



STATES & LOCAL FINANCE

The IGR Initiative

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ADEQUATE INFORMATION AND KNOWLEDGE facilitate conviction and sound decisions. It is even more potent in delivering these benefits, the more accurate, relevant, convincing and easier to understand. Due to this lack of conviction, many citizens do not trust the government enough and therefore resist or fail to comply with their tax payment obligations. In response, governments use various communication channels such as newspapers, radio and television to pass as much information as possible to enrich the citizens' knowledge of taxes payable and the enabling laws, taxpayer responsibilities and sometimes their utilization of previously collected taxes. In general, it is logical to assume that effective communication significantly improves taxpayer compliance by improving their tax knowledge, conviction, trust and willingness to comply. With virtually all the subnational governments in Nigeria collecting less than a 2% share of their GDP as revenue regardless of their aggregate annual IGR expansion rates above 30%, the challenge is how to strengthen their communication delivery structure to optimize their receivables further.

Three elements define a communication process. This communication process loop comprises the message sender, the media for the message transmission and the recipient, who may also provide feedback to the sender via the same media. Communication is effective when it satisfies the following five criteria: accuracy, relevancy, timeliness, completeness and understandability. Considering these factors, revenue-collecting agencies and their parent governments must ensure that the information they put out to the taxpaying public is accurate, true and without error. Messages containing misinformation detract from its effectiveness regardless of whether it was an innocent mistake. The relevancy factor requires that such communications be appropriate and adequate to enable the taxpayer to make the right compliance decisions. Information for the taxpayers must also be timely to allow them sufficient room to make decisions. The information completeness criterion is equally not synonymous with overloading taxpayers with messages. It is necessary to understand the government's expectations of taxpayers, including the law's provisions and how it has used previously collected funds. Finally, whatever the message is, it must be in a form that is easily understandable by the taxpaying public.

Without a doubt, tax compli-

ance, like other endeavours, benefits from effective communication. Communication would not achieve this by letting taxpayers know what they never knew about compliance. In the famous quote of Jim Rohn, "effective communication is 20% what you know and 80% how you feel about what you know." Therefore, the significant advantage of effective communication is to positively alter taxpayers' perceptions so that they comply much better than they used to. The focus on communication effectiveness has become more critical to ensure sufficient awareness with the increasing reliance on voluntary compliance. More taxpayers will likely comply with a more significant share of hearts through adequate information, convincing logic and indisputable facts than through force. That is also the channel through which government and revenue-collecting agencies can build more enduring trust. Enhanced levels of voluntary compliance are usually the inevitable outcome of a trust-based tax compliance approach, in contrast to the upshot of a power-based tax compliance strategy. By improving taxpayer knowledge, awareness and audit information, effective communication reduces the scale of misunderstanding and disputes between revenue-collecting agencies and taxpayers.

There are about three layers or types of communication of revenue-raising policies by subnational governments. The first is the official information channel, which may be grouped into two. The first is the parent government and the entities in charge of tax collection. The second is the semi-official channel which comprises civic societies such as traditional institutions, NGOs, and market and religious associations supporting the dissemination of government revenue-collection information. The third information channel is informal communication among taxpayers providing feedback and learning from each other. There are different levels of communication effectiveness expectations from each of these channels. Ultimately, the overarching focus is to alter the attitudes of taxpayers positively. These attitudes are classifiable into four.

The first category is the "compliant" group doing their best to act fully as the law specifies. This group pays the taxes in full as and when due. The second category is the "quasi-compliant", who make efforts to live up to their tax payment obligations but are not always fully compliant. The group accommodates most taxpayers who invoke and deploy the best tax avoidance programmes. "Resisters" constitute the third category. The resisters are those not keen on complying but do so upon pres-

Improving taxpayer compliance through effective communication

sure from tax administrations. The final group is the "non-compliant." Members of the non-compliant group do not comply because they have decided not to do so. They evade tax payments because of their choice not to comply.

While efforts at differentiating messages based on identified target groups are critical and preferred, there are baseline approaches that are desiderata. For instance, messages may need framing with the mindset that most people do not fully understand the societal benefits of tax payments. Accordingly, citizens, particularly taxpayers, must be fully abreast of what they stand to benefit from and the benefits they currently enjoy with the tax payments. More than any other indicator, the more taxpayers are convinced that they are gaining as much as they should from their tax payments, the more likely they will comply. This criterion is consistent with the expectations of transparency and accountable government as the backbone for communication. Open governments allow citizens to have a detailed appreciation of the government's utilisation of its revenue in programmes and projects and become better positioned to decide whether to comply. Another essential requirement is the reduction or toning down of veiled threats of the penalties for evasion, resistance and quasi-compliance. Tax administrations' warnings of using force without satisfactorily convincing taxpayers might heighten their tendency to evade, resist or partially comply with payments. This unwanted taxpayer response may worsen when citizens perceive the government as not prudently deploying their previously collected revenue.

Many studies show that adequately targeting taxpayers can lead to more truthful tax declarations and full compliance. Therefore, depending on other characteristics of the different taxpayer behavioural groups, the setting of social networks and call centres may produce satisfying outcomes. Call centres ease taxpayers' access to tax administrations through phone calls and emails. It also minimises costs associated with compliance as independent taxpayers have a sturdy window to clarify their concerns when they have any. Depending on the quality of responders at the call centres, the latter facilitates citizens' trust in tax administrations and the government. Complementary to social networks and call centres are targeted letters, emails and text messages, ensuring that the recipients receive adequate and accurate information about their liabilities and other payment expectations. The secret to success in this respect is the simplicity of these communications. The simpler, the easier, the less forceful and the more explanatory the messages are, the better they are at convincing the target taxpayer to comply. This simplicity should reflect in all communications, including payment reminders and the formats for tax bills.

A good starting point for most



revenue-collecting agencies is to self-assess the quality of their communication units. You hardly see properly equipped units dedicated to effective communication at the local government level. At the state level, apart from a few states, most have acutely jaundiced departments entirely ill-equipped for conducting reliable communication activities. It might therefore be too much to ask whether revenue collection institutions within subnational governments in Nigeria measure their communication impacts. It is a no-brainer that communication is effective and successful when it can gain tremendous loyalty, trust and satisfaction from the stakeholders. Most of these characteristics depend upon the quality of relationship building between these agencies and taxpaying stakeholders. A comprehensive assessment of communication impact should therefore factor in reputational considerations. They must be conversant with the nature and magnitude of taxpayer sentiments towards them and their administrative overtures. Additionally, they need to understand the reach of the messages and determine how much of their messages reach target taxpayer audiences. Again, possessing the capacity to deliver a solid reputation and good communication impact assessment requires technical skilling and preparedness for the new information age.

Besides the challenge of inadequate capacity and the proper structure for delivering effective communication are coverage problems, minimising communication barriers and difficulties in changing people's perceptions. Like many social problems, all these challenges interconnect and dynamically reinforce each other. Effective communication ideally should cover the entire jurisdiction of the subnational government to be reasonably impactful. However, deploying conventional and social media in many rural areas is often challenging. Even the fraction of the illiterate population in some of these rural areas that listen to the radio may find it more difficult to understand them without additional explanations. That

is where the semi-official communication channel becomes quite helpful. Religious and traditional rulers and heads of market associations can intervene and intermediate between the government and the rural population by breaking down this information into easily digestible forms. Sadly, the level of involvement of this channel is relatively low, resulting in unimpactful communication and the potential loss of a considerable mass of the rural population and the poorly educated. Communicating in local languages via radio may also minimise this communication barrier. Rural internet connectivity may also motivate the increased use of digital telephones that enhance access to such communications through social media. In general, however, there is a need to realise that changing people's perceptions can be very challenging, particularly for those who have decided not to comply.

Finally, effective and impactful communication is central to winning taxpayers' hearts and trust and, by extension, their enhanced compliance. Among other reasons already mentioned, two factors that can help the Internal Revenue Service and their parent governments do better in communication are, prioritising communication as an independent function within the organisational map. The implication is that there would be separate departments or units that focus almost entirely on discovering and implementing the most effective ways of communicating and winning the hearts of taxpayers. The second factor is the development and implementation of robust communication impact measurement. Whatever is not measurable is not controllable. The most productive way of knowing that deployed communication strategies deliver expected results is by measuring their impacts. This requirement demands significant upskilling of the concerned workforce.

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