findings of the survey. They do not necessarily represent those of the authors or the organisation they represent.

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## Appendix A

Appendix I: Distribution of Staff by Experience

| Experience | Frequency | Frequency (In %) |
|---|---|---|
| Previously Employed | 43 | 76.79 |
| Not Previously Employed | 13 | 23.21 |
| Total | 56 | 100 |

Appendix II: Distribution of staff by Units in Previous Employment

| Previous Employment | Frequency | Frequency (In %) |
|---|---|---|
| Administration | 6 | 13.95 |
| Marketing | 11 | 25.58 |
| Others | 26 | 60.47 |
| Total | 43 | 100 |

Appendix III: Distribution of Staff by Years in Informal Sector Directorate

| Years in Informal **sector** | Frequency | Frequency (In %) |
|---|---|---|
| <1 years | 36 | 64.29 |
| 1-2 Years | 8 | 14.29 |
| >2 years | 12 | 21.43 |
| Total | 56 | 100 |

Appendix IV: Distribution of Staff by Deployments to Units.

| Deployment | Frequency | Frequency (In %) |
|---|---|---|
| Micro-businesses | 24 | 42.86 |
| Markets | 15 | 26.79 |
| Artisans | 6 | 10.71 |
| All the three Units | 3 | 5.36 |
| Micro business& Market | 1 | 1.79 |
| Micro business& Artisan | 1 | 1.79 |
| Other Units | 5 | 8.93 |
| Micro business, Market, Artisan & Other Units | 1 | 1.79 |
| Total | 56 | 100.00 |

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