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Tax Awareness, Regulatory Complexity and Tax Compliance behaviour among SMES in Oyo States

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ABSTRACT

Tax compliance behaviour emphasizes the dynamic processes through which taxpayers respond to tax laws, administrative procedures, and enforcement strategies. While extant literatures focused on the effect of tax education on compliance in other developing nations, this study examined the influence of tax awareness and tax regulatory complexity on tax compliance behaviour among SMEs in Ibadan. The study was anchored on Deterrence Theory and the Slippery Slope Framework and adopted a descriptive survey research design. Drawing from a population of 7,987 registered SMEs (SMEDAN/NBS, 2022), primary data were collected through questionnaires administered across five Ibadan Local Government Areas using multistage sampling. A total of 396 valid responses were analyzed using descriptive statistics, and multiple regression analysis. Tax awareness significantly and positively influenced compliance ($t(394) = -11.08$, $p < .05$), with high-awareness SMEs demonstrating markedly higher compliance. Regulatory complexity showed no significant bivariate effect ($t(394) = -0.05$, $p > .05$) but emerged as a significant negative predictor in the joint model ($\beta = -0.590$, $p < .001$). The study concluded that tax awareness is the most powerful determinant of SME tax compliance behaviour in Ibadan, operating directly and in interaction with regulatory complexity. Regulatory complexity exerts a significant negative effect in the multivariate model, confirming that Nigeria's fragmented tax administration imposes real compliance barriers. It was recommended that the Nigeria Revenue Service (NRS) and the Oyo State Internal Revenue Service (OYIRS) institutionalize taxpayer education programmes targeting SME clusters, prioritize regulatory simplification and harmonization across tax tiers to reduce compliance costs, and strengthen fairness-enhancing practices including transparent assessment procedures and accountable revenue utilization to build SME trust and improve voluntary compliance across Oyo State.

Keywords: Fiscal Policy, Institutional Trust, Revenue Mobilization, Tax Administration, Voluntary Compliance,

INTRODUCTION

Taxation remains a central instrument for financing public expenditure and promoting sustainable economic development across both developed and developing economies. In recent years, Nigeria's increasing vulnerability to oil price volatility has, according to Olaoye et al. (2023), intensified the government's reliance on non-oil revenue, particularly taxation, as a means of fiscal stabilization and economic diversification. Within this context, improving tax compliance has become a strategic priority for fiscal authorities at the federal and sub-national levels. However, despite sustained reforms in tax administration and policy, tax compliance behaviour among Small and Medium Enterprises (SMEs) continues to present significant challenges.

In addition to awareness deficits, regulatory complexity significantly shapes SME tax compliance behaviour. Ogunleye & Olajide, (2022) opined that regulatory complexity manifests through overlapping tax jurisdictions, ambiguous regulations, frequent amendments to tax laws and cumbersome filing processes. Nwaiwu & Ugwunta, (2023) submitted that for SMEs with limited managerial capacity and weak accounting systems, navigating this complexity often entails high compliance costs relative to business size. Even recent reforms aimed at simplifying compliance through digitalization such as the introduction of TaxProMax by the Nigeria Revenue Service (NRS) have produced uneven outcomes due to disparities in digital literacy and infrastructure access.

In response to these challenges, Oladipo & Ayeni, (2024) stated that the Nigerian government has introduced a series of tax reforms between 2019 and 2024, notably through successive Finance Acts. These reforms introduced exemptions for small companies, reduced tax rates for medium-sized enterprises, expanded digital tax administration and strengthened self-assessment mechanisms. While these initiatives were designed to reduce compliance costs and improve fairness, their behavioural impact among SMEs remains uneven and context-dependent. This situation underscores the need for localized empirical investigations that examine how awareness and regulatory complexity influence SME tax compliance behaviour.

A key problem lies in the limited level of tax awareness among SME operators. Many business owners lack adequate understanding of applicable tax laws, exemptions, filing procedures, and recent reforms, which, as observed by Adewale and Yusuf (2023), results in both unintentional and deliberate non-compliance. Existing sensitization efforts by tax authorities have not sufficiently penetrated informal business clusters and micro-enterprises that dominate Ibadan's SME landscape.

Furthermore, the complexity of Nigeria's tax regulatory framework imposes significant compliance burdens on SMEs. Ogunleye and Olajide (2022) argued that multiple taxes administered by different tiers of government, frequent policy changes, and cumbersome administrative procedures create confusion and increase the cost of compliance. For resource-constrained SMEs, these complexities often incentivize informality rather than voluntary compliance. The study thus examined the extent to which tax awareness and regulatory complexity affect tax compliance behavior among SMEs in Ibadan, Oyo state.

Research Hypotheses

H_o1: Tax awareness has no significant influence on tax compliance behaviour among SMEs in Ibadan, Oyo State.

H_o2: Regulatory complexity has no significant influence on tax compliance behaviour among SMEs in Ibadan, Oyo State.

LITERATURE REVIEW

Conceptual Review

Tax compliance behaviour refers to the observable actions and decisions of taxpayers in relation to meeting tax obligations. It encompasses registration behaviour, accuracy of reporting, timeliness of filing, and promptness of payment. Unlike static definitions of compliance, compliance behaviour emphasizes the dynamic processes through which taxpayers respond to tax laws, administrative procedures, and enforcement strategies. Recent literature conceptualizes tax compliance behaviour as a product of both rational decision-making and psychological influences. Alm and Torgler (2024) argue that taxpayers weigh the perceived benefits and costs of compliance, including penalties, audits, moral satisfaction, and social approval. At the same time, behavioural scholars like Torgler (2018) and Kirchler et al. (2019) highlight that trust, perceptions of fairness, and institutional legitimacy strongly shape compliance behaviour, particularly among SMEs. In the Nigerian context, tax compliance behaviour among SMEs is influenced by regulatory complexity, tax awareness, perceived fairness, and enforcement consistency. Ogundajo and Onakoya (2023) note that inconsistent interpretations of tax laws and discretionary enforcement practices contribute to erratic compliance behaviour. Thus, tax compliance behaviour is best understood as a multidimensional construct shaped by individual, institutional, and environmental factors.

Tax awareness refers to the extent to which taxpayers possess knowledge and understanding of tax laws, obligations, procedures, and penalties. It encompasses awareness of registration requirements, filing deadlines, tax rates, payment methods, and available reliefs or incentives. Tax awareness is widely recognized as a critical determinant of voluntary tax compliance, particularly among SMEs. In some recent studies including Akinsola and Idowu (2022) and Adegoke and Olowookere (2024), emphasize that informed taxpayers are more likely to comply voluntarily because they understand both their obligations and the consequences of non-compliance. Akinsola and Idowu (2022) argue that tax awareness enhances compliance by reducing uncertainty and fear associated with tax administration. Similarly, Adegoke and Olowookere (2024) contend that accessible tax education improves SMEs' confidence in dealing with tax authorities and navigating regulatory requirements. In developing economies such as Nigeria, low levels of tax awareness among SMEs are attributed to inadequate taxpayer education, frequent policy changes, and limited access to professional tax advisory services. This knowledge gap often leads to unintentional non-compliance, reliance on informal practices, and negative perceptions of tax authorities. Enhancing tax awareness through targeted education and communication is therefore essential for improving SME compliance behaviour.

Tax regulatory complexity refers to the degree to which tax laws, procedures, and administrative structures are difficult to understand, comply with, or navigate. It includes legal ambiguity, multiplicity of taxes, frequent policy amendments, overlapping jurisdictions, and cumbersome administrative processes. Regulatory complexity is widely recognized as a major institutional determinant of tax compliance behaviour, especially among SMEs. In Nigeria, tax regulatory complexity arises from multiple tiers of government imposing diverse taxes and levies, frequent legislative changes through Finance Acts, and fragmented administrative responsibilities. According to the OECD (2021), frequent regulatory changes without adequate taxpayer education exacerbate uncertainty and increase compliance costs. Mas'ud et al. (2021) argue that SMEs, with limited financial and managerial capacity, often perceive complex tax systems as punitive rather than supportive. Empirical studies demonstrate that regulatory complexity weakens tax morale by reducing taxpayers' understanding of obligations and benefits. Kirchler et al. (2022) argue that complex systems undermine trust and intrinsic motivation, pushing taxpayers toward avoidance or informality. In Nigeria, World Bank (2023) reports that multiplicity of taxes and inconsistent enforcement discourage SME formalization and compliance.

Within a conceptual framework, tax regulatory complexity influences compliance both directly and indirectly. Directly, it increases compliance costs and administrative burden. Indirectly, it affects tax awareness, perceived fairness, and trust in tax authorities. Alm and Torgler (2024) argue that excessive complexity undermines the legitimacy of enforcement, reducing voluntary compliance even in the presence of deterrence mechanisms.

Theoretical Review

Deterrence Theory which was originally propounded within the field of economics by Gary S. Becker in 1968, in his seminal work *Crime and Punishment:*

An Economic Approach, and later adapted to taxation by Allingham and Sandmo (1972), who applied Becker's economic crime model to explain tax evasion and compliance behavior was reviewed. The central premise of Deterrence Theory is that taxpayers are rational actors who make compliance decisions by comparing the expected benefits of non-compliance with the expected costs arising from detection and punishment. The theory further states that tax compliance increases when the probability of audit**,** severity of penalties and effectiveness of enforcement mechanisms are sufficiently high to outweigh the gains from tax evasion. In this framework, individuals and firms comply primarily due to fear of sanctions rather than moral obligation. Recent empirical studies, as affirmed by Alm and Torgler (2024), indicate that deterrence mechanisms remain relevant in shaping compliance behaviour, particularly in environments where enforcement is consistent and credible. Alm and McClellan (2023) contend that predictable enforcement and proportionate penalties increase the perceived risk of non-compliance, thereby encouraging compliance. However, the effectiveness of deterrence depends heavily on taxpayers' understanding of tax laws and enforcement procedures.

Regulatory complexity significantly weakens the effectiveness of deterrence among SMEs. Where tax regulations are complex, ambiguous or frequently amended, SMEs may find it difficult to distinguish between deliberate evasion and unintentional non-compliance. Mas'ud et al. (2021) observe that such complexity increases compliance costs and uncertainty, thereby reducing the credibility and perceived legitimacy of enforcement actions. In these circumstances, penalties may be viewed as unfair, especially where tax awareness is low. Tax awareness therefore plays a mediating role within the deterrence framework. SMEs with adequate knowledge of tax obligations are better positioned to assess compliance risks and respond appropriately to enforcement signals. Adegoke and Olowookere (2024) emphasize that taxpayer education strengthens the deterrent effect of enforcement by reducing information asymmetry. Nonetheless, empirical evidence consistently shows that many taxpayers comply even when audit probabilities are low, suggesting that deterrence alone cannot fully explain tax compliance behaviour.

The Slippery Slope Framework (SSF) was propounded by Erich Kirchler, Erik Hoelzl, and Ingrid Wahl in (2008) as an integrative model of tax compliance. The framework was developed to address the limitations of purely deterrence-based theories by incorporating psychological and institutional factors into the analysis of tax behaviour. The SSF posits that tax compliance is determined by the interaction between two core dimensions: the power of tax authorities and trust in tax authorities. According to the framework, high tax compliance can emerge either as enforced compliance, driven by the coercive power of tax authorities, or as voluntary compliance, driven by taxpayers' trust in the fairness and legitimacy of the tax system. However, the framework, according to Kirchler (2021)**,** argues that sustainable and stable compliance is achieved when both power and trust are jointly strengthened.

Within the SSF, trust refers to taxpayers' belief that tax authorities act fairly, transparently and in the collective interest. Recent studies, as demonstrated by Alm and Torgler (2024), show that trust is strongly influenced by perceived fairness, administrative transparency, accountability, and consistency in enforcement practices. When SMEs perceive tax systems as fair and legitimate, they are more likely to comply voluntarily, even in the absence of strict enforcement. Alm and McClellan (2023) argue that fairness strengthens trust and moral obligation, thereby enhancing voluntary compliance. Conversely, perceptions of unfairness such as multiple taxation, arbitrary assessments or selective enforcement erode trust and shift compliance behaviour towards coercion or evasion. Tax awareness also plays a critical role within the SSF. According to the OECD (2024), transparent communication and effective taxpayer education enhance trust by clarifying obligations, reducing uncertainty and improving perceptions of administrative competence. In Nigeria, limited access to tax information and frequent policy changes undermine awareness and weaken trust, particularly among SMEs. Regulatory complexity negatively affects both dimensions of the framework. Complex tax regulations make enforcement appear inconsistent and arbitrary while simultaneously increasing compliance costs. Kirchler et al. (2022) observe that regulatory complexity fosters perceptions of inefficiency and unfairness, thereby weakening voluntary compliance. Consequently, the Slippery Slope Framework provides a comprehensive theoretical lens for explaining SME tax compliance behaviour in Nigeria.

While deterrence theory was basically rule based, slippery slope theory incorporate psychological and institutional factors into the analysis of tax behavior, and this make both theories relevant to this work.

Empirical Review

Tax Awareness and Tax Compliance Behaviour

Zubairu, Atiawin, and Iddrisu (2025) examined the relationship between taxpayer education and tax compliance among small businesses in Ghana within the context of tax digitalisation. Using Structural Equation Modelling (SEM) on survey data collected from SME owners, the study found that tax awareness had a significant positive effect on both compliance intention and actual compliance behaviour. The authors concluded that targeted education and awareness campaigns enhance SMEs' understanding of digital tax systems, thereby improving compliance outcomes. In Malaysia, Hamzah et al. (2023), in their study investigated tax awareness and compliance behaviour among e-commerce SMEs. The study adopted a cross-sectional survey design and employed multiple regression analysis for responses from online business operators. The findings revealed that taxpayer knowledge and awareness of tax penalties significantly influenced compliance behaviour. The study further showed that awareness mediated the relationship between attitudes toward taxation and actual compliance, highlighting the indirect role of awareness in shaping compliance decisions.

Within the Nigerian context, Okunola and Alabi (2024) conducted a survey of SMEs across selected states in South-West Nigeria to examine determinants of tax compliance behaviour. Using logistic regression analysis**,** the study found that tax awareness proxied by understanding of tax regulations and filing requirement had a statistically significant positive effect on SME compliance. The authors also reported that low awareness increased the likelihood of unintentional non-compliance, particularly among micro and informal enterprises. Similarly, Adegbite and Owolabi (2022) examined the impact of tax education on voluntary compliance among SMEs in Lagos State. Employing a descriptive survey design and Pearson correlation analysis**,** the study found a strong positive relationship between tax awareness and voluntary compliance. The authors concluded that SMEs with higher exposure to tax information and education programmes were more likely to file returns accurately and pay taxes promptly. Overall, empirical evidence strongly suggests that tax awareness enhances compliance by reducing information asymmetry, minimizing unintentional errors, and increasing taxpayers' confidence in dealing with tax authorities. These findings support the inclusion of tax awareness as a key explanatory variable in SME tax compliance studies.

Tax Regulatory Complexity and Tax Compliance Behaviour

Vincent (2021) investigated behavioural determinants of tax compliance among Nigerian SMEs using a behavioural economics framework through survey research design and multiple regression analysis. The findings indicated that perceived tax system complexity significantly reduced compliance behaviour, alongside high compliance costs and negative tax attitudes. Although regulatory complexity was not isolated as a standalone variable, its operationalization within system difficulty underscores its deterrent effect on compliance.

In South Africa, Smulders, Stiglingh, and Franzsen (2022), through survey research design investigated the effect of tax complexity on small business compliance. The result indicated that complexity in record keeping and tax filing impair compliance. A cross-country study by OECD (2023) analyzed SME compliance behaviour across developing and emerging economies using secondary administrative data and comparative analysis and discovered that simplifying tax procedures significantly improves compliance, particularly for small businesses.

Further empirical evidence from India, as reported in Ndlovu et al, (2024), showed that regulatory simplification reforms led to measurable improvements in SME compliance rates. Using before-and-after policy analysis.

Conceptual Framework

Tax compliance behaviour among SMEs is conceptualized as a function of tax awareness and tax regulatory complexity. These independent variables interact within an institutional environment characterized by enforcement mechanisms, administrative efficiency, and taxpayer education. The framework underscores the need for integrated policy approaches that address knowledge gaps, simplify regulations, and enhance fairness perceptions to improve SME tax compliance.

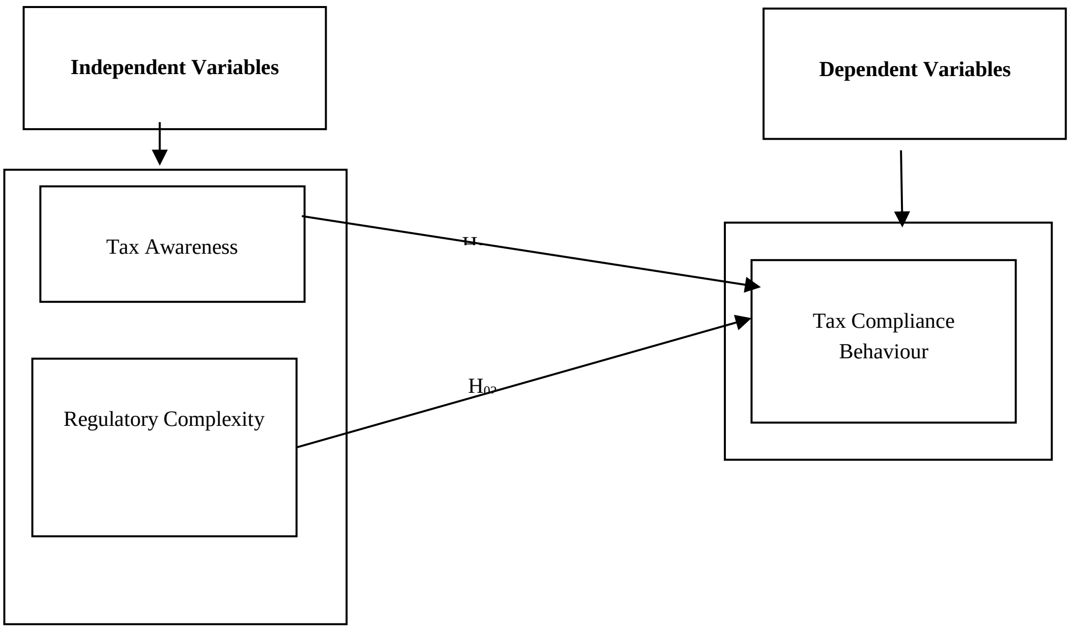

Fig 1: Conceptual Framework

METHODOLOGY

The study adopted a descriptive survey research design because, it enabled the collection of quantitative data from a large number of SME operators. The study was conducted in Ibadan, the capital city of Oyo State, Nigeria and the population of the study comprised all registered and unregistered Small and Medium Enterprises (SMEs) operating within Ibadan metropolis, Oyo State. Official survey data from SMEDAN and NBS indicate that Oyo State hosts 7,468 registered small enterprises and 519 registered medium enterprises, yielding a total of 7,987 registered SMEs. This study adopted a multistage sampling technique to ensure adequate representation of Small and Medium Enterprises (SMEs) operating within Ibadan metropolis.

A sample of 400 respondents was formulated and data was obtained using questionnaire distributed to SME operators. Inferential statistics, including multiple regression analysis, was employed to test the formulated hypotheses and examined the individual and joint effects of the independent variables on tax compliance behaviour.

RESULT AND DISCUSSION

Test of Hypothesis of hypothesis one

H₀1: Tax awareness has no significant influence on tax compliance behaviour among SMEs in Ibadan, Oyo State.

This was tested using t-test for independent sample, and the result was presented in Table 4.1v **Table 4.1: Summary of t-test for the independent sample showing the influence of tax awareness on tax compliance behaviour among SMEs in Ibadan, Oyo State**

	tax awareness	**N**	$\overline{X}$	**Std**	**Df**	**t**	**P**
	Low	90	1.03	0.18			
tax compliance behaviour	High	306	1.61	0.46	394	-11.08	<0.05

Source: Researcher's Computation, 2026

The results from Table 4.1 show that respondents with high tax awareness (M = 1.61, S.D = 0.49) reported significantly higher tax compliance behaviour than respondents with low tax awareness (M = 1.03, S.D = 0.18). SMEs with a high level of tax awareness reported significantly higher tax compliance behaviour (t(394) = -11.08, p < .05) than those with a low level of tax awareness. This implies that tax awareness significantly influences tax compliance behaviour among SMEs in Ibadan, Oyo State. Therefore, the null hypothesis which states that tax awareness has no significant influence on tax compliance behaviour among SMEs in Ibadan, Oyo State is rejected.

Test of Hypothesis Two

H₀2: Regulatory complexity has no significant influence on tax compliance behaviour among SMEs in Ibadan, Oyo State.

This was tested using t-test for independent sample, and the result was presented in Table 4.2.

Table 4.2: Summary of t-test for the independent sample showing the influence of regulatory complexity on tax compliance behaviour among SMEs in Ibadan, Oyo State

	Regulatory Complexity	**N**	$\overline{X}$	**Std**	**df**	**T**	**P**
	Low	394	1.48	0.50			
tax compliance behaviour	High	2	1.50	0.71	394	-0.05	>0.05

Source: Researcher's Computation, 2026

The results from Table 4.4 show that respondents with high regulatory complexity (M = 1.50, S.D = 0.71) reported slightly higher tax compliance behaviour than respondents with low regulatory complexity (M = 1.48, S.D = 0.50). However, the difference was not statistically significant. SMEs with a high level of regulatory complexity did not report significantly different tax compliance behaviour (t(394) = -0.05, p > .05) compared to those with a low level of regulatory complexity. This implies that regulatory complexity does not significantly influence tax compliance behaviour among SMEs in Ibadan, Oyo State. Therefore, the null hypothesis which states that regulatory complexity has no significant influence on tax compliance behaviour among SMEs in Ibadan, Oyo State is accepted.

Discussion of Findings

Tax Awareness and Tax Compliance Behaviour

The study found a significant positive influence of tax awareness on tax compliance behaviour among SMEs in Ibadan, leading to the rejection of the first null hypothesis. This finding is consistent with theoretical expectations derived from Deterrence Theory, which holds that SMEs with adequate knowledge of tax obligations and associated penalties are better positioned to make informed compliance decisions (Alm & Torgler, 2024; Mas'ud et al., 2021). Within the Slippery Slope Framework, tax awareness enhances trust in tax authorities by reducing the information asymmetry that often characterizes taxpayer–authority relationships in Nigeria's fragmented regulatory environment (Kirchler et al., 2008; OECD, 2024). Tax Morale Theory further supports this finding by suggesting that informed taxpayers who understand the rationale and mechanism of taxation are more likely to internalize tax compliance as a civic obligation (Torgler, 2023; Alm & McClellan, 2023).

These results align closely with the empirical evidence reviewed in Chapter Two. Okunola and Alabi (2024), in their multi-variable study of SMEs in South-West Nigeria, found that tax awareness proxied by understanding of tax regulations and filing requirements had a statistically significant positive effect on compliance behaviour. Similarly, Adegbite and Owolabi (2022) reported a strong positive relationship between tax education exposure and voluntary compliance among Lagos-based SMEs. Zubairu, Atiawin, and Iddrisu (2025) in Ghana further demonstrated through Structural Equation Modelling that tax awareness significantly improved both compliance intention and actual behaviour in a digital tax context. Hamzah et al. (2023) in Malaysia found that taxpayer knowledge mediated the relationship between tax attitudes and compliance behaviour, lending weight to the centrality of awareness as a behavioural pathway.

The dominance of tax awareness as a predictor in the regression model ($\beta = .891$) is especially noteworthy and is consistent with Nigeria's SME context, where knowledge gaps rather than wilful evasion are frequently cited as primary drivers of non-compliance. As documented in Chapter Two, many SME operators in Ibadan have limited access to professional tax advisory services, frequently encounter ambiguous tax communications, and operate in an environment where tax policy changes — including multiple Finance Act amendments since 2020 — have not been matched by adequate taxpayer education outreach (Adewale & Yusuf, 2023; Eze & Abata, 2023). The regression coefficient underscores that for every meaningful increase in tax awareness, the probability of compliance increases substantially, making taxpayer education arguably the single most impactful lever available to tax authorities in Ibadan.

The finding further carries implications for the current wave of digital tax administration reform in Nigeria. While the FIRS's TaxProMax platform and related digital compliance infrastructure are designed to reduce friction in filing and payment, their utility is conditional on SME operators possessing sufficient awareness to navigate them. As Nwaiwu and Ugwunta (2023) noted, digital tax reforms have produced uneven compliance outcomes due to disparities in digital literacy and awareness of platform procedures, a challenge particularly acute among informal and micro-scale businesses that were included in this study's sample.

Regulatory Complexity and Tax Compliance Behaviour

The bivariate analysis showed that regulatory complexity did not exhibit a statistically significant independent influence on tax compliance behaviour ($t(394) = -0.05$, $p > .05$), resulting in the acceptance of the second null hypothesis. This finding is, at first glance, surprising given the substantial theoretical and empirical literature documenting regulatory complexity as a deterrent to SME compliance. However, the multivariate regression model offers a more nuanced interpretation: within the joint model, regulatory complexity emerged as a highly significant negative predictor of compliance behaviour ($\beta = -.590$, $p < .001$), suggesting that its suppressive effect on compliance is contingent on and mediated by the presence of other variables, particularly tax awareness.

This context-dependency is theoretically coherent. The Slippery Slope Framework (Kirchler et al., 2008; Kirchler et al., 2022) posits that regulatory complexity undermines both voluntary compliance (by eroding trust) and enforced compliance (by making enforcement appear arbitrary), but these effects are moderated by taxpayers' level of awareness. Hamzah et al. (2023) similarly demonstrated in Malaysia that tax awareness moderated the negative effect of regulatory complexity on SME compliance, suggesting that informed taxpayers are better equipped to navigate complex systems. The bivariate non-significance observed in the present study may thus reflect the confounding effect of awareness: among a predominantly formally registered sample with moderate-to-high awareness, the direct impact of complexity alone is insufficient to depress compliance below a threshold, but its interactive suppressive effect with awareness becomes clearly visible in the multivariate model.

The negative regression coefficient ($\beta = -.590$) confirms that regulatory complexity, when analysed alongside awareness and fairness perceptions, significantly reduces compliance. This is consistent with the findings of Vincent (2021), who identified perceived system complexity as a significant determinant of non-compliance among Nigerian SMEs, and with the OECD (2023) cross-country analysis demonstrating that complex tax regimes are associated with higher informality and lower voluntary compliance. Adedeji and Oboh (2022) and Ogundajo and Onakoya (2023) similarly documented that SMEs in Nigeria cite unclear tax laws, multiple audits, and inconsistent enforcement as major compliance barriers, reinforcing the structural basis for the negative relationship observed in this study.

The strong positive inter-correlation between regulatory complexity and perceived tax fairness ($r = .804$, $p < .01$) revealed in the zero-order analysis is particularly noteworthy and deserves contextual interpretation. This unexpected direction (whereby higher regulatory complexity was associated with higher rather than lower fairness perceptions) likely reflects a nuanced response pattern among the study's largely formally registered SMEs: operators who are more engaged with the tax system (and therefore more aware of its complexities) may also be more likely to acknowledge both the complexity and the fairness dimensions of that system. Alternatively, this relationship may reflect a measurement artefact arising from the positively framed Likert items on the perceived fairness scale, where agreement signalled perceived fairness. Future studies employing reverse-coded items and confirmatory factor analysis should revisit this finding to determine whether it reflects genuine attitudinal consistency or a methodological artefact.

The implications of this finding for Nigerian tax administration are significant. Despite recent efforts to simplify compliance through the Finance Acts, digitalisation of tax processes, and the Tax Identification Number (TIN) harmonisation programme, the multiplicity of obligations across federal, state, and local tiers continues to impose administrative costs on SMEs. As Chapter Two documented, Nigeria's three-tier fiscal structure, combined with the frequent legislative amendments introduced since 2020, creates an operating environment where even motivated and aware SME operators face genuine procedural barriers to compliance (World Bank, 2023; Ogunleye & Olajide, 2022).

Conclusion

First, tax awareness is the most powerful and statistically consistent determinant of tax compliance behaviour among SMEs in Ibadan. SMEs that possess higher levels of knowledge about tax laws, filing procedures, deadlines, and applicable penalties are significantly more likely to comply with their tax obligations, both voluntarily and in response to enforcement signals. The magnitude of the awareness effect ($\beta = .891$) indicates that investment in taxpayer education is not merely complementary to enforcement but constitutive of the compliance environment.

Second, regulatory complexity, while not independently significant in bivariate analysis, emerges as a significant negative predictor of compliance within the joint model. This finding confirms that Nigeria's complex multi-tier tax regulatory architecture imposes real compliance barriers on SMEs, particularly when examined alongside the conditioning effects of awareness and fairness. The acceptance of H_20_2 in bivariate testing should not be interpreted as evidence that regulatory complexity is irrelevant; rather, its effect is context-dependent and interacts meaningfully with other compliance determinants.

Recommendation

Tax authorities and policy makers should intensify and institutionalize SME-Targeted Tax Awareness Campaigns among SMEs.

Tax authorities should also simplify tax regulations and harmonize multi-tier obligations.

Leverage the TaxProMax Platform with Accompanying Awareness Support: The Federal Inland Revenue Service's TaxProMax digital platform presents an important opportunity to reduce compliance costs for SMEs.

SME owners and managers should proactively engage with available tax education programmes, consult with accredited tax practitioners, and maintain organised financial records that facilitate timely and accurate tax filing.

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