OPEN ACCESS
Global Journal of Research in Business Management
ISSN: 2583-6218 (Online)
Volume 06 | Issue 04 | July-August | 2026
Journal homepage: https://gjrpublication.com/gjrbm/
Research Article

Determinants of Pay – As- You- Earn (PAYE) Tax Compliance Behaviour among Small and Medium Enterprises in Gombe Metropolis, Nigeria

* Mohammed Abubakar Hamza[1], Saeed Muhammad Tukur[1] and Muhammad Bashir Ibrahim [1]

[1] Gombe State College of Education and Legal Studies Nafada, Gombe State, Nigeria.

DOI: 10.5281/zenodo.21333295 **Submission Date: 20 May 2026 | Published Date: 13 July 2026**

***Corresponding author: Mohammed Abubakar Hamza**
Gombe State College of Education and Legal Studies Nafada, Gombe State, Nigeria.

Abstract

Tax compliance remains a major challenge for revenue authorities in developing economies, particularly among Small and Medium Enterprises (SMEs), which contribute significantly to economic growth and employment. Despite various tax reforms introduced in Nigeria to enhance internally generated revenue, compliance with Pay-As-You-Earn (PAYE) obligations among SME employers remains inadequate, especially at the sub-national level. This study examined the behavioural determinants of PAYE tax compliance among SMEs in Gombe Metropolis, Nigeria. Specifically, it investigated the influence of tax knowledge, attitudes toward taxation, audit fear and perceived enforcement, perceived fairness, and trust in tax authorities on PAYE compliance behaviour. A quantitative cross-sectional survey design was adopted, and primary data were collected from 323 registered SMEs selected through proportionate stratified random sampling from the Gombe State Internal Revenue Service (GIRS) PAYE employer register. Data were analysed using descriptive statistics and multiple regression analysis with SPSS version 27. The findings revealed that tax knowledge, attitudes toward taxation, audit fear and perceived enforcement, and perceived fairness had positive and statistically significant effects on PAYE compliance behaviour. However, trust in tax authorities did not significantly influence compliance behaviour. The study concludes that enhancing taxpayer education, simplifying compliance procedures, strengthening enforcement mechanisms, and promoting fairness in tax administration are essential for improving PAYE compliance among SMEs. The findings contribute to the behavioural tax compliance literature and provide practical insights for policymakers and tax administrators seeking to improve revenue mobilisation in Nigeria.

Keywords: *PAYE Compliance, Tax Knowledge, Tax Fairness, Trust in Tax Authorities, Audit Fear, SMEs, Gombe State, Nigeria.*

1. Introduction

Taxation remains one of the most important instruments for financing sustainable economic development by providing governments with the resources required to deliver essential public goods and services, including education, healthcare, infrastructure, security, and social protection. In both developed and developing economies, strengthening tax compliance has become a strategic priority to improve domestic revenue mobilisation and reduce dependence on external borrowing and on volatile natural resource revenues (OECD, 2024; World Bank, 2025; IMF, 2025). Recent international tax policy reforms have increasingly emphasised expanding the tax base by improving compliance among Small and Medium Enterprises (SMEs), given their significant contributions to employment generation, innovation, economic diversification, and inclusive growth (World Bank, 2025). In Nigeria, SMEs constitute over 90% of registered businesses and contribute substantially to national employment and gross domestic product. Despite their economic importance, tax compliance among SMEs remains relatively low due to inadequate tax knowledge, weak record-keeping practices, high compliance costs, and limited administrative capacity. These challenges have become more pronounced as federal and state governments intensify efforts to improve internally generated revenue following declining oil revenues and increasing fiscal pressures (Federal Inland Revenue Service [FIRS], 2024; World Bank, 2025).

One of the principal mechanisms for collecting personal income tax in Nigeria is the Pay-As-You-Earn (PAYE) system established under the Personal Income Tax Act (PITA). Under this system, employers are legally required to deduct personal income tax from employees' salaries and remit such deductions to the relevant tax authority within prescribed periods. Although large organisations generally possess the financial and administrative capacity required to comply with PAYE obligations, SMEs frequently experience compliance challenges arising from inadequate tax knowledge, poor accounting systems, high compliance costs, and complex tax administration procedures (Abiola & Asiweh, 2021; Bello et al., 2024; Buzohéra, 2025). In Gombe State, the Gombe State Internal Revenue Service (GIRS) has implemented several initiatives to improve tax administration, including taxpayer registration campaigns, digital tax administration platforms, taxpayer education programmes, and strengthened compliance monitoring. While these reforms have contributed to improvements in internally generated revenue, PAYE compliance among SME employers remains below expected levels, thereby limiting the state's revenue mobilisation potential (GIRS, 2025; World Bank, 2025).

Traditional tax compliance theories, particularly the Deterrence Theory of Allingham and Sandmo (1972), explain taxpayer behaviour primarily in terms of audit probability and penalty severity. However, contemporary behavioural tax compliance research suggests that compliance decisions are also influenced by tax knowledge, institutional trust, perceptions of fairness, taxpayer attitudes, and the quality of tax administration (Daud & Nuramal, 2025). Recent studies further demonstrate that behavioural and institutional variables frequently explain taxpayer compliance more effectively than enforcement mechanisms alone (Dong, Satyadini, & Sinning, 2025; Aminu, Ishola, & Oladapo, 2026).

Empirical evidence from Nigeria and other developing economies consistently shows that tax knowledge, taxpayer attitudes, perceived fairness, audit fear, and trust in tax authorities significantly influence tax compliance among SMEs (Bello et al., 2024; Appiah, Domeher, & Agana, 2024; Daud & Nuramal, 2025). Nevertheless, existing studies present several important limitations. First, most previous studies have focused on general tax compliance rather than employer-based withholding obligations under the PAYE system. Second, empirical evidence on PAYE compliance among SMEs in North-East Nigeria remains limited despite the region's unique institutional and socio-economic characteristics. Previous studies have generally examined behavioural determinants independently rather than integrating tax knowledge, taxpayer attitudes, audit fear, perceived fairness, and trust in tax authorities within a unified analytical framework. Finally, relatively few studies have investigated PAYE compliance using recent behavioural tax compliance models within the Nigerian sub-national context.

Addressing these gaps is important because improving PAYE compliance among SMEs is critical for enhancing domestic revenue mobilisation and strengthening fiscal sustainability in Gombe State. Accordingly, this study examines the influence of tax knowledge, attitudes toward taxation, audit fear and perceived enforcement, perceived fairness, and trust in tax authorities on PAYE tax compliance behaviour among SMEs in Gombe Metropolis. The findings are expected to contribute to the contemporary behavioural tax compliance literature and provide evidence-based recommendations for improving tax administration and policy implementation in Nigeria.

1.1 Research Objectives

The broad objective of this study is to examine the determinants of PAYE tax compliance behaviour among SMEs in Gombe Metropolis.

The specific objectives are to:

i. Examine the influence of tax knowledge on PAYE tax compliance behaviour among SMEs in Gombe Metropolis;
ii. Determine the effect of attitudes toward taxation on PAYE tax compliance behaviour among SMEs;
iii. Assess the influence of audit fear and perceived enforcement on PAYE tax compliance behaviour;
iv. Examine the effect of perceived fairness on PAYE tax compliance behaviour; and
v. Determine the influence of trust in tax authorities on PAYE tax compliance behaviour among SMEs.

1.2 Research Hypotheses

The study tests the following null hypotheses:

$H0_1$: Tax knowledge has no significant influence on PAYE tax compliance behaviour among SMEs in Gombe Metropolis.

$H0_2$: Attitudes toward taxation have no significant influence on PAYE tax compliance behaviour among SMEs in Gombe Metropolis.

$H0_3$: Audit fear and perceived enforcement have no significant influence on PAYE tax compliance behaviour among SMEs in Gombe Metropolis.

$H0_4$: Perceived fairness has no significant influence on PAYE tax compliance behaviour among SMEs in Gombe Metropolis.

$H0_5$: Trust in tax authorities has no significant influence on PAYE tax compliance behaviour among SMEs in Gombe Metropolis.

2. Literature Review

2.1 Concept of Tax Compliance

Tax compliance refers to the extent to which taxpayers adhere to tax laws and regulations by accurately reporting taxable income, correctly calculating tax liabilities, filing tax returns, and remitting taxes within the prescribed period (James & Alley, 2004). It represents a critical component of effective fiscal administration and domestic revenue mobilization, particularly in developing countries where governments increasingly rely on internally generated revenue to finance economic and social development. According to the Organisation for Economic Co-operation and Development (OECD), tax compliance encompasses both the willingness and the ability of taxpayers to meet their tax obligations in accordance with applicable laws and administrative procedures (OECD, 2024).

Contemporary tax compliance literature recognises two broad dimensions of tax compliance: voluntary compliance and enforced compliance. Voluntary compliance refers to taxpayers' willingness to fulfil their tax obligations without coercion, largely driven by intrinsic motivations such as civic responsibility, tax morale, trust in government institutions, and perceptions of fairness within the tax system. In contrast, enforced compliance results from taxpayers' perceptions of the likelihood of audits, penalties, and other enforcement actions undertaken by tax authorities (Kirchler, Hoelzl, & Wahl, 2008; OECD, 2024). The interaction between these dimensions is particularly important in developing economies characterised by extensive informal sectors and evolving tax administration systems. In contexts such as Nigeria and, specifically, Gombe State, where institutional trust and enforcement capacity remain relatively weak, understanding both voluntary and enforced compliance behaviours becomes essential for designing effective tax administration policies (World Bank, 2025).

2.2 Determinants of Tax Compliance Behaviour

Recent tax compliance literature has shifted from traditional economic explanations toward integrated behavioural frameworks that recognise the influence of economic, psychological, social, and institutional factors on taxpayer behaviour. While classical deterrence models emphasize rational cost-benefit calculations, contemporary studies demonstrate that tax compliance decisions are equally influenced by taxpayers' knowledge, attitudes, perceptions of fairness, trust in government institutions, and enforcement experiences (Kirchler et al., 2008; OECD, 2024; World Bank, 2025). The present study focuses on five key determinants of tax compliance behaviour among SMEs.

2.2.1 Tax Knowledge

Tax knowledge refers to the extent to which taxpayers understand tax laws, regulations, procedures, rights, and obligations. It encompasses both objective knowledge, which relates to factual understanding of tax provisions, and subjective knowledge, which refers to taxpayers' perceived understanding of the tax system (Palil & Mustapha, 2011). Adequate tax knowledge enhances taxpayers' ability to comply voluntarily by reducing uncertainty, minimising compliance errors, and improving awareness of tax obligations. Recent empirical evidence suggests that tax knowledge remains one of the strongest predictors of tax compliance among SMEs, particularly in developing countries where access to tax education and professional advisory services is limited (OECD, 2024; Bello et al., 2024). In Nigeria, low tax literacy, poor record-keeping practices, and limited taxpayer education have consistently been identified as significant barriers to tax compliance among SMEs (Abiola & Asiweh, 2021; Ibrahim & Lawal, 2023). Consequently, improving taxpayer education and awareness has become a central strategy for enhancing voluntary compliance.

2.2.2 Attitudes Toward Taxation

Taxpayer attitudes refer to individuals' overall evaluations, beliefs, and predispositions toward the tax system and tax authorities. These attitudes are shaped by perceptions of government performance, public accountability, civic responsibility, and the legitimacy of taxation. Positive attitudes toward taxation tend to promote voluntary compliance, whereas negative perceptions often contribute to tax evasion and resistance to tax obligations (Torgler, 2007). Behavioural tax compliance theories suggest that taxpayers who perceive taxation as a civic responsibility and view government institutions positively are more likely to comply voluntarily with tax obligations (Kirchler et al., 2008). Recent studies conducted in developing economies indicate that attitudes toward taxation significantly influence compliance behaviour among SME operators, especially where confidence in public institutions remains fragile (OECD, 2024; Bello et al., 2024). In the context of Gombe State, taxpayers' attitudes toward government effectiveness and fiscal accountability may play an important role in determining compliance under the PAYE scheme.

2.2.3 Audit Fear and Perceived Enforcement

Audit fear refers to taxpayers' perceptions regarding the likelihood of being audited, detected, or penalised for non-compliance. It constitutes a central component of deterrence-based theories of tax compliance, which argue that taxpayers make compliance decisions by weighing the potential benefits of evasion against the expected costs associated with detection and punishment (Allingham & Sandmo, 1972). Although tax audits and penalties remain important compliance tools, recent studies suggest that their effectiveness varies depending on taxpayers' perceptions of enforcement credibility and institutional legitimacy (OECD, 2024). Empirical evidence from developing economies indicates that low audit coverage and weak enforcement capacity often reduce the deterrent effect of tax administration systems (Nyamwanza et al., 2023). In Nigeria, particularly at the sub-national level, limited enforcement resources and inconsistent audit practices have constrained the effectiveness of deterrence mechanisms, thereby affecting tax compliance behaviour among SMEs (Bello et al., 2024).

2.2.4 Perceived Fairness

Perceived fairness, often referred to as tax justice, represents taxpayers' perceptions regarding the equity and fairness of the tax system. It generally consists of two dimensions: distributive fairness and procedural fairness. Distributive fairness concerns taxpayers' perceptions regarding whether the tax burden is distributed equitably across individuals and organisations, while procedural fairness relates to the extent to which tax administration processes are transparent, impartial, and consistently applied (Wenzel, 2002). Extensive empirical evidence demonstrates that perceptions of fairness significantly influence tax morale and voluntary compliance behaviour. Taxpayers who perceive the tax system as fair are more likely to comply voluntarily, whereas perceptions of unfair treatment often encourage tax avoidance and evasion (Kirchler et al., 2008; OECD, 2024). Within the context of SMEs in Gombe State, perceptions regarding the fairness of PAYE administration, penalty structures, and the utilisation of tax revenues may substantially affect compliance decisions.

2.2.5 Trust in Tax Authorities

Trust in tax authorities refers to taxpayers' belief that tax institutions operate competently, transparently, fairly, and in the public interest. Trust constitutes one of the most important determinants of voluntary tax compliance and forms a central component of contemporary behavioural tax compliance theories, particularly the Slippery Slope Framework (Kirchler et al., 2008). High levels of institutional trust encourage cooperative relationships between taxpayers and tax authorities, reduce compliance costs, and increase taxpayers' willingness to comply voluntarily. Conversely, low levels of trust often result in resistance, tax evasion, and increased enforcement costs (Braithwaite, 2003). Recent studies conducted in developing countries indicate that institutional trust remains a significant predictor of tax compliance behaviour, particularly among SMEs operating in environments characterised by governance challenges and limited public accountability (OECD, 2024; World Bank, 2025). In Nigeria, studies have consistently reported low levels of trust in tax institutions due to concerns about corruption, inefficiency, inadequate service delivery, and weak government accountability mechanisms (Olumuyiwa & Gbadebo, 2022). Consequently, improving institutional trust may constitute a critical strategy for enhancing voluntary tax compliance among SMEs in Gombe State.

2.3 Empirical Studies on Tax Compliance Among SMEs

Recent empirical literature demonstrates a gradual shift from traditional deterrence-based explanations of tax compliance towards behavioural and institutional perspectives. Contemporary studies increasingly acknowledge that taxpayers' compliance decisions are influenced not only by economic considerations such as audits and penalties but also by psychological and institutional factors, including tax knowledge, perceived fairness, taxpayer attitudes, and trust in tax authorities.

One of the earlier studies reflecting this shift was conducted by Torgler and Schaltegger (2020), who investigated the influence of social norms, institutional trust, and government performance on tax compliance across several developing economies. Their findings revealed that behavioural and institutional factors exerted a stronger influence on taxpayer compliance than traditional deterrence mechanisms, such as audit probability and penalties. While the study provides strong empirical support for behavioural tax compliance theories, its cross-country design limits the applicability of its findings to specific national and sub-national contexts, particularly those characterised by weak institutional structures such as Nigeria.

Building on this behavioural perspective, Abiola and Asiweh (2021) examined the effect of tax administration efficiency on tax compliance among SMEs in Nigeria. The study found that efficient tax administration, taxpayer education, and simplified tax procedures significantly enhanced tax compliance. The authors concluded that strengthening administrative capacity could improve voluntary compliance among SMEs. However, the study concentrated primarily on administrative factors and paid limited attention to behavioural variables such as taxpayer attitudes, perceived fairness, and institutional trust, which have become increasingly important in contemporary tax compliance research.

Similarly, Adebisi and Gbegi (2021) investigated the relationship between perceived fairness and voluntary tax compliance among Nigerian SMEs. Their findings indicated that taxpayers who perceived the tax system as fair and equitable were more willing to comply with their tax obligations. The study further emphasized that transparent tax administration enhances taxpayers' confidence in the tax system. Nevertheless, the study focused mainly on tax incentives and fairness without examining employer withholding obligations under the Pay-As-You-Earn (PAYE) system or considering the role of enforcement mechanisms in shaping compliance behaviour.

In another Nigerian study, Olumuyiwa and Gbadebo (2022) examined the determinants of PAYE compliance among employers in Lagos State. The findings revealed that institutional trust significantly influenced employers' compliance with PAYE obligations, suggesting that taxpayers are more likely to comply when they perceive tax authorities as transparent, competent, and accountable. Although the study provides valuable evidence on PAYE compliance, its findings may not be directly generalisable to North-East Nigeria due to substantial differences in socio-economic conditions, tax administration capacity, and institutional environments between Lagos State and Gombe State.

Beyond Nigeria, Nyamwanza et al. (2023) examined the determinants of SME tax compliance in Zimbabwe using a quantitative survey approach. The study found that audit probability, tax knowledge, and firm size significantly influenced tax compliance behaviour. These findings reaffirm the continued relevance of deterrence mechanisms in promoting compliance. However, the study devoted relatively little attention to behavioural constructs such as institutional trust, taxpayer attitudes, and tax morale, thereby limiting its explanatory power within the broader behavioural tax compliance framework.

A more contextually relevant Nigerian study was conducted by Bello *et al.* (2024), who investigated tax compliance among SMEs in North-East Nigeria. Their findings demonstrated that tax literacy, administrative simplicity, perceived fairness, and institutional trust significantly enhanced tax compliance behaviour. Given its geographical proximity to the present study, the research provides useful contextual evidence. Nevertheless, the study focused on general tax compliance rather than PAYE-specific obligations and excluded important behavioural variables such as taxpayer attitudes and audit fear, both of which are incorporated into the present study.

Comparable evidence was reported by Appiah, *et al.* (2024), who examined voluntary tax compliance among SMEs in Ghana. Their study established that tax knowledge and institutional trust significantly improved voluntary tax compliance. The authors argued that increasing taxpayers' understanding of tax regulations and strengthening institutional credibility are essential for improving compliance behaviour. However, because the study focused exclusively on voluntary compliance, it overlooked the influence of deterrence-related variables such as audit probability and penalties.

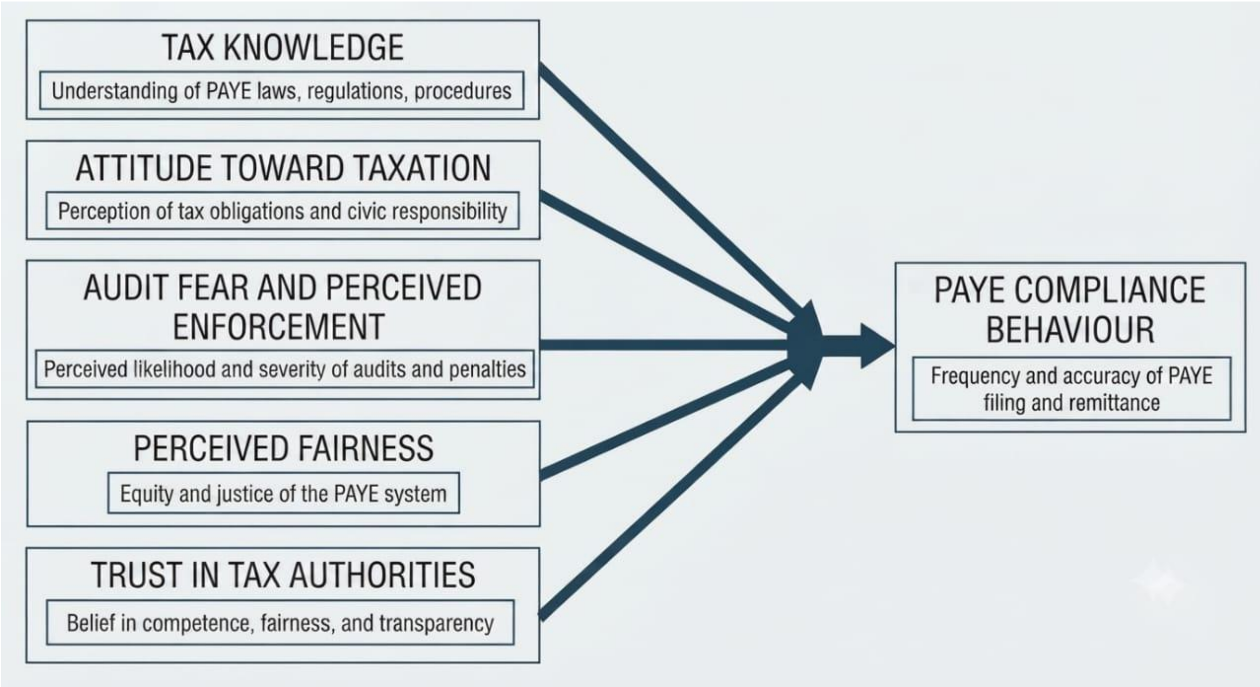
Using a more sophisticated analytical approach, Daud and Nuramal (2025) employed Partial Least Squares Structural Equation Modelling (PLS-SEM) to examine tax compliance among SMEs in Indonesia. Their findings revealed that tax knowledge indirectly influenced compliance through perceived fairness, highlighting the complex interrelationships among behavioural variables. The study contributes methodological evidence supporting the use of integrated behavioural models. However, differences in institutional environments and tax administration systems between Indonesia and Nigeria limit the direct applicability of its findings to the present study.

Similarly, Dong, *et al.* (2025) adopted a natural field experimental design to examine the effectiveness of behavioural interventions on SME tax compliance in Indonesia. Their findings indicated that reminder messages, personalised taxpayer communication, and behavioural nudges significantly improved compliance. The study provides compelling evidence that non-coercive behavioural interventions can complement traditional enforcement mechanisms. Nevertheless, the institutional and cultural differences between Indonesia and Nigeria suggest that these findings should be interpreted cautiously when applied to the Nigerian context.

More recently, Aminu, *et al.* (2026) investigated the moderating role of institutional trust in the relationship between tax knowledge and SME tax compliance in Nigeria. Their findings revealed that institutional trust significantly strengthened the positive effect of tax knowledge on compliance behaviour, thereby reinforcing the importance of behavioural factors in tax administration. Despite this important contribution, the study relied on self-reported compliance measures, which may be susceptible to social desirability bias. Furthermore, it adopted a national perspective and did not specifically examine PAYE compliance among SME employers or account for regional variations in tax administration across Nigeria.

Overall, the empirical literature consistently demonstrates that tax knowledge, perceived fairness, taxpayer attitudes, institutional trust, and enforcement mechanisms are important determinants of tax compliance behaviour. However, the findings also reveal important inconsistencies arising from differences in research context, methodological approaches, and institutional environments. More importantly, most previous studies have focused on general tax compliance rather than PAYE compliance, while relatively few have examined SMEs within North-East Nigeria. Furthermore, existing studies have rarely integrated tax knowledge, taxpayer attitudes, audit fear, perceived fairness, and institutional trust within a single behavioural framework. These limitations provide a strong empirical justification for the present study, which seeks to address these gaps by examining the behavioural determinants of PAYE tax compliance among SMEs in Gombe Metropolis.

2.4 The conceptual framework for the study developed by the researchers, 2026.



3. Methodology

3.1 Research Design

This study adopted a quantitative, cross-sectional survey design to examine the determinants of PAYE tax compliance among SMEs in Gombe Metropolis. The design was considered appropriate for capturing the self-reported behaviour and attitudes of SME owners at a specific point in time and for facilitating statistical analysis of the relationships among multiple compliance-related variables. The choice of this design is consistent with similar empirical studies on tax compliance behaviour in developing countries (Palil & Mustapha, 2011; Abiola & Asiweh, 2021).

3.2 Population of the Study and Sample Size

The target population comprised all registered SMEs operating within Gombe Metropolis and listed in the Gombe State Internal Revenue Service (GIRS) PAYE employer registry. The selection of the GIRS register as the sampling frame was informed by the focus of the study, which specifically examines PAYE compliance behaviour among SME employers. Compared with broader enterprise listings, the GIRS administrative database provides a more policy-relevant and legally traceable sampling frame because it identifies enterprises with direct PAYE obligations. Although previous studies have reported varying SME population figures for Gombe State, such estimates are not sufficiently precise for a metropolis-specific PAYE study. Accordingly, the present study relied on the official GIRS registry and used an accessible finite population of 1,102 registered SMEs, a figure consistent with recent evidence on registered SME taxpayers in the state (Ibrahim & Lawal, 2023).

The sample size was determined using Yamane's (1967) finite population formula at a 5% margin of error. With a population size of N = 1,102, the estimated minimum sample size was 294 SMEs. To account for possible non-response and unusable questionnaires, the sample size was increased by 10%, resulting in a final target sample of 323 SMEs. The study adopted a stratified random sampling technique to ensure adequate representation across the major SME sectors within the metropolis. Proportionate allocation was used to distribute the sample among the identified strata, after which simple random sampling was employed to select the participating firms.

3.3 Data Collection Instrument

Primary data were collected using a structured questionnaire comprising seven sections:

1. Demographic Information
2. PAYE Compliance Behaviour
3. Tax Knowledge
4. Attitude toward Taxation
5. Audit Fear and Perceived Enforcement
6. Trust in Tax Authorities
7. Perceived Fairness

All items, except demographic questions, were measured using a five-point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5).

3.4 Variables and Operationalisation

Variable	Type	Operational Definition
PAYE Compliance Behaviour	Dependent	Frequency and accuracy of PAYE filing and remittance
Tax Knowledge	Independent	Understanding of PAYE laws, regulations, and procedures
Attitude toward Taxation	Independent	Perception of tax obligations and civic responsibility
Audit Fear and Perceived Enforcement	Independent	Perceived likelihood and severity of audits and penalties
Trust in Tax Authorities	Independent	Belief in the fairness, transparency, and effectiveness of tax authorities
Perceived Fairness	Independent	Perceptions regarding the equity and justice of the PAYE system

3.5 Method of Data Analysis

The collected data were coded and analyzed using SPSS Version 27. The analysis included:

1. Descriptive statistics, including frequencies, means, and standard deviations, to summarize respondent characteristics and the study variables.
2. Multiple regression analysis, to determine the influence of tax knowledge, attitude toward taxation, audit fear and perceived enforcement, trust in tax authorities, and perceived fairness on PAYE compliance behaviour.

The regression model was specified as follows:

PAYE Compliance = $\beta_0 + \beta_1$(Tax Knowledge) + β_2(Attitude) + β_3(Audit Fear) + β_4(Trust) + β_5(Fairness) + ε

4.0 Results and Discussion

4.1 Respondent and Business Profile

Table 1 presents the demographic and business characteristics of the respondents. The largest proportion of businesses operated within the retail/trade sector (37.8%), followed by the service sector (29.4%), while manufacturing, construction, hospitality, and other sectors accounted for relatively smaller proportions. This distribution suggests that the sample adequately reflects the dominant structure of SMEs operating within an urban commercial environment. Regarding legal structure, sole proprietorships accounted for 61.9% of the sampled businesses, indicating that most firms were owner-managed enterprises. Partnerships represented 15.8%, limited liability companies accounted for 15.2%, and cooperatives constituted 7.1%. The employee-size distribution revealed that 40.2% of firms employed between 5 and 19 employees, while 31.3% employed between 1 and 4 employees, indicating that the sample was dominated by small-scale enterprises.

Concerning PAYE registration status, 66.6% of respondents indicated that their businesses were registered with the Gombe State Internal Revenue Service for PAYE purposes, whereas 22.6% reported that they were not registered and 10.8% were uncertain about their registration status. This finding implies that a majority of the sampled SMEs were formally integrated into the PAYE system, although a substantial proportion remained outside or uncertain of their compliance status.The respondents themselves consisted mainly of business owners (52.6%), followed by managers and accounting/finance officers, suggesting that responses were obtained primarily from individuals directly involved in business operations and tax compliance decisions. In terms of educational attainment, the largest proportion possessed a bachelor's degree (33.4%), followed by holders of Diploma/NCE qualifications (25.7%), indicating a moderate level of educational attainment among the respondents.

Table 1. Respondent profile

Variable	Category	%
Sector	Retail/Trade	37.8
	Services	29.4
Legal form	Sole proprietorship	61.9
Employees	5–19	40.2
PAYE registration	Yes	66.6
Respondent position	Owner	52.6
Education	Bachelor’s degree	33.4

Source: Output from SPSS, (2026)

4.2 Descriptive Statistics of Study Variables

Descriptive statistics were computed to provide an overview of the distribution and central tendencies of the study variables. Specifically, the analysis presents the mean scores and standard deviations of the dependent variable (PAYE compliance behaviour) and the explanatory variables (tax knowledge, attitude toward taxation, audit fear and perceived enforcement, trust in tax authorities, and perceived fairness). The mean values indicate the average level of respondents' agreement with the questionnaire items, while the standard deviations measure the degree of variation in respondents' perceptions. The descriptive analysis provides preliminary insights into the behavioural characteristics of SME operators regarding PAYE tax compliance before the inferential analysis.

Table 2. Descriptive statistics

Variable	Mean	SD
Voluntary Compliance	3.765	1.073
Enforced Compliance	3.585	1.086
Overall Compliance	3.675	0.839
Tax Knowledge	3.546	1.029
Attitude Toward Taxation	3.713	0.945
Audit Fear / Enforcement	3.583	1.057
Trust in Tax Authorities	3.191	1.013
Perceived Fairness	2.911	1.069

Source: Output from SPSS, (2026)

The descriptive statistics for the major study variables are presented in Table 2. The results indicate that overall PAYE compliance behaviour recorded a mean score of 3.675 and a standard deviation of 0.839, suggesting a moderately high level of compliance among the sampled SMEs. Among the dimensions of compliance, voluntary compliance recorded a mean score of 3.765 and a standard deviation of 1.073, whereas enforced compliance recorded a mean score of 3.585 and a standard deviation of 1.086. The relatively higher mean score for voluntary compliance suggests that respondents tended to associate PAYE compliance with civic responsibility and ethical business conduct rather than solely with enforcement pressures.

Regarding the explanatory variables, tax knowledge recorded a mean score of 3.546 and a standard deviation of 1.029, indicating that respondents demonstrated a moderate level of knowledge regarding PAYE obligations. Attitude toward taxation recorded a mean score of 3.713 and a standard deviation of 0.945, suggesting generally positive perceptions of taxation as a civic and developmental responsibility. Similarly, audit fear and perceived enforcement recorded a mean score of 3.583 and a standard deviation of 1.057, indicating that respondents perceived enforcement mechanisms such as audits and penalties as important determinants of compliance behaviour. Trust in tax authorities recorded a mean score of 3.191 and a standard deviation of 1.013, reflecting only moderate confidence in the competence and fairness of tax authorities. Perceived fairness recorded the lowest mean score of 2.911 and a standard deviation of 1.069, suggesting that respondents were less convinced about the fairness of PAYE administration and the utilisation of tax revenues.

Overall, the descriptive findings indicate that although PAYE compliance tendencies were moderately high, concerns regarding perceived fairness and institutional trust remained evident. These findings suggest that while SME operators generally demonstrate a willingness to comply with PAYE obligations, strengthening taxpayers' confidence in the fairness and transparency of tax administration may further enhance voluntary compliance. The descriptive results also provide a useful foundation for the subsequent regression analysis, which examines the extent to which these behavioural factors significantly influence PAYE tax compliance behaviour among SMEs in Gombe Metropolis.

4.3 Regression Results and Discussion of Findings

To examine the determinants of PAYE tax compliance behaviour, a multiple regression analysis was conducted using overall compliance behaviour as the dependent variable and tax knowledge, attitude toward taxation, audit fear and perceived enforcement, trust in tax authorities, and perceived fairness as the explanatory variables.

Table 3. Regression results

Predictor	B	p-value
Constant	0.717	0.000
Tax Knowledge	0.308	0.000
Attitude Toward Taxation	0.134	0.001
Audit Fear / Enforcement	0.268	0.000
Trust in Tax Authorities	0.052	0.156
Perceived Fairness	0.083	0.014
R^2	0.496	
Adjusted R^2	0.488	
F-Statistics	62.43	
Prob	0.001	

Source: Output from SPSS, (2026)

The regression results in Table 3 indicate that the model has substantial explanatory power. The coefficient of determination ($R^2 = 0.496$) shows that the explanatory variables jointly explained approximately 49.6% of the variation in PAYE compliance behaviour. Similarly, the adjusted R^2 of 0.488 confirms that the model retained strong explanatory power after accounting for the number of predictors included in the analysis. Furthermore, the overall regression model was statistically significant ($F = 62.43$, $p < 0.001$), indicating that the explanatory variables jointly exerted a significant effect on PAYE compliance behaviour among SMEs.

At the individual predictor level, tax knowledge exerted a positive and statistically significant effect on PAYE compliance behaviour ($B = 0.308$, $p < 0.001$). This finding implies that SMEs with a better understanding of PAYE regulations, filing procedures, remittance requirements, and penalties are more likely to comply with their tax obligations. This result is consistent with the findings of Palil and Mustapha (2011), Bello et al. (2024), and Daud and Nuramal (2025), who reported that tax knowledge significantly enhances voluntary tax compliance by reducing uncertainty and improving taxpayers' capacity to fulfil their obligations. The finding also supports the Fischer Tax Compliance Model, which identifies tax knowledge as one of the principal determinants of taxpayer behaviour. This finding implies that inadequate tax literacy remains a major obstacle to PAYE compliance among SMEs, particularly in developing economies characterised by limited access to tax education and professional advisory services.

Similarly, attitude toward taxation had a positive and statistically significant effect on compliance behaviour ($B = 0.134$, $p = 0.001$), suggesting that SMEs with more favourable attitudes toward taxation are more likely to comply with PAYE obligations. This result suggests that SMEs that perceive taxation as a civic obligation and a necessary instrument for financing public goods and economic development are more likely to comply with PAYE requirements. This finding is consistent with the behavioural tax compliance literature, which emphasises the role of tax morale and taxpayer attitudes in shaping voluntary compliance behaviour (Torgler, 2007; Kirchler et al., 2008). The result also corroborates the findings of Appiah, Domeher, and Agana (2024), who reported that positive taxpayer attitudes significantly improve compliance behaviour among SMEs. The finding suggests that promoting favourable attitudes toward taxation through public awareness campaigns and taxpayer engagement programmes may strengthen voluntary compliance.

Audit fear and perceived enforcement also exerted a positive and statistically significant influence on compliance behaviour ($B = 0.268$, $p < 0.001$). This finding suggests that perceptions regarding the likelihood of audits, detection, and sanctions remain important determinants of PAYE compliance among SMEs. The study also found that audit fear and perceived enforcement exert a positive and statistically significant influence on PAYE tax compliance behaviour. This finding confirms the continued relevance of deterrence mechanisms in promoting tax compliance among SMEs. The result is consistent with the Deterrence Theory proposed by Allingham and Sandmo (1972), which argues that taxpayers make compliance decisions by weighing the expected benefits of evasion against the probability of detection and the severity of sanctions. The finding further supports the empirical evidence reported by Nyamwanza et al. (2023), who found that audit probability significantly influences SME tax compliance behaviour in Zimbabwe. Similarly, the findings align with those of Bello et al. (2024), who observed that enforcement mechanisms remain important determinants of tax compliance in North-East Nigeria. The implication is that effective tax administration requires credible and visible enforcement mechanisms capable of deterring non-compliance.

Likewise, perceived fairness had a positive and statistically significant effect on PAYE compliance behaviour ($B = 0.083$, $p = 0.014$), indicating that SMEs are more likely to comply when they perceive tax administration processes and tax obligations as fair and equitable. The results further indicate that perceived fairness exerts a positive and statistically significant effect on PAYE tax compliance behaviour. This finding suggests that SMEs are more likely to comply when they perceive the tax system, tax administration procedures, and the distribution of tax burdens as fair and equitable. The result supports the procedural and distributive justice theory advanced by Wenzel (2002), which argues that taxpayers' perceptions of fairness significantly influence tax morale and voluntary compliance behaviour. The finding is also consistent with the studies conducted by Adebisi and Gbegi (2021), Olumuyiwa and Gbadebo (2022), and Daud and Nuramal (2025), all of whom reported that perceptions of fairness positively influence tax compliance behaviour. This finding implies that tax authorities must ensure that tax laws and administrative procedures are applied consistently, transparently, and equitably to enhance taxpayer compliance.

However, trust in tax authorities did not exert a statistically significant independent effect on PAYE compliance behaviour ($B = 0.052$, $p = 0.156$). Although the coefficient was positive, its statistical insignificance suggests that trust does not independently explain compliance behaviour when other behavioural and enforcement-related factors are considered. Contrary to expectations, trust in tax authorities did not exert a statistically significant independent effect on PAYE tax compliance behaviour. Although the coefficient was positive, the relationship was not statistically significant after controlling for other explanatory variables. This finding contrasts with the predictions of the Slippery Slope Framework, which identifies trust in tax authorities as a fundamental determinant of voluntary tax compliance (Kirchler et al., 2008). It also differs from the findings of Olumuyiwa and Gbadebo (2022), Appiah et al. (2024), and Aminu, Ishola, and Oladapo (2026), who found institutional trust to be a significant predictor of tax compliance behaviour. One possible explanation for this finding is that SME taxpayers in Gombe Metropolis may rely more heavily on practical considerations such as tax knowledge, enforcement pressures, and perceptions of fairness than on generalized trust in government institutions.

4.5 Conclusion

The findings indicate that PAYE tax compliance behaviour among SMEs in Gombe Metropolis is moderately high and is significantly influenced by tax knowledge, attitude toward taxation, audit fear and perceived enforcement, and perceived fairness. Although trust in tax authorities was positively associated with compliance behaviour, it did not exert a statistically significant independent effect.

Overall, the findings suggest that effective PAYE compliance management among SMEs requires a balanced approach that integrates taxpayer education, equitable tax administration, positive taxpayer orientation, and credible enforcement mechanisms.

4.6 Recommendations

Based on the empirical findings, the following recommendations are proposed:

1. Tax authorities should intensify taxpayer education and awareness programmes directed at SME operators. Given that tax knowledge was found to be a significant determinant of PAYE compliance, enhancing taxpayers' understanding of PAYE computation, filing procedures, remittance deadlines, and penalties is likely to improve compliance behaviour.
2. PAYE compliance procedures should be simplified for SMEs. Simplified registration procedures, user-friendly filing systems, and practical compliance guides can reduce compliance costs and minimise filing errors.
3. Tax authorities should maintain visible, credible, and consistent enforcement mechanisms. Periodic audits, compliance monitoring exercises, reminder notices, and proportionate penalties should be sustained to discourage non-compliance.
4. Policy initiatives should promote positive attitudes toward taxation among SME operators. Public awareness campaigns should emphasize taxation as a civic responsibility and as a critical source of financing for public goods and economic development.
5. Tax authorities should improve fairness in tax administration. PAYE regulations should be implemented consistently, penalties should remain proportionate, and transparent dispute-resolution mechanisms should be established.
6. SME-focused taxpayer support services should be strengthened through the establishment of dedicated service desks, digital support platforms, helplines, and outreach programmes.
7. Although trust in tax authorities did not exert a statistically significant direct effect, efforts aimed at strengthening institutional trust and administrative credibility should continue. Professional conduct, transparency, accountability, and respectful treatment of taxpayers remain essential for promoting a sustainable culture of tax compliance.

References

1. Abiola, J., & Asiweh, M. (2021). Tax administration and tax compliance among small and medium enterprises in Nigeria. *Journal of Accounting and Taxation, 13*(2), 45–57.
2. Adebisi, J. F., & Gbegi, D. O. (2021). Perceived tax fairness and voluntary tax compliance among small and medium enterprises in Nigeria. *International Journal of Business and Management, 16*(4), 85–97.
3. Allingham, M. G., & Sandmo, A. (1972). Income tax evasion: A theoretical analysis. *Journal of Public Economics, 1*(3–4), 323–338. https://doi.org/10.1016/0047-2727(72)90010-X
4. Aminu, S. O., Ishola, A. I., & Oladapo, S. B. (2026). Assessing tax awareness, taxpayers' trust in governance and tax compliance behaviour of small and medium enterprises (SMEs) in Nigeria. *International Journal of Governance and Development Studies, 13*(1), 44–59. https://doi.org/10.5281/zenodo.19564024
5. Appiah, T., Domeher, D., & Agana, J. A. (2024). Tax knowledge, trust in government, and voluntary tax compliance: Insights from an emerging economy. *SAGE Open, 14*(2). https://doi.org/10.1177/21582440241234757
6. Bello, U., Bayu, U. F., Adamu, N. S., Ogboji, O. A., Abubakar, M. A., Lass, R., Usman, A., & John, J. (2024). Tax knowledge and tax compliance of micro and small enterprises in Gombe State, Nigeria: Moderating effect of record keeping practice. *Kashere Journal of Management Sciences, 7*(1).
7. Braithwaite, V. (2003). *Taxing democracy: Understanding tax avoidance and evasion*. Ashgate Publishing.
8. Buzohera, M. I. (2025). The dynamics of tax compliance: How attitudes, social influence, and peer effects shape SMEs' compliance behavior in Tanzania. *Journal of Tax Reform, 11*(1), 198–210. https://doi.org/10.15826/jtr.2025.11.1.198
9. Daud, D., & Nuramal. (2026). Can tax knowledge, trust in government and perceived tax fairness encourage tax compliance? *International Journal of Business Economics, 7*(2), 104–123. https://doi.org/10.30596/ijbe.v7i2.28902

10. Dong, S. X., Satyadini, A., & Sinning, M. (2025). *Location matters: Insights from a natural field experiment to enhance small business tax compliance in Indonesia* (IZA Discussion Paper No. 18108). Institute of Labor Economics. https://doi.org/10.2139/ssrn.5443441
11. Federal Inland Revenue Service. (2024). *Annual report 2024*. Federal Inland Revenue Service.
12. Gombe State Internal Revenue Service. (2025). *Annual report 2025*. Gombe State Internal Revenue Service.
13. Ibrahim, M., & Lawal, S. (2022). Taxpayers' compliance behaviour under self-assessment basis: A study of small and medium enterprises (SMEs) in Gombe State, Nigeria. In *Proceedings of the 7th Annual International Academic Conference on Accounting and Finance* (pp. 240–258). Institute of Chartered Accountants of Nigeria.
14. International Monetary Fund. (2025). *Fiscal monitor 2025*. International Monetary Fund.
15. James, S., & Alley, C. (2004). Tax compliance, self-assessment and tax administration. *Journal of Finance and Management in Public Services, 2*(2), 27–42.
16. Kirchler, E., Hoelzl, E., & Wahl, I. (2008). Enforced versus voluntary tax compliance: The "slippery slope" framework. *Journal of Economic Psychology, 29*(2), 210–225. https://doi.org/10.1016/j.joep.2007.05.004
17. OECD. (2024). *Tax administration 2024: Comparative information on OECD and other advanced and emerging economies*. OECD Publishing.
18. Organisation for Economic Co-operation and Development. (2024). *Tax administration 2024*. OECD Publishing.
19. Palil, M. R., & Mustapha, A. F. (2011). Factors affecting tax compliance behaviour in self assessment system. *African Journal of Business Management, 5*(33), 12864–12872.
20. Torgler, B. (2007). *Tax compliance and tax morale: A theoretical and empirical analysis*. Edward Elgar Publishing.
21. Torgler, B., & Schaltegger, C. A. (2005). Tax amnesties and political participation. *Public Finance Review, 33*(3), 403–431. https://doi.org/10.1177/1091142105275379
22. Wenzel, M. (2002). The impact of outcome orientation and justice concerns on tax compliance: The role of taxpayers' identity. *Journal of Applied Psychology, 87*(4), 629–645. https://doi.org/10.1037/0021-9010.87.4.629
23. World Bank. (2025). *World development report 2025*. World Bank.
24. Yamane, T. (1967). *Statistics: An introductory analysis* (2nd ed.). Harper & Row.

CITATION

Hamza, M. A., Tukur, S. M.& Ibrahim, M. B. (2026). Determinants of Pay – As- You- Earn (PAYE) Tax Compliance Behaviour among Small and Medium Enterprises in Gombe Metropolis, Nigeria. In Global Journal of Research in Business Management (Vol. 6, Issue 4, pp. 8–18). https://doi.org/10.5281/zenodo.21333295