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How Technology Can Aid Tax Compliance in the Us Economy

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Abstract

Tax is the price paid by citizens and businesses for their well-being and civilization. The payment of tax is a civic duty for every citizen. This study evaluates how technology can aid tax compliance in the US economy. A quantitative and qualitative approach was used for this study, which included 20 respondents. Data collected from respondents were analysed using descriptive statistical packages (SPSS), where frequencies, percentages, and means were obtained. The findings of the study show that a majority (50%) of the respondents agreed to be proficient in the use of the internet while 10% strongly agreed and disagreed about being proficient in the use of the internet. The result of the study also shows that 35% strongly agreed with having computer usage skills while 15% strongly disagreed with using computers and having skills. The result obtained for the quality system shows that 45% of the respondents agreed that the devices are easy to use compared to 15% who strongly disagreed that the device is easy to use. Furthermore, the results obtained for devices and systems simplifying the filing and submission of tax returns show that 50% of taxpayers agreed to this, while 10% strongly disagreed. In conclusion, focus needs to be placed on technology literacy and the quality of the system used in taxation for compliance to aid the economy.

Keywords: Tax Compliance, Technology, Civic Duty, Quantitative Analysis, Qualitative Analysis, SPSS (Statistical Package for the Social Sciences), Internet Proficiency, Computer Usage Skills, Quality System

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INTRODUCTION

Tax can be defined as the price paid by citizens and businesses for their wellbeing and civilization. The payment of tax is a civic duty for every citizen (Boibek *et al.*, 2007). Paying tax assists government to maintain balance between fiscal efficiency and social wellbeing of the people (Biabani and Ramezani, 2011). Technology, according to Russel (2010) has been regarded as strategy known to take into account the processes, department organization, and also technologies used by the tax function, tax's business priorities and related dependencies. The use of tax technology will enable professionals to channel their focus and resources on data analysis and also create strategies in order to generate revenue and at the same time cut costs (Jones, 2009). Utilizing technology in tax is to enable smooth tax operations and efficiency in tax administration coupled with increasing tax revenue generating for the government.

The use of technology in tax compliance enables tax function to be effective when it comes to the time to evaluate current tax processes and identify areas for improvement coupled with also leveraging supportive technologies at the right time. Erard and Feinstein (2012) asserts that the major objective of placing technology to aid tax is to enhance tax compliance which has three dimensions: filing, reporting, and payment compliance (Erard and Feinstein, 2012). The use of technology has also been regarded as one of the mechanism tax authorities' enables taxpayers to file returns and pay on time and it can also assist many in tax compliance (Nkundabanyanga *et al.*, 2017). It has been established by Musyoka, (2019), that making use of technology to file enterprises tax returns can reduce time and costs. According to Brostek (2007), there are several technology techniques that can be used to enhance tax compliance in terms of payment of tax using tax simplification or Tax System Reform. Brostek (2007) asserted that these technologies have been established to have dual effects on enhancing compliance, based on the facts that these technologies have been helpful in avoiding inadvertent errors while paying tax. They also

limit opportunities for tax evasion. Tax simplification as a technology in tax compliance has been linked to also provide tax authorities with additional enforcement tools to improve taxpayer services (Dowe, 2008). The report published by World Development (2016) established the transformation of governments activities through the use of technology to deliver service, including tax compliance. Auyat (2013) posited that the supply of accurate and timely lodgment of income tax return together with the required payments can only be done with the help of technology.

Since many businesses are going digital now, tax authorities have also decided to adopt different technology to enhance tax compliance. The major issue is to ascertain how this technology can be effectively utilized in tax compliance. This concern arises due to the fact that security concerns over technology usage also have an impact on tax compliance. Taxpayers using the online tax system are worried about privacy intrusion by third parties who can access their personal tax information without their knowledge or permission. This insecurity stems from the inability of those behind the technology to complete their transactions securely and maintain the privacy of their personal information. Furthermore, quality of system used in tax system is also another challenge on tax compliance. This can influence failure to utilize technology in tax compliance. All the aforementioned can affect voluntary use of technology on tax compliance. This research also contributes to other reviewed literatures on how technology can aid and be efficient for tax compliance. In addition, prior research has not acknowledged the influence of technology on how it can aid tax compliance. Based on this premise, there is need to study how technology can aid tax compliance in the US economy.

METHODOLOGY

Research Approach

The researcher employed applied quantitative approach in order to determine the how technology can aid tax compliance in US economy.

Sampling Procedure

The study applied random sampling (probability) techniques to select respondents.

Data Collection Instruments

Structured questionnaire was used in the collection of collect primary data. The use of structured questionnaires enabled the researcher to obtained substantial quantitative data that provided appropriate representation of analysis results.

Data Analysis

The quantitative data, which was from respondents, were analyzed using descriptive statistical packages (SPSS) where frequencies, percentages, and mean were obtained.

Ethical Considerations

This study considered the ethical issues required by informed consent from the respondents before undertaking to collect data from the field. It provided a clear explanation of the objective of the research, solicited only agreed information, and used the information for the stated purpose only, all while maintaining a high level of confidentiality regarding the information provided by respondents.

RESULT

Table 1: Demographic Characteristics

	Variables	Frequency (N=20)	Percentage (%)
Gender	Male	12	60
	Female	8	40
Business type	Electronics	7	35
	Retail	2	10
	Manufacturing	1	5
	Sales	3	15
	Energy	2	10
	Education	2	10
	Banking	1	5
	Others	2	10

Education level	High school	2	10
	Diploma	5	25
	Technical degree	3	15
	B.S/B.A	6	30
	M.S/M.A	3	15
	PhD	1	5
Number of employees	1-5	2	10
	6-11	7	35
	12-17	4	20
	18-23	1	5
	24-29	2	10
	>30	4	20
Working experience	1-3	3	15
	4-6	11	55
	7-9	3	15
	10 >	3	15
Do you have taxation knowledge	Yes	12	60
	No	8	40

Source: Field Data, 2022

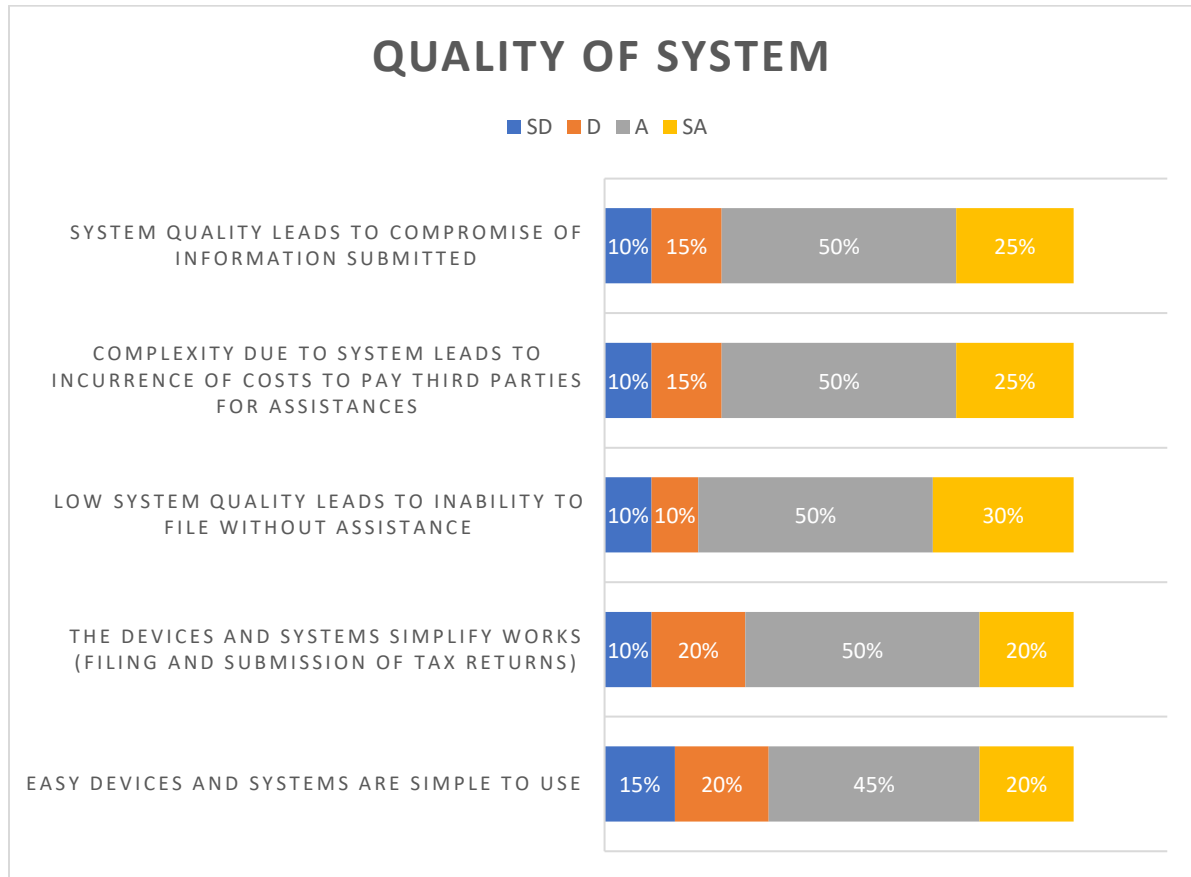


Figure 1: Quality of System

Source: Field Data, 2022

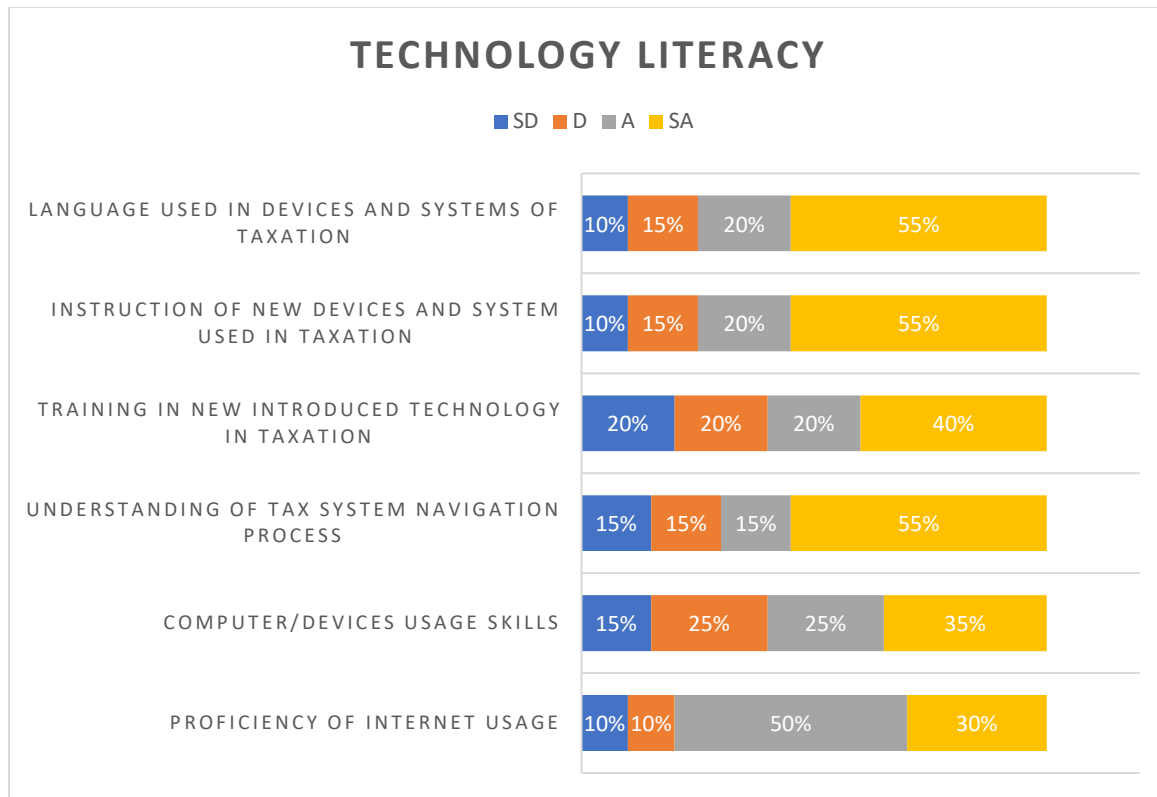


Figure 2: Technology Literacy

Source: Field Data, 2022

Discussion

There appears to be general acceptance of technology's role in tax compliance. This has prompted authorities to invest heavily in developing their computer audit capabilities. Gordon (2010) opined that the technology issue for tax authorities is different compared to that of their taxpayers. The study evaluates how technology can aid tax compliance in the US economy.

In terms of technology literacy level of the respondents, the result of the study shows that majority (50%) of the respondents agreed that they are proficient in the use of internet while 10% strongly agreed, and another 10% disagreed to be proficient in the use of internet. The result of the study also shows that 35% strongly agreed about their computer usage skills. This result implies that they are familiar with the use of technology to carry out basic tasks while 15% strongly disagreed to the use of computer and skills. In terms of the respondents that has understanding on tax system navigation, the result shows that 55% of these respondents strongly agreed to this while 15% strongly disagreed,

disagreed, and agreed to this respectively. This result shows that filing tax online making use of technology is an issue for these respondents. This shows that they are well familiar and acquainted with the use of technology considering the percentage of those who can run tax compliance compared to those who cannot. With the result obtained above, it can be deduced that technology literacy in tax is a major factor in tax compliance. However, for those who are not well-versed in using computers to file their taxes, it can be argued that security issues will be their main concern. This concern arises from the fear of revealing too much personal information to those assisting them in navigating their tax payments. Ondaraet *al.* (2016) agreed to this fact when he also opined that security issue is one of the major concerns in the use of technology in taxation. This concern often stems from discomfort with revealing business information to cyber attendants for assistance in tax filing, as the information typically presented provides an overview of the financial performance of their businesses.

In terms of the quality system, the result obtained shows that 45% of the respondents agreed that the devices are easy to use compared to 15% who strongly disagreed that the device is easy to use. In terms of the devices and systems simplify works (filing and submission of tax returns) for the users for tax compliance, the result shows that 50% agreed to this while 10% strongly disagreed i.e. they don't find the filing and submission of tax returns easy to use. Furthermore, 55% strongly agreed to the use of language used for tax compliance while 10% strongly disagreed. This shows that quality of the system has effect on the use of technology to aid tax compliance. This implies that quality of the system influenced tax compliance, and this shows that this contribution has significant effect on tax pay compliance. Khairunnisa and Yunanato (2017), in their findings assert that the quality of information systems affects taxpayer compliance. System quality in tax compliance according to Haryaniet *al.* (2015) provides a reliable variety of tax services, easy to use, secure, dependable, provides easy payment mode and also provides a variety of services. From the result obtained from this study, coupled with additional literatures reviewed that has been discussed, the use of technology in tax compliance will prevent revenue loss through abuses as all moves are recorded electronically and thus, errors, and tax evasion will be hard to surface.

Conclusion

Based on the result obtained from this study, it can be concluded that quality system and technology literacy are factors that determines the use of technology to aid tax compliance. The study also identified that proficiency of internet usage and devices usage skills will determine the success of technology in the aid of tax compliance. For the result under quality system, it can be concluded that majority of the respondents are of the opinion that system quality leads to compromise of information submitted. Thus, the fear to use technology to file for tax. Conclusively, technology literacy and quality of the system used in tax needs to be focused on for tax compliance to help the economy.

Recommendations

Based on the findings from this study, the following are recommended:

- i. Provision of reliable technical support to taxpayers to aid tax compliance.
- ii. Easy to use interface for tax payment to aid tax compliance for those not groomed in technology.
- iii. There is need for tax revenue authority to carry along taxpayers in the development of the system to ensure user friendly system.
- iv. There is need to sensitize taxpayers on the use of technology for tax payments.
- v. Further study is needed on a wider range to evaluate yearly revenue realized from taxpayers.

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