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Assessing the compliance level of capital gains tax in Nigeria: Moderating role of tax complexity

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Abstract
This study examines the capital gains tax compliance behaviour in Nigeria. The study assesses certain elements of tax which explains how the compliance behaviour could be influenced to give the expected outcomes with the moderating effect of tax complexity. Survey questionnaire was designed to collate data from 181 respondents cutting across two states in Nigeria namely Bauchi and Gombe states. Thus, the data was collated to test five hypotheses of the study formulated to guide the conduct of the study. Multiple regression analysis and hierarchical regression analysis were conducted to test the direct and the indirect relationship. The findings of the study revealed that, tax knowledge, tax penalty and tax audit exhibited positive and significant relationship with capital gains tax compliance behaviour. However, tax incentives show positive but insignificant relationship with capital gains tax compliance behaviour. The hierarchical regression show that tax complexity moderates the relationship between tax penalty and compliance behaviour. It is established from the findings that; tax complexity does not moderate the relationship between other three tax elements and compliance behaviour. Specifically, the major implication of this study is that, the tax elements have positive influence on the compliance behaviour and that, tax complexity moderates the relationship between tax penalty and compliance behaviour. The study recommends that, awareness and advocacy effort as well as tightening bolts on the taxpayers should be pursued vigorously to address the problems of tax evasion and avoidance. The limitation of this study is that, only capital gains tax is considered. Future research effort should concentrate on other classes of tax to ensure that robust outcomes are empirically established.

Keywords: Capital gains tax, tax penalty, tax audit, tax incentives, tax complexity.

1. Introduction

Emerging evidence has proved, time and again, the importance of tax as an avenue of social and economic progression (Schmiel, 2024). Tax is one of the oldest concepts of interest in governance, management and related representations (Shafi et al, 2023; Rabiyah et al, 2023). History has shown that, tax system was conspicuously evident in the ancient governance structure. Civilizations such as Mesopotamia, Egypt, Sumeritan tablets dated 3,500 BC, Athens and Rome have imposed different tax system to earn resources for administering the kingdoms (Chau, 2009; Schmiel, 2024; Saad, 2014). This is because, taxation is one of the fundamental, if not the most essential mainstay of hundreds and thousands of past kingdoms and municipalities in the ancient era (Brainyyah, & Rusydi, 2013; Shafi et al, 2023). Because, it is observed that, good tax systems of the past era served judiciously as the main source of financing the activities of these kingdoms (Saw & Sawyer, 2010). Payment of tax as at when due is a precious civic duty that stands the test of time from the very outset of communal life of humans (Daniel & Faustin, 2019). Up till today, there is salient but strong linkage between payment of tax and provision of infrastructural facilities (Damajanti & Karim, 2017; Chau, 2009). In other words, the variability of the tax revenue is directly proportional to the infrastructural development. Therefore, the importance of tax continues to gain solid momentum across the global environment and cannot be over-emphasized. For instance, tax could equally be a strong instrument to encourage or discourage certain types of behavior (Brainyyah, & Rusydi, 2013; Chau, 2009). Taxation as a revenue mobilization tool could be deployed to correct the imperfections or deficit in the economy and to modify and stablise the income distribution or wealth circulation for the betterment of the populace (Ifueko, 2009). In a nutshell, the essence, consequence and material significance of tax as a system is quite numerous.

However, tax varies from context to context and from the incidence of a particular class of tax. For example, Pay As You Earn (PAYE) considers the individual incidence of tax and companies income tax implies the taxes collectible from the registered companies. Despite numerous classes of tax, some taxes are not conspicuously operated at least in Nigeria. Tax is generally defined as a compulsory levy imposed on individuals, entities, transactions, properties to gain revenue for defraying government expenditure (Margaret et al., 2024). Tax imposition involves all forms of income, occupation, duties and transactions identified and stated in the tax laws of the governing country.

Despite the universality of tax system and its historical antecedents, different countires nowadays impose different types of tax system on its citizens depending on the peculiarities of the environment, uniqueness of the populace or areas of competitive and comparative advantage of the country. Generally, individuals and organizations do pay tax either on income, gains, profit or lately on consumption (FIRS, 2013). For instance, many taxes have, over the years, assumed prominence in the Nigerian governance structure. Notable among the taxes are companies' income tax, petroleum profit tax, value added tax and personal income tax.

One of the most neglected classes of tax is capital gains tax (Ifueko, 2009; Palil et al, 2013). Capital gains tax is a tax or levy imposed on the gains arising from the disposal of chargeable assets under the principal legislation (Capital Gains Tax Act). Capital gains tax is chargeable on options, debts, shares and stock, any currency other than Nigerian currency, securities, land and building, plant and machinery owned by individuals/businesses as well as fictitious assets like patent and goodwill (Oladipupo & Obazee, 2016). As an established norm of the Nigerian National Tax Policy, tax laws are frequently reviewed or amended to capture the underlying dynamics of the emerging trend especially in the areas of revenue generation. For instance, Finance Act, 2020 and Finance Act, 2021 have aptly amended the Capital Gains Tax Act so as to improve compliance in terms of revenue flow from the capital gains tax source. Casual evidence has shown that, the habit of assets acquisition or disposal without payment of due capital gains tax has been prevalent in Nigeria (Ramoni, 2021). Moreover, research studies have virtually neglected this type of tax due to either non-challant attitude of the taxpayers or the government continued unwillingness to step up effort and ensure that, all taxes from all sources are collected as at when due. Nigeria as a country of many complex socio-economic make up has been looking for ways to open up opportunities to improve tax revenue not only from crude oil but from other sources. Therefore, study on the compliance level as far as capital gains taxpayers is of material significance.

Capital gains tax is one of the methods of tax collection being popularly practiced in many countries including Nigeria. There are many other classes of tax being levied on individual and corporate entities like companies' income (corporate tax), sales tax, petroleum profit tax and capital transfer tax. Capital gains tax is a tax chargeable on gains arising from the disposal of chargeable assets. In practice, the payment of capital gains tax is justified on the ground that, gains from the chargeable assets tends to reasonably increase the taxpaying capacity of the beneficiary. Equally, the capital gain is not fairly distributed to the taxpaying community in a particular proportion, but rather concentrated in the hands and ownership of property owners. Therefore, exclusion of capital gains tax from tax imposition constitutes a discriminatory practice of tax which negates the principles of good tax system (Diatkine, 2021). In Nigeria, capital gains tax is payable on shares, stocks, securities, land, building, plant and machinery (Onuselogu & Onuara, 2021). However, evidence has shown that, capital gains tax in Nigeria is riddled with high level of non-compliance (Rabiyah et al, 2023). Studies have shown that, tax evasion and avoidance are twin problems that have visible incidence in many countries around the globe (Onuselogu & Onuara, 2021; Olaoyea & Busarib, 2021). Therefore, the aim of this study is open and expand the frontier of general tax compliance behaviour by giving specific emphasis on capital gains tax in Nigeria. The tax elements exploited to achieve this aim include tax knowledge, tax penalty, tax audit and tax incentives. Equally, the moderating role of tax complexity was incorporated to deeply understand the relationship and associations between these variables.

Statement of Research Problem

Global economic trajectory keeps fluctuating indiscriminately. Specifically, countries with mono-products will continue to face diminishing fortunes as the result of changing circumstances. For instance, the declining revenue generation coupled with diminishing demand of oil across the globe has affected Nigeria in multiple ways. Excessive reliance on oil revenue placed Nigerian economy on a cliff. Like many other countries on the same pedestal, this scenario has brought attention and possibilities for exploring other avenues for inflow of revenue to discharge government responsibilities (AbdelNabi et al., 2022; Kasper & Alm, 2022). As the result government is gradually shifting attention to other sources of revenue to be able to discharge its constitutional responsibilities. In Nigeria, taxes like PAYE, companies' income tax, Value Added Tax (VAT) and withholding tax have been relatively successful in giving government the required inflow. However, some classes of tax are relatively ignored despite their promising outflow. Capital gains tax is one of the taxes with potential and prospects for enormous revenue generation but seems to have yielded discouraging results over years (Moon, 2022). It is established that, capital gains tax is a lucrative yet leaky source of revenue to the Nigerian government (Nwuzor & Uguru, 2024). Capital gains tax in Nigeria has failed to yield the desired results despite several effort to grant concessions, waivers, tax holidays and many other factors aimed at encouraging compliance. Trivedi et al (2005) highlights that, the large opportunities exist in developing countries for the realization of capital gains because of the relative possibility of rising cost of properties due to accelerated economic activities.

Despite corroborated agreement by policy makers that, capital gains tax has not been painstakingly explored and optimally tapped, the level of compliance by the supposed taxpayers is still acutely discouraging (Ismail & Norsiah, 2022). There is broad agreement in theory, and to some extent, in practice over the remarkable benefits of enhanced tax compliance. Thus, such benefits cut across all classes of tax including capital gains tax. Tax, from time immemorial, has been an important bedrock and solid mainstay of governance in countries and principalities. Increased tax revenue could be translated to ensure and guarantee improved living standard of the populace (Brainyyah, & Rusydi, 2013; Chau, 2009). Globally, tax compliance has the capability of restoring trust in governance, built civic collectivism and ensure legitimacy of public authority (James & Alley, 2002). Enhanced tax compliance equally is a clear display and demonstrative symbol of real value of the taxpayers in terms of their civic responsibilities. Despite these lofty ideals and benefits of improved tax compliance, the institutional structures put in place by governments across the globe are, to a larger extent, deficient in tracking every tax due, hence, the problems of tax evasion and tax avoidance becomes evident (FIRS, 2013). These and many similar problems prompted countries and experts across the wide spectrum of divides to remake and reimagine the problem by shifting interest to investment in tax technology (Saad, 2014; Ismail & Norsiah, 2022), and sometimes by exploring more opportunities especially on the neglected aspect of tax administration (Chau, 2019).

In Nigeria, despite the various legislations and amendments, the capital gains tax, relative to other taxes, is slowing down with no visible signs of upward progress (Ifueko, 2009; Ramoni, 2021). Although, the brief ten-year period of interlude from 2012 has exempted many duly registered companies in Nigeria from paying capital gains tax (Ramoni, 2021). This was an administrative measure against excessive tax charge and equally a macroeconomic policy to attract more investments into the country (Ramoni, 2021). This is because, in developing countries, certain tax concessions and incentives are usually granted with the sole aim of encouraging inclusivity and economic activities as well as promoting regional development.

Studies have critically highlighted fundamental variables that influence tax compliance behaviour in different countries and regions. Although, context difference is an important factor in empirical studies, but semblance of related focus gives necessary springboard. Specifically, constructs like tax knowledge, tax penalty, tax audit, tax incentives are anticipated to influence tax compliance behaviour. This is because, empirical studies have tested these constructs with varying degrees of outcomes. While some studies exhibited positive relationship, other shows negative findings which highlights the inconsistent findings in the studies (Mas'ud, Jibreel, Nasidi & Simon, 2014; Alshirah et al, 2021; Alabede, 2012; Andreoni, Erard, & Feinstein, 1998; Zhou, Li & Gong, 2022; Ferrera et al., 2023; Olaoyea & Busarib, 2021). Based on this premise, this study attempts to answer the following questions:

1. How does perceived tax knowledge affect capital gains tax compliance in Nigeria?
2. To what extent does tax penalty influence capital gains tax compliance in Nigeria?
3. What is the extent of influence of tax audit on the capital gains tax compliance in Nigeria?
4. Does tax incentive influence the capital gains tax compliance in Nigeria?
5. What is the moderating effect of tax complexity on the relationship between tax determinants and capital gains tax compliance in Nigeria?

Literature Review

Concept of Tax

Tax is generally defined as a compulsory levy imposed on the income, profit or gains of the taxpayer in order to defray the cost of governance (Enemaku, 2012). Tax is also referred to as monetary charge imposed by the government on persons, entities, transactions or property to yield public revenue (Blacks, 2004). Usually, collection of tax is driven by a government conscious and deliberate action called tax policy. Tax policy differ from country to country. For example, tax is used as an instrument of fiscal policy so as to steer the economy to achieve certain micro and macro-economic aims (Chau, 2009). Equally, a country's tax policy may be tailored to attract Foreign Direct Investment (FDI). It is also an instrument being used by countries to discourage consumption or importation of unwanted and desirable commodities (Ramoni, 2021; Chau, 2009). The tax policy of a country embraces all sorts of specific areas of country's interest. It is worthy to note that, payment of tax is a compulsory obligation and not a discretionary one.

It is generally believed that, taxation is the most important component of the financial structure of any country. Tax imposed, be it on individual or corporate body, is categorized into direct and indirect taxes.

Meaning and Application of Capital Gains Tax

Capital gains tax refers to a tax revenue derived or received from the disposal of capital asset (Enemaku, 2012). Gains means that increase in the market value of the chargeable asset. In Nigeria, capital gains tax collection is legitimately justified on the account that, capital gain on chargeable asset improves the asset owners' taxable capacity because his/her power to spend and save has tremendously increased (Chau, 2009). Moreover, Capital Gains Tax Act defines capital gains tax as a tax on gains from the disposal of chargeable asset. Therefore, subject to the provision of the Capital Gains Tax Act, there shall be a charged tax to be called capital gains tax for the year of assessment in which this Act was passed and the subsequent years of assessment in respect of any capital gains, that is to say, gains accruing to any person on or after 1967 on a disposal of assets. The Act provides that, every such gain shall, except otherwise expressly provided, be a chargeable. The gains are charged at 10% on the disposal. The Act further provided that; the tax shall be chargeable at the rate mentioned on the total amount of chargeable gains accruing to any person after making such deductions as may be allowed under the Act in the computation of such gains.

Tax Compliance

Tax compliance refers to strict adherence to rules and regulations as well as established laws governing a particular class of tax which includes correct reporting of income, expenses and other relevant details of finances which otherwise enables the tax authority to assess with precision and exactitude (Damajanti & Karim, 2017). Tax compliance is conscious willingness of a taxpayer to comply with the tax laws in a given country (Hassan et al., 2022; Matshona et al., 2024). Tax compliance involves timely filing of detailed data in form of tax return and paying correct tax liability as at when due. Universally, it is a familiar tradition and convention that, taxes form the very best basis of running the affairs of countries. Taxes have assumed a prominent place in the business of governance. Therefore, maintaining effective tax compliance is a priority to number of individual and corporate taxpayers to avoid legal consequences (Margaret et al., 2024). Tax compliance is important because it foster and safeguard reputation of taxpayer (Hassan et al., 2022; Rabiyah et al., 2021).

Tax Knowledge and Tax Compliance

Tax knowledge has been one of the most fundamental variables in the study of taxpayers' compliance behaviour. Studies have established that, tax knowledge and tax awareness have strong and simultaneous effect on individual and corporate taxpayer compliance (Margaret et al., 2024). This implies that, appropriate knowledge of tax and other related regulations improves compliance (Matshona et al., 2024). The ability of taxpayer to exude necessary foundational knowledge of rules, regulations and exception concerning tax is a necessary prerequisite for readiness or willingness to pay the tax due as at when due. Knowledge generally is assumed to be information, skills or facts acquired through education and experience which gives practical or theoretical understanding of a subject (Tan et al., 2018). Knowledge arises when person utilize his intellect in understanding certain subjects, objects or events that have never recognised or seen before. Knowledge is typically associated to the known pattern of learning process. The learning process on the other hand is predicated on certain factors like cultural, social and external factors (Rabiyah et al., 2021). The association between taxpayers' perceived knowledge and their general compliance behaviour has been tested severally by researchers within different socio-cultural and economic settings. For example, Hassan, Palil, Ramli and Maelah (2022) argue that, knowledge related to attitude towards compliance could be improved through the adequate awareness of the existing tax laws. Therefore, the study established that, there is association between tax knowledge and taxpayers' compliance behaviour. Equally, Witono (2008) found that, individual and corporate taxpayers' compliance was influenced by proper knowledge of the tax laws. Specifically, Nasir (2010) in a remarkable study on the land and building tax found that, tax knowledge and compliance are positively and significantly related. Adisa (2013) also investigated the effect of understanding of tax laws on the compliance behaviour with the moderating effect of risk reference. The study concludes that, proper understanding of the tax laws assists significantly in improving compliance behaviour. Based on these and numerous other conclusions, the following hypothesis is formulated

H_1: There is a relationship between tax knowledge and capital gains tax compliance behaviour

Tax Penalty and Tax Compliance

Tax penalty is another proven construct when it comes to the tax compliance behaviour of taxpayers. Penalty is imposed when the taxpayers fail to comply within a specified period of time. Penalties usually follows a rigorous exercise by the tax authority before enforcing penalty on the guilty party. Tax payment is a time-bound exercise and when the allotted time for the complying party to pay the due tax liability expires, then, penalty may be imposed.

Studies have established that, penalty, if effectively leveraged upon, tends to encourage taxpayers to comply. For example, the study of Ndiovu and Schutte (2022) found that, tax penalty and tax compliance are strongly associated. The study added that, there is strong correlation between tax penalty and general compliance behaviour. This is because tax non-compliance is the factor of influence if the evaders could successfully escape from being detected by the tax authority. In another study, Alm and Kasper (2023) found that, tax penalty is the strongest predictor of tax compliance. Equally, Vincent (2021) established that, penalties and probability of being detected forces taxpayers to willingly comply. Based on this conclusion, the following hypothesis is formulated:

H_2: There is a significant relationship between tax penalty and capital gains tax compliance behaviour

Tax Audit and Tax Compliance

Tax audit is another important construct in the attempt to understudy the tax compliance behaviour. Studies have established that, when tax audit gets better, the overall compliance behaviour will tend to be equally better (Kimitei et al, 2024). Some studies used different connotation for tax audit ranges from tax inspection, investigation and host of others. Testing the effect of tax audit against the general compliance behaviour has been the preoccupation of numerous researchers in accounting and finance. Despite its importance in regenerating the compliance behaviour or addressing perceived non-cooperative attitude of taxpayers, tax audit continues trigger more research interest because of the fluidity and constantly changing circumstances. For example, study of Kasper and Alm (2022) posits that, tax audit is strong predictor of compliance behaviour. The study found that, the two variables are closely related and mutually reinforcing, hence the existence of positive and significant relationship. In another study of Olaeyea and Busari (2021), it was found that, tax audit among other variables promotes the general compliance behaviour of the taxpayers. The study stressed that, taxpayers have general and deep-seated apathy towards defraying their fiscal obligation of paying their tax liability as at when due. Thus, taxpayers tend to discourage themselves from paying until threatened with tax audit. The study equally established that, tax audit is a strong determinant of tax compliance. In another study, Kimitei et al (2024) found that, tax audit predicts the compliance behaviour of the taxpayers. The study equally empirically established that, tax audit poses a strong influence on the compliance behaviour both directly and indirectly. Based on this submission and empirical evidence, the following hypothesis is formulated

H_3: There is a relationship between tax audit and capital gains tax compliance behaviour

Tax Incentives and Tax Compliance

Tax incentive is provision in the tax policy that incentivize the taxpayers to freely and willingly comply without being sanctioned. It is a concious policy drive that is designed to encourage certain economic activities in a particular setting to thrive (Alm & Kasper). Incentives is usually granted to taxpayers in form of waivers and tax holidays if engaged in the approved economic activities. Tax incentive has been a construct of interest to many tax related studies. For example, study of Alm and Kasper (2023) found that, incentive and compliance have close affinity and association. Similarly, Nwokoye et al (2023) established that, incentives influence the decision of taxpayers to comply. In similar vein Alshirah (2024) investigated the effect of incentives on tax compliance behaviour and found that, incentives strongly and positively predict the compliance behaviour. Studies have certified that, there is latent and sometimes strong association and relationship between tax incentives and compliance behaviour (see Shafi et al., 2023; Fang, Su and Lu, 2022; Wang et al, 2022). Based on the related studies, the following hypothesis is formulated

H_4: There is a significant relationship between tax incentives and capital gains tax compliance behaviour

Tax Complexity as a Moderator

Careful understanding of the meaning and spirit of the tax laws is an important milestone for taxpayers to comply. Tax complexity implies difficulty in reading, understanding and interpreting for proper application and compliance (Walker, 2022). Although it is established that, tax complexity varies from context to context and from a particular tax to the other, it is believed that, tax complexity is one of the most fundamental constructs influencing the general compliance behaviour of taxpayers. Research studies and empirical evidence have found that, tax complexity is a variable that changes almost everything as far as compliance is concerned. Complicated tax system tends to have most cased of tax evasion and tax avoidance (Walker, 2022). Most of the indices of tax complexity have a far-reaching impact on compliance behaviour. It is established that, if the tax policy and tax system are complex and sophisticated, the taxpayers may require services of the professionals to understand and to simply comprehend the drive and direction. Studies have

established that, taxpayer's perception of complexity in the tax system scare them away from complying (Hamid et al., 2022). On the other hand, if the tax system is less complex and delicate the taxpayres tend to comply without relying on the professional advice of the tax professionals (Hamid et al., 2022).
Tax complexity has been a construct in a number of studies involving compliance behaviour. It has been tested empirically by number researchers (Zwick, 2021). Tax complexity from the anecdotal evidence poses a double influence on compliance perception (Hamid et al., 2022). It is a double-edged sword that supports/strengthen compliance and equally discourage compliance when it involves entrenched difficulties. Therefore, in this study tax complexity is conceptualized to moderate the relationship between the dependent and independent variables. Thus, the following hypothesis is formulated:

H5: Tax complexity moderates the relationship between tax determinants and capital gains tax compliance behaviour

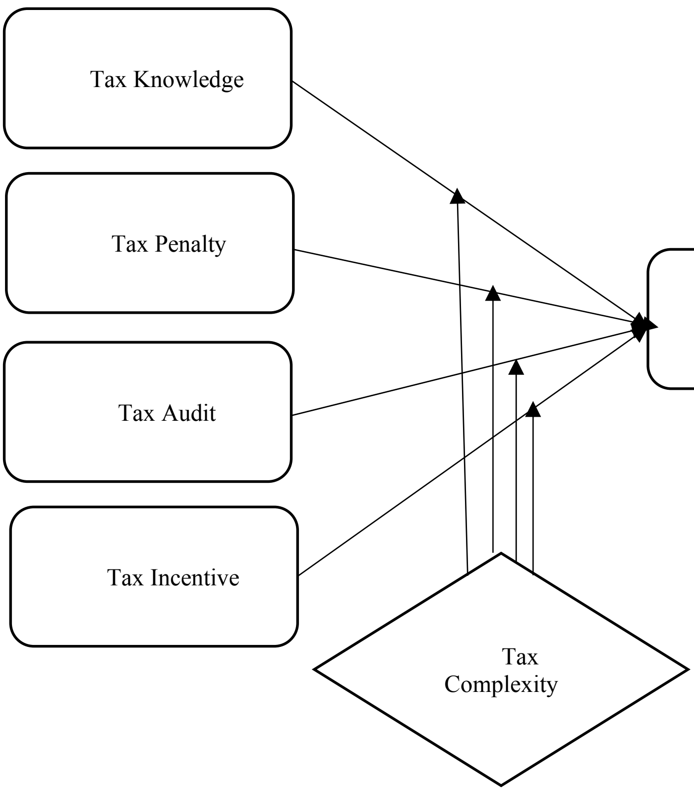

Figure 1: Conceptual Framework

3. Methodology
This study plans to adopt quantitative method. It should be noted equally that; even quantitative study may be cross-sectional or longitudinal (Sekaran & Bougie, 2013). Therefore, this study is survey research that is designed to gather data using cross-sectional approach. Cross-

sectional approach is an approach where data is gathered at one particular point in time in order to achieve the objectives of the study. It is generally believed that, cross-sectional method of quantitative research saves time and it is cost-effective (Kumar, Talib & Ramayah, 2013).

The population of the study is the total number of registered car dealers in Bauchi and Gombe States The number is established through the Association of Car Dealers in the two states as 357. The distribution consists of 187 in Bauchi State and 170 in Gombe State. Therefore, this number constitutes the population of the study. Given the fact that, the population of this study is manageable, the Krejcie and Morgan Table of sample size will be used in determining the sample size of this study. The sample of this study is 181 as determined (Krejcie & Morgan, 1970). Few numbers have been added so as to escape the problem of non-response. Thus, this sample size was selected using stratified sampling. The data for the study was collected using self-administered questionnaire. The questionnaire was structured based on the 5-point likert scale. The multiple regression analysis was conducted using the Statistical Package for Social Sciences (SPSS),

4. Results and Discussion

Before the multiple regression analysis was conducted. The data screening exercise was conducted to clean the data and make the data error free. Specifically, missing data analysis, out-of-range values, assessment of outliers, normality assumption and multicollinearity test were conducted. For normality test, the general rule is that, all things being equal, data is always expected to be normal. This implies that, data should be properly presented in a normal distribution scale which shows that data are normally distributed with no element of skewness or kurtosis. Normality assumption is an important prerequisite of multivariate analysis. Normality test examines the relative association of the circulation of the constructs against the established assumption of normality (Demir, 2022). Conducting normality test before the inferential analysis is an important preliminary of data analysis. Accomplishing normality assumption improves the validity as well as significance of the study. In this study, the normality test was conducted graphically with the aid of normal distribution graph.

It is observed from Figure 2 and 3 below that, the data for this study tends to be normal by observing the shape of the distribution. The histogram and normal probability plot shown that, the normality assumption is achieved.

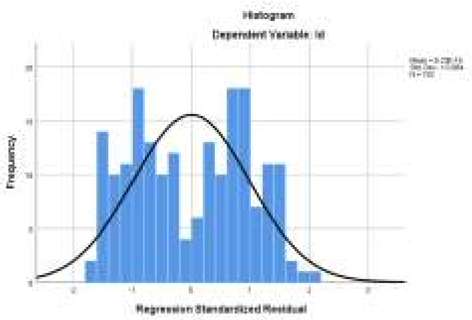

Figure 2: Normal Distribution Curve

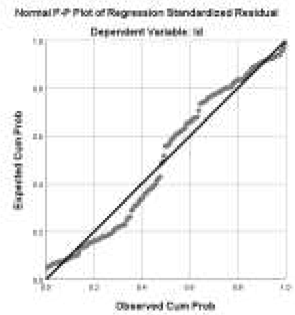

Figure 3: Normal P-P Plot

Collinearity diagnostic test is another analytical test that prove or disprove the absence of the association between the variables under review. Multicollinearity is a state of close relationship between independent variables in a study (Shrestha, 2020). It is a situation whereby two or more independent variables are highly correlated. Multicollinearity creates problem in a dataset which calls for in-depth examination of the correlated variables. In detecting multicollinearity, correlation matrix is employed to arrive at the decision. Hair et al (2010) argue that, where two or more variables are correlated to the tune of 0.90, then it is a proven case of multicollinearity. The correlation matrix of the variables under review reveals that, there is absence of multicollinearity between the constructs in this study. Table 1 below shows the collinearity association.

Table 1: Correlation Matrix

Constructs	TN	TP	TA	TI	TC
TN	1				
TP	.667**	1			
TA	.788**	.734**	1		
TI	.708**	.627**	.844**	1	
TC	.272**	.071	.073	.372**	1

**Correlation matrix is significant at 0,01 (2-tailed)

It is clearly highlighted from the Table 1 above that, all the values have met the minimum recommended threshold, hence, no multicollinearity. Regression analysis was conducted between the constructs under review. The major expectation is to anticipate the predictive power of the independent variables on tax compliance behaviour. The results of this analysis is presented in Table 2 below:

Table 2: Statistical Output on Tax Compliance and Tax Elements

Variable	βeta	T-value	P-Value
Tax Knowledge	0.601	10.360	0.000
Tax Penalty	0.166	2.744	0.007
Tax Audit	0.416	3.813	0.000
Tax Incentive	0.115	1.247	0.214
Tax Complexity	0,520	9.918	0.000

The result of the analysis as presented in the Table 2 above clearly indicated that, four predictor variables out of five are significant and positive in relation to the response variable. In terms of variability of the associated relationship, it is established that, findings of the regression analysis present a good R^2 of the combined variables. Ozili (2023); Cohen (1988) posits that, categories of R^2 acceptance in social science research is divided into three. They are 0.02 is weak, 0.13 is moderate and above 0.26 is substantial. Therefore, based on this categorization, the R^2 of this study is remarkably substantial at 0.702 (Ozili, 2023).

Explicitly, the study's hypotheses are clearly identified and presented in the previous sections. For example, hypothesis one argues that, there is significant relationship between tax knowledge and capital gains tax compliance behaviour. As the result indicated in the Table 2 above, tax knowledge and capital gains tax compliance behaviour have positive and significant relationship (β = 0.601, t = 10.360, $p < 0.01$).

In addition, hypothesis two anticipated that, there is a significant and positive relationship between tax penalty and capital gains tax compliance behaviour. In line with the prediction, the result of the analysis as presented in Table 2 indicated that, there is positive and significant relationship between tax penalty and capital gains tax compliance behaviour (β = 0.166, t = 2.744, $p < 0.01$).

Equally, hypothesis three holds that, there is a significant relationship between tax audit and capital gains tax compliance behaviour. Proving the hypothesis, the results of the statistical analysis as shown in the Table 2 above highlighted that, there is positive and significant relationship between tax audit and capital gains tax compliance behaviour (β = 0.416, t = 3.813, $p < 0.01$).

Moreover, hypothesis four asserts that, there is significant relationship between tax incentive and capital gains tax compliance behaviour. However, the result of the analysis as shown in the Table 2 above indicated a mild relationship between tax incentives and capital gains tax compliance behaviour. This implies that, though relationship exists but it is minor and non-significant.

Regression Analysis on the Moderation Effect

Simply put, moderating variable is a variable that strengthen the relationship between the dependent variable and independent variable (Frazier et al., 2004). Moderation analysis highlights whether the prediction of the dependent variable from an independent variable exhibit some variations across different levels of a third variable called moderator (Alwan & Alshurideh, 2022). The essence of moderation is to establish the significance of the interaction effect. In this study, tax complexity is conceptualized to be the moderating variable. The usual convention is that, both the moderating variable and other independent variables in the study should be standardized to avoid repeated effect. Standardization of variable implies that; variables have to be transformed in a dataset so that it has a mean of zero and standard deviation of one. By so doing, the moderation analysis will be clear and free from ambiguity. Therefore, all the variables including the moderating variable in this study were centred or standardized. Subsequently, the multiple regression analysis was conducted to establish the interaction effect. The result of the interaction effect is presented as follows:

Table 3: Statistical Output on Interaction Effect (Moderation Analysis)

Variable	βeta	T-value	P-Value
Tax Knowledge*Tax Complexity	-0.038	-0.548	0.584
Tax Penalty*Tax Complexity	0.225	3.389	0.001
Tax Audit*Tax Complexity	-0.073	-0.824	0.411
Tax Incentive*Tax Complexity	-0.080	-1.212	0.227

The result of the moderation effect as shown in Table 3 indicates that, there is negative but insignificant relationship between tax knowledge and tax complexity ($B = -0.038, t = -0.548, p > 0.05$). However, the interaction effect between tax penalty and tax complexity shows a significant and positive relationship ($B = 0.225, t = 3.389, p < 0.01$). Interestingly, the interaction effect of tax audit and tax complexity as well as tax incentive and tax complexity show negative and insignificant relationship against the capital gains tax compliance behaviour ($B = -0.073, t = -0.824, p > 0.05$) and ($B = -0.080, t = -1.212, p > 0.227$).

Discussion of the Findings

Generally, the study was conducted to examine or asses the capital gains tax compliance behaviour in Nigeria. It is specifically observed that, the capital gains tax revenue inflow continues to dive further and further below the critical threshold. At a time when more revenue is needed from the non-oil sector, the Nigeria's basic revenue remains largely untapped or superficially collected. This scenario has been a major source of concern for quite good number of years. Increasing revenue inflow of the government is one of the core policy areas in Nigeria. Capital gains tax is one of the different classes of tax revenue that government beamed its searchlight on. Good number of factors or constructs were evaluated in the study. This includes tax knowledge, tax penalty, tax audit, tax incentives, tax complexity and compliance behaviour.

Hypotheses were formulated and tested in the study to extract the interrelationship between these highlighted constructs. The research questions and research objectives fall in line with the hypothesis. Hence, the research gives a coherent and clear direction and synergy between different sections.

Specifically, the study's hypothesis one tested indicated a positive and significant relationship between tax knowledge and compliance behaviour. This implies that, when tax knowledge and awareness increases, the readiness or willingness of both individual and corporate taxpayers towards paying their tax liability improves significantly. Therefore, for tax authorities to get enormous revenue inflow, not only from capital gains tax but from all major tax gateways, it must ensure that, tax knowledge, tax education and awareness improves. If tax knowledge improves, the positive compliance behaviour will be institutionalized. Hence, the tax base will be promoted and impact on the governance can only be imagined. This finding is consistent with the study of Rabiya, Suryani and Karim (2021); Margaret, Damayanti and Rusliyawati (2024); Matshona, Sibanda and Phesa (2024) where they found that, tax knowledge and tax awareness are strong and fundamental predictors of taxpayer compliance behaviour.

In similar vein, hypothesis two tested has shown that there is significant positive relationship between tax penalty and capital gains tax compliance behaviour. This is rational even in the context of day-to-day operational anticipation of tax management and administration. The interpretation of this finding implies that, when tax authority imposes penalty on the individual and corporate taxpayers and the penalty is implemented with no compromise, then, the likely outcome is that, the taxpayers will tend to comply out of the fear of being penalized by the tax authorities. Anecdotal evidence has proven this trajectory to the larger or greater extent especially in the developing countries. Incidentally, this has been corroborated by good number of empirical studies. For example, Ndiovu and Schutte (2022); highlighted that, modest penalty without necessarily subjecting taxpayers to difficulty do encourage taxpayers to comply. However, some studies found that, excessive charging of penalties discourage taxpayers from registering with the tax authorities let alone paying tax (Ndiovu & Schutte, 2022). It is important to explain that, the need for penalty arises because of trust deficiency.

Moreover, hypothesis three of the study holds that, there is significant relationship between tax audit and capital gains tax compliance behaviour. This hypothesis was tested to be true in this study. The outcomes of the empirical analysis in this study highlighted that, there is significant positive relationship between tax audit and compliance behaviour. It is established that, the findings of the study remarkably revealed what is anticipated by number of tax experts and policymakers as far as tax administration is concerned. On this score, this finding stressed that, if tax audit is strengthened and institutionalized, the net effect will be a remarkable increase in taxpayers' compliance behaviour. Explicitly, this finding is consistent with the outcomes of Kasper and Alm (2022); Olaoyea and Busarib (2021); Ferrara, Buci and Campagna (2023). In these studies, it is stressed that, threat of punishment through tax audit compel good number of taxpayers to comply, thus, establishing strong association between tax audit and compliance behaviour. This study equally reinforces the view of Murphy (2008) where it is argues that, compliance mechanisms are partly accommodative and partly deterrent.

Hypothesis four of the study implies that, there is significant relationship between tax incentive and capital gains tax compliance behaviour. Contrary to the formulated hypothesis, the result of the study shows that, there is insignificant positive relationship between tax incentives and compliance behaviour. This shows that, tax incentives is not a strong predictor of tax compliance. This outcome is not surprising as number of studies posit that, incentive in an environment ridden by high incidence of tax evasion and avoidance is not likely going to be a successful bet (AbdelNabi, Wanas & Mansour, 2022; Zhou, Li & Gong, 2022).

On a flip side, the study found that, tax complexity is a strong moderator on the relationship between tax penalty and capital gains tax compliance behaviour. This implies that, as tax complexity increases, the possibility for penalty increases which by extension will affect the capital gains tax compliance behaviour positively. Therefore, the higher the tax complexity, the higher the tendency for penalty which encourage the taxpayers to comply voluntarily and avoid being penalized.

However, there is no visible evidence of moderation effect of tax complexity on the relationship between tax knowledge, tax audit and tax incentive on one hand and compliance behaviour on the other hand. Therefore, tax complexity is not a strong moderator for the highlighted relationship.

5. Conclusion and Recommendations

The study investigated the interrelationship between tax elements and the capital gains tax compliance behaviour. The tax elements considered are tax knowledge, tax penalty, tax audit and tax incentives with the moderating effect of tax complexity. The study considered capital gains tax because of its deliberate and conscious importance in the scheme of things. Capital gains tax is one the most ignored form of tax in Nigeria. The study found most of the variables significantly and positively related. Survey method was used to gather the data for the study. Equally the moderating effect was tested and found to be of utmost importance in the scheme of things.

Recommendations

The study established strong benefit of tax knowledge and awareness towards achieving compliance. Knowledge towards tax rules and procedures and the accepted conventions triggers broad and willing compliance. Therefore, the tax authorities should devise means of engaging in routine advocacy campaigns and public orientation towards tax payment. Erecting bill boards and using jingles in reminding the taxpayers about their unalterable obligations will definitely improve their understanding and awareness of vicissitudes tax payment. Equally, establishing help desk in various tax offices that readily answer taxpayers' questions is strongly recommended. This is because it helps in shortening the difficulties.

Moreover, imposing mild penalties on the non-co-operative taxpayers and keeping trail on their progress will be a good idea. Penalties should not be imposed on certain category of taxpayers if they comply within a stipulated period of time. This approach if institutionalized will encourage taxpayers to be law-abiding. It is highlighted in this study that, penalties force taxpayers to honour their commitment and taxpaying obligation. It is said that, environments where trust deficiency becomes a norm will likely record high incidence of non-payment of tax. It is rightly argued by Tan and Braithwaite (2018) that, in a society, there those taxpayers that comply voluntarily and there are taxpayers that should be compelled through penalties to comply and honour their tax obligation. Therefore, it is strongly recommended that, penalties should be imposed on non-cooperative taxpayers marginally for the taxpayers to comply as at when due.

Likewise, tax audit as one of the deterrent measures should be implemented, enforced and strengthened especially in respect of the administration, collection and remittance of capital gains tax in Nigeria. Tax audit is combative and deterrent strategy that helps consolidate and encourage compliance. Since it is established that, the most realistic approach is to integrate both softer and harder strategies of compliance, then tax audit is a recommended tool that could transform and remarkably revamp the capital gains tax collection.

Finally, tax incentive despite its assumed importance is found to be a lean construct as far as this study is concerned. Therefore, whether incentive is offered to taxpayers as a window or avenue of improving compliance, it does not hold much promise. However, incentives may be used in an indirect way to encourage voluntary compliance. Thus, it is recommended that, all other elements of compliance should take a prime importance so as to ensure stream flow for revenue especially through capital gains tax.

On final note, this study found that tax complexity is a strong moderator between the tax elements and compliance behaviour. Therefore, tax complexity should be minimized so that filing of tax return and other necessary procedures should be friendly and straight forward to the taxpayers. Making these procedures complex tends to add layers of difficulty for the taxpayers which render their resolve to pay tax less strong.

Limitation and Suggestion for Further Studies

This study is devoted to finding the direct, indirect and latent relationship between certain tax elements and capital gains tax compliance behaviour. Like other studies, this study is equally affected by certain limitations. The first limitation is that, it is observed that, different categories of tax in Nigeria have different legislations which guide the policymaking trajectory and general administration of the tax itself. Thus, studies that gauge or evaluate compliance behaviour of the taxpayers end up coming out with inconsistent findings probably because of the variations of the laws and possible cultural inclination and orientation within different federating units in Nigeria. Therefore, it is suggested that, further researchers should study compliance behaviour using another class of tax like companies' income tax, withholding tax and probably value added tax which otherwise attracts much interest among the taxpaying public in Nigeria.

Equally, the unit of analysis differs from one study to another due to the existence of both individual and corporate taxpayers. Therefore, conducting other studies with organization as unit of analysis will give more elaborate and expansive view of the compliance behaviour at the level of organizational taxpayers. Another limitation is that, studies of compliance behaviour are always considered from the two perspectives of either deterrent or punishment. This study combined constructs from both the two perspectives. It is therefore suggested that, further studies should extricate the two constructs based on the perspective. Moreover, using survey method to obtain response via self-administered questionnaire is sometimes considered self-defeating as the method usually open avenues for respondents' bias and subjectivity to trump the objective answers. Therefore, this study is not completely immune from this shortcoming. However, future studies should attempt to control the possibility by engaging in the approach recommended by the quantitative survey studies.

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