Journal of Public Policy & Governance

Tax Compliance Cost: A Review of Cost Burdens and Cost Structures

Wycliffe Nyaemo Motende

2616-8413

Stratford Peer Reviewed Journals and Book Publishing
Journal of Public Policy & Governance
Volume 10||Issue 3||Page 120-132 ||September||2026|
Email: info@stratfordjournals.org ISSN: 2616-8413

Tax Compliance Cost: A Review of Cost Burdens and Cost Structures

Wycliffe Nyaemo Motende

Kenya Revenue Authority

***How to cite this article*: Motende, W. N. (2026). Tax Compliance Cost: A Review of Cost Burdens and Cost Structures. Journal of Public Policy & Governance, 10(3), 120–132.** https://doi.org/10.53819/81018102t2605

Abstract

Tax compliance costs represents a noteworthy yet often underestimated burden on taxpayers, particularly in emerging nations where weak institutional frameworks, corruption, and administrative inefficiency aggravate worsen compliance issue and undermine voluntary tax compliance. This study conducts a systematic literature review to evaluate the costs burdens and costs structures linked with tax compliance. The review synthesizes outcomes from various methodological approaches that were utilized by experts in estimating tax compliance costs. The study is anchored on the benefit theory and the ability to pay theory. The outcome stated that compliance costs are basically driven system complexity, onerous administrative procedures, multiplicity of tax types, frequent legislative amendments, amongst others. These costs impose an excessively heavy burden on businesses and individuals, creating a regressive compliance tax that distorts market competition, and triggers a downward spiral of eroding trust that diminishes voluntary compliance, and increased enforcement expenditures. The study concludes that addressing these issues requires comprehensive reform encompassing tax legislation simplification, harmonized administrative procedures, investment in user-friendly digital infrastructure, corruption mitigation. These measures are essential in reducing the compliance cost burdens, enhancing voluntary compliance and ensuring that taxation fulfills its desired developmental objectives.

Keywords: *Tax Compliance Cost, Costs Burdens, Costs Structures, and Emerging Nations.*

1. Introduction

Globally, taxes are a significant source of funding for government initiatives and programs related to development (Obodoechi & Mbobo, 2024). Majority of governments rely on tax revenues in order to fund public infrastructures and amenities (Akims, Pyoko, Akims, Motende, Odwa & Toyiring, 2023). However, the desire of taxpayers to abide by tax regulations about the payment of taxes as and when due is one of the factors that determines how much money the government will get from taxes. Therefore, the goal of government efforts at all levels is typically to guarantee a high degree of tax compliance among the populace. Ayuba, Saad, and Ariffin (2016) define tax compliance as the desire of taxpayers to follow tax rules, reveal their true income, and pay the appropriate amount of taxes to the appropriate tax authority on the due date. The expense of paying

Stratford Peer Reviewed Journals and Book Publishing
Journal of Public Policy & Governance
Volume 10||Issue 3||Page 120-132 ||September||2026|
Email: info@stratfordjournals.org ISSN: 2616-8413

taxes is sometimes connected to taxpayers' unwillingness to follow the established guidelines (Khaemba, Simiyu & Lusala, 2025).

The additional expenses incurred by taxpayers in addition to the actual tax due in the process of becoming and staying tax compliant are known as tax compliance costs, often also referred to as hidden costs. Grigorios, Andreas, and Michail (2022) define the cost of tax compliance as the expenditures incurred by taxpayers in order to meet their tax responsibilities by adhering to the tax rules' requirements. It has been observed that ineffective tax administration, which is frequently linked to corruption, is a common feature of developing nations and raises the costs of compliance. These expenses may include filling out tax forms, filing tax appeals, sending in returns, and paying experts to do these tasks (Gregory, & Ndu, 2023).

Tax compliance creates economic costs by taking productive resources away from creating products and services in favor of paying taxes, much like other regulatory burdens that businesses and people must deal with. These expenses lead to inefficiencies that hinder the country's development (Ernest, Daniel & Nicholas, 2022). For example, tax compliance is becoming a more important part of tax policy in Nigeria. The introduction of self-assessment, the growth of the global economy, and electronic trade are examples of recent advances in the tax system that are thought to increase the likelihood of taxpayer non-compliance, hence posing more difficulties for the tax authorities (John, Shehu, Ahmad, Abdullahi & Abdulkarim, 2024).

High compliance costs can reduce businesses' and individuals' income and profitability, which will impede economic progress. According to studies, corporations may pay more in compliance costs than in real taxes. The problem of tax compliance costs is especially pertinent to developing nations since they are more likely to be greater in nations with poor institutional setups. There is a widespread belief that cost burdens and cost structures play a major role in compliance concerns, such as tax compliance expenses (Obodoechi & Mbobo, 2024). This might have a negative impact on compliance and increase tax evasion. Some taxpayers may be compelled to shut down their firms or choose not to comply as a result of these overwhelming compliance costs. Because many of these commercial organizations may believe that the tax system is unjust, compliance behavior levels may be lower than anticipated.

The effectiveness of tax collection is seriously compromised by the widespread and frequently concealed costs of compliance, which result in a substantial discrepancy between policy intent and actual taxpayer behavior, despite the crucial role that tax revenue plays in funding developmental projects, especially in developing countries (Bernard, Memba & Oluoch, 2018). A thorough evaluation of these cost burdens and structures is therefore necessary because they pose a significant obstacle to voluntary compliance, potentially slowing economic growth, promoting tax evasion, and endangering the revenue base necessary for government developmental programs.

2. Theoretical Framework

Ability to Pay Theory

Kendrick (1939) propounded the Ability to Pay Theory. According to the principle, taxes need to be imposed on people and businesses based on their financial capacity. This suggests that businesses and individuals with greater incomes should have a larger tax burden. According to him, those who have should provide funds for public expenditures rather than those who have not (Emslie, Davis, Hutton & Olivier, 2011). According to this theory, the individual who makes more

Stratford Peer Reviewed Journals and Book Publishing
Journal of Public Policy & Governance
Volume 10||Issue 3||Page 120-132 ||September||2026|
Email: info@stratfordjournals.org ISSN: 2616-8413

should be requested and expected to pay more taxes than the person who earns less if their taxable capacity is larger than that of the other person. It may also be claimed that if taxes are imposed in accordance with this concept, justice will be served and the tax burden will be distributed equally according to each person's capacity to pay the taxes (Chigbu, Eze & Ebimobowei, 2012).

Kendrick (1939) believed that sacrifice is typically, and in fact, the only serious explanation for one's capacity to pay. It is considered a deprivation for the taxpayer to pay taxes. Even if the taxpayer may have used the funds for personal expenses, they must be transferred to the public treasury so that they might be used for social reasons. It is believed that the taxpayer makes a sacrifice when he gives his money to the government. According to Kendrick (1939), taxes should be levied in accordance with the fundamental idea of sacrifice since that is what they signify to taxpayers. The ability to pay hypothesis is justified on the basis of sacrifice: a portion of the taxpayer's income is given up to the government to be used for public benefits. The taxpayer's burden of giving up their income to the public is quantified, as is the simplicity with which they obtained that revenue.

Because it takes into account the sacrifice a person or corporation must make in order to pay taxes, the theory is subjective (Pigou, 1928). The quantity of services that taxpayers utilize is not taken into account by the ability-to-pay argument. Paying taxes results in disutility, and the person experiences a pinch that is comparable to the sacrifice they make while running their business. According to Emslie, Davis, Hutton, and Olivier (2011), those with comparable tax-paying capacities should pay comparable taxes as equal taxpayers and individuals should be treated similarly.

Benefit Theory

The theory was put forward by Krauss (1896). It is sometimes referred to as the quid pro quo theory of taxes or insurance theory. According to the notion, people and companies should pay taxes commensurate with the advantages they derive from public goods and services. According to this argument, people who gain more from infrastructure or public services need to pay a higher percentage of taxes. The Theory states that there is a direct relationship between the benefits that individuals or businesses receive from government services and the taxes that they pay (Gregory & Ndu, 2023). Tax contributions should be higher for those who gain more advantages. By tying the tax burden to the advantages of public services, the approach is thought to advance tax equity (Putri & Prihatiningtias, 2023).

The argument is predicated on the idea that a taxpayer and the state essentially have a contractual or trade relationship. It is anticipated that the government would use tax income to give citizens shared benefits. It is not meant to directly or specifically help any one person. Redistributing income by taxing the wealthy more than the poor is one of the goals of taxes. Because the majority of government spending is meant to help the poor more than the affluent, if the benefit received principle is to be implemented, the poor will ultimately pay more taxes than the rich. According to this notion, charging each citizen in proportion to the advantages he receives from governmental action ensures tax fairness.

The theory's main flaw is that public goods are not excludable, making it challenging to put a price on the use of such an item or service. It also undermines one of the main goals of taxes, which is to redistribute wealth throughout society. The theory is also criticized for being more frequently linked to regressive taxation, which places a greater tax burden on those with lower incomes. The government provides free education, healthcare, road infrastructure, and other benefits to the poor and weak. Despite receiving the most benefits, they are least able to pay taxes (Sasidharan & Duggal, 2023). Because many people who can afford to pay high taxes may end up paying less because they do not receive much benefit from government operations, taxation based on the benefit hypothesis will not generate enough income for the government. As a result, this view violates the justice principle.

3. Empirical Works

Khaemba, Simiyu, and Lusala (2025) investigated how tax compliance cost affected Western Kenyan commercial banks' bottom lines. The research employs a mixed-methods approach, integrating quantitative and qualitative techniques. The study included regression analysis, correlation analysis, and descriptive statistics to examine data from 180 managers of commercial banks in Western Kenya. According to the study, financial performance is significantly improved by tax compliance expenses. The study came to the conclusion that Western Kenyan commercial banks' financial performance is significantly impacted by tax compliance expenses.

The impact of tax compliance expenses on tax evasion by small and medium-sized businesses (SMEs) in Nigeria was investigated by Obodoechi and Mbobo (2024). The study used a survey research design. All SMEs in Nigeria make up the study's population (1,887), from which a sample size of 330 was selected using the Taro Yamane model. The study's conclusions demonstrate that SMEs experience significant expenses when registering for tax reasons, and that these high prices contribute to tax avoidance. According to the study's findings, there is compelling evidence that tax evasion is significantly impacted by compliance costs.

John, Shehu, Ahmad, Abdullahi, and Abdulkarim (2024) investigated the impact of tax burden and cost of compliance on Nigerian SMEs' tax compliance. Nigeria's 25,913 registered SMEs made up the study's population. 552 SMEs made up the sample size. Correlational research designs and a cross-sectional survey were used in the study. Questionnaires were used to gather data, which was then analyzed using partial least squares-structural equation modeling (PLS-SEM). According to the study, the tax burden and cost of compliance had a favorable and substantial impact on Nigerian SMEs' tax compliance.

According to the criteria of the present tax system, Grigorios, Andreas, and Michail (2022) looked at the main factors that influence the expenses that companies incur throughout the voluntary tax compliance procedure. A representative sample of companies in the Greek economy was used for the study. A questionnaire was used, and factor analysis was used to analyze the results. The complexity of the tax system and the degree of electronic tax services offered by the tax administration are the two primary elements that affect the cost of tax compliance, according to the survey's findings. The study came to the conclusion that identifying and evaluating these elements will significantly lower operational expenses for organizations.

Ernest, Daniel, and Nicholas (2022) used a survey of 132 SMEs in Ghana to determine the factors influencing tax compliance costs. The study discovered that although ownership of a company and tenancy status were positively connected with TCC, they were not significant based on the examination of three models and OLS regression. The study found that important factors influencing the cost of tax compliance were the company's size, age, industry, and technical expenses.

Merima (2018) investigated how tax administration-related regulatory requirements affected the costs of compliance for African businesses. The findings, which are based on cross-national firm-level data, demonstrate that tax administration-related regulatory requirements greatly raise enterprises' compliance expenses. The findings also demonstrate how businesses' interactions with tax authorities impact their compliance expenses. Compliance costs are greater for businesses that are regularly audited by tax authorities, but they are lower for those who are asked to pay bribes. These findings show that tax-related regulatory burdens contribute more to overall compliance costs in Africa than other types of regulatory burdens, and that businesses may turn to unofficial means of lowering the burden by bribing tax authorities.

The impact of tax compliance costs on tax compliance among Kenyan investors in the Export Processing Zone was assessed by Bernard, Memba, and Oluoch (2018). 152 businesses that were properly registered and regulated by the Export Processing Zone Authority made up the study's population. A cross-sectional survey methodology was employed. Structured questionnaires were used to collect primary data. Multiple regression and correlation analysis were used to examine the data. The results of the study showed that tax compliance among Kenyan investors in the Export Processing Zone is influenced by the expense of doing so. The analysis came to the conclusion that Kenya's large tax disparity could be caused by high compliance costs.

Mahangila (2017) evaluated the relationship between a rise in income tax compliance expenses and a fall in income tax compliance. 75 small and medium-sized company owners from Tanzania's commercial center, Dar es Salaam, participated in the tax context experiment. The findings suggest that tax compliance costs may be the cause of the inadequate tax compliance levels of SME taxpayers in Tanzania's business hub. The results showed that tax non-compliance considerably rose as tax compliance costs increased.

4. Measurement of Tax Compliance Costs: Methods and Issues

Methods

The empirical measurement of tax compliance cost rests on several established methodologies, each with distinct operational emphasis and data requirements. The most prevalent approach is the large-scale taxpayer survey, which directly elicits self-reported data on time spent and out-of-pocket expenditure from a representative sample, exemplified by the U.S. Internal Revenue Service's individual Taxpayer Burden Surveys (European Union, 2013). The Standard Cost Model (SCM), which is extensively utilized in the European Union, complements the large-scale taxpayer survey approach. SCM takes a top-down regulatory approach to separate the particular administrative burden imposed by statutory information responsibilities from a company's regular operating activity. A third, more practical approach is based on experts' evaluations, such as the World Bank's former "paying taxes" indicator, in which tax professionals calculate the compliance time for a hypothetical standard business. This method is valued for enabling cross-national comparisons but has been criticized for its lack of representativeness and dependence on stylized assumptions (York & Muresianu, 2018).

A variety of techniques for evaluating TCCare provided by the methodological elements examined, one of which is the assessment of empirical data by distinguished experts in the relevant field. This study makes use of the systematic literature review. Systematic literature reviews are used to minimize bias while synthesizing the contents of the body of existing literature (Sahoo, Kumar, Mishra, & Tripathi, 2022). It acts as a more impartial approach to article selection, inclusion standards, and analytic techniques. As advised for SLRs, the preferred reporting items for systematic reviews and meta-analyses (PRISMA) were used in the article selection process (Prado, Franco, Zapata, García, Everaert, & Valcke, 2022). To encourage clarity and openness in literature review investigations, PRISMA provides a structure in the form of a checklist of items (Ali, 2021).

Issues

Although these assessment methods are useful, notable conceptual and methodological problems severely limits their value (Evans, Tran-Nam & Lignier, 2014). One of the main problems is valuing taxpayers' time. Conflicting aggregates estimates from inquiries utilizing diverse proxies including self-reporting pay rates, variable opportunity costs, and standardize market wages make cross-study comparisons meaningless (York & Muresianu, 2018). Due to the inherent overlap between tax-related recordkeeping and a business's usual commercial accounting, it is nearly impossible to differentiate the added time and expenses that are solely linked to tax compliance from those that are incurred for overall business efficiency, making the problem of joint costs equally problematic (Hansford & Hasseldine, 2012).

Furthermore, the response rate for small businesses sometimes falls below 10%, which consistently leaves out the most affected taxpayers and understates actual average expenditures. This increases the risk of non-response bias in empirical surveys (Contos, Guyton, Langetieg, Lerman & Nelson, 2012). These technical flaws are made worse by the absence of a commonly accepted definition of compliance costs, which leads research to arbitrarily include or exclude internal staff time, external adviser fees, incidental expenses, and the occasionally unjustifiable psychological costs of fear and frustration (European Union, 2013). This definitional diversity, together with differences in survey methodology and reference periods, makes most international and even intertemporal comparisons untrustworthy (European Union, 2013). Because of this, while interpreting their results, researchers need to be open about their methodological presumptions and acknowledge the inherent limitations (Hansford & Hasseldine, 2012).

5. Structure of the cost burden

Relevance of Taxes

Governments require sustainable financing streams for social programs and public investments in order to promote economic growth and development. Taxation is one of the best strategies for any government to achieve both sustainability and economic progress (World Bank Group, 2025). According to Eke (2023), taxes are mandatory levies imposed by the government through its agents on the earnings, income, or consumption of its subjects or people. Raising funds for governments to provide necessary public services is the primary goal of taxes. Many of the essential components of a functional society worldwide, including social services, health care, and education, are funded by taxes. In addition to funding public goods and services, taxes are an essential component of the social compact between the people and the economy. Citizens are more inclined to abide by tax regulations when they believe the tax system is fair and appreciate the public benefits they get (Blyse, 2026). One important tool for mobilizing internal resources and creating an atmosphere that supports economic progress is taxation. An atmosphere that is favorable to investment has been established by the tax system. This draws and encourages both global and domestic investment in the nation (WeFinder, 2022).

Stratford Peer Reviewed Journals and Book Publishing
Journal of Public Policy & Governance
Volume 10||Issue 3||Page 120-132 ||September||2026|
Email: info@stratfordjournals.org ISSN: 2616-8413

In addition to being a source of income, taxes may be an effective instrument for promoting national growth. Taxes are a tool for development as well as a means for the government to raise money. According to Emwionmwusi, Nzotta, Chris-Ejiogu, and Uzoamaka (2022), taxes play a crucial role in achieving growth and development in every known human civilization since they enable the provision of social amenities and basic infrastructure. According to Kazeem, Sadiat, and Adeolu (2025), taxation guarantees the government a steady stream of income that is used for infrastructure development, job creation, and investment growth, among other things, all of which enhance the inhabitants' quality of life. The tax system guaranteed stability and predictability, in contrast to other methods of income production including levies, charges, and fees. Additionally, several nations have utilized taxes to promote healthy habits and discourage unhealthy ones. Taxes affect people's decisions and behavior, which has an impact on the environment and health effects. For example, tobacco taxes reduce tobacco use, whereas green taxes protect the environment. By doing this, taxes can significantly influence how human development turns out (Obodoechi & Mbobo, 2024).

Relevance of Compliance Activities

The degree to which taxpayers properly declare their income, pay taxes due, and follow the guidelines established by tax authorities is referred to as tax compliance (Kramer, 2021). Form submission is not the only aspect of tax compliance. It includes keeping accurate records, accurately computing taxes, coordinating financial records with invoicing needs, and keeping up with evolving rules. To put it simply, it is the discipline of consistently, precisely, and, where necessary, digitally adhering to tax regulations. Compliance efforts are an actual expenditure as well as a legal need (Eichfelder & Vaillancourt, 2014; Tayo, Adenike & Babaloal, 2026). Businesses that prioritize compliance not only protect their brand but also have a solid and reliable organizational structure. In the marketplace, compliance improves a company's credibility, trust, and reputation. For long-term growth, partners and investors choose to invest in these companies. Strong compliance demonstrates consistency and dependability, which is essential for collaboration, team building, and development (Obodoechi & Mbobo, 2024).

Tax compliance operations generate steady and predictable public income flows. Tax compliance by citizens directly affects governments' capacity to provide and sustain social services, economic and public infrastructures, and other services (Rotimi, 2021). Governments may make long-term economic and social investments that safeguard and stabilize consumption and encourage sustainable growth when citizens comply. When taxpayers see that the government is paying attention to their interests, they will be more inclined to pay their taxes on time (Salih, Emmanuel, Gheni & Ayodele, 2025). In addition to reducing unfavorable horizontal and vertical disparities that weaken social cohesiveness, tax compliance can result in equitable redistribution. Inequalities in economic progress are a direct result of global disparities in compliance. In low- and middle-income nations, it increases fiscal fragility; in high-income nations, it causes tax base erosion and fierce tax rivalry. Thus, disparities in economic progress are a result of disparities in tax compliance. Thus, tax compliance maintains the fiscal social compact between the state and its residents and is essential to the efficient operation of macroeconomic stability and inclusive growth. Efficiency, equality, and the growth of social capital all depend heavily on compliance with high taxes (Ajibola, Kasali & Lateef, 2026).

Stratford Peer Reviewed Journals and Book Publishing
Journal of Public Policy & Governance
Volume 10||Issue 3||Page 120-132 ||September||2026|
Email: info@stratfordjournals.org ISSN: 2616-8413

Consequences of Non-Tax Compliance

Tax non-compliance, which falls under the categories of tax evasion and tax avoidance, is a problem that countries confront and is causing an annual increase in the tax gap, which is the difference between actual and projected tax income (Iswahyudi, 2018). Tax non-compliance may have a negative impact on the long-term growth rate as tax revenues are used to boost the economy's productive capacity. The revenue performance of governments for the provision of public utilities and services as well as vital infrastructures is negatively impacted by tax non-compliance (tax evasion and tax avoidance) activities (Olasunkanmi, Ogieriakhi, Oladapo, Chigozie, Adewumi, Esegine & Ohaeri, 2025; Reddy, 2021). Tax noncompliance is often viewed as a significant problem because it causes shortfalls in government revenue, hence weakens government's ability to provide public goods and services. Ultimately, lack of public goods and services may hamper economic growth. Resources spent in dealing with noncompliance might be warranted if noncompliance created a drag on economic growth. On the other hand, if noncompliance enabled the private sector to invest in productive assets than otherwise could be wasted by the government via inefficiency or corruption.

In cases of non-compliances amongst individuals, Abdulrasaq and Babatunde (2024) stated that, strategies including intensifying the requirements needed for information reporting, instituting stringent verification processes, and requiring more frequent audit are implemented by tax authorities. In doing this, the cost of compliance for compliant taxpayers automatically increases. This is because, honest taxpayer must invest more resources and time in adhering to the new laid down disclosure and documentation duty. According to Olasunkanmi, et al, (2025), and Makoni & Laryea, (2025), for businesses, non-compliance falsifies market outcome in favour of participants who gain unlawful cost advantages and puts honest and compliant taxpayers at a competitive disadvantage position. This is because, the tax burden unfairly moves to compliant taxpayers, who basically subsidize the non-compliant. The public's confidence in the fairness of the tax system is weakened by this unequal distribution of the tax burden, which sets off a behavioural cascade in which perception of widespread non-compliance lower the moral cost of evasion and reduces voluntary compliance, potentially creating a downward spiral of eroding revenue (Iswahyudi, 2018).

Compliance Cost Drivers

The capacity to comprehend the principles of a nation's tax laws by citizens is basically the major driver of tax non-compliance. Tax complexity such as sophisticated computations and a sense of ambiguity during tax assessment contributes greatly to non-compliance (Saldajeno, Angelica & Sarita. 2025). Taxpayers who do not know enough about taxes will not be able to pay their taxes, which will result in their inability to comply with tax laws. This includes how many different taxes are levied, how frequently laws are amended, and how complicated the filing and payment processes are for taxpayers (Latif, 2025). Taxpayers face significant administrative burdens in systems with several tax bases, such as corporate income tax, value-added tax, payroll taxes, and excise charges, each with its own rates and reporting deadlines (Ibrahim, Tijjani, Salami & Yabagi, 2026). In other words, taxpayer are required to keep distinct records, compute obligations under various regulations, and file several returns over the course of the year, all of which significantly increase TCC.

According to Ryšavá and Zídková (2021), traditional factors like tax rates, penalty rates and audit probability contributes to TCC. As the tax and penalty rates increase, the lower the income will be declared and chances of engaging in tax non-compliance increases. Another important factor is the regularly and unpredictability of tax law changes. Each amendment requires taxpayers and their professional advisors to devote time to comprehending new provisions, updating internal systems, and modifying compliance procedures. In addition, poorly drafted or ambiguous legislation increases costs by creating uncertainty and necessitating professional interpretation and litigation (Rashid, Ahmad, Abdullah, Ahmmed & Islam, 2022; Ilemona, 2023). Likewise, governmental processes and costs needed by tax authorities greatly enhance TCC. This is because, taxpayers usually dedicate a huge amount of internal resources in the form of fees associated with data collection, submission, and verification. These costs increases when the processes are inconsistent across diverse governmental levels and tax types (Saldajeno, Angelica & Sarita. 2025).

6. Conclusion

In emerging nations where fragile institutions and corruption aggravate burdens and demoralize voluntary compliance, TCC pose a great challenge to tax systems sustainability and effectiveness. Results and outcomes from empirical facts and studies on TCC across different emerging nations (Ghana, Indonesia, Kenya, Nigeria, amongst others) established that TCC motivated by administrative processes, systemic intricacy, and recurrent legislative changes, imposes a noteworthy economic burden that extremely affects businesses and individuals. This outcome aligns with the reviewed theories (benefit theory and the ability to pay theory), indicating equity issues in aligning tax burdens with capacity and public goods consumption. Hence, high TCC threaten economic progress, social equity and fiscal sustainability via discouraging tax system legitimacy, distorting expedition and eroding voluntary compliance. To address the issues stated in the discussion, comprehensive strategies involving harmonizing procedures, combating corruption, investing in digital infrastructure, amongst others are needed.

7. Recommendations

In light of the pervasive challenges posed by tax compliance costs and their detrimental effects on voluntary compliance, economic growth, and fiscal sustainability, this study recommends a comprehensive and multi-dimensional reforms agenda directed at tax authorities, policymakers, and institutional stakeholders. To reduce uncertainty and the associated costs of expert interpretation and system updates, tax authorities should first prioritize the simplification of tax legislation by combining various tax bases, standardizing filing procedures across various tax types, and decreasing the frequency of legislative amendments. In addition, government should make noteworthy investments in user-friendly digital compliance infrastructure, such as integrated payment platforms, pre-filled returns, and real-time data analytics, which have been demonstrated by Grigorios, Andreas, and Michail (2022) to dramatically lower compliance costs while concurrently improving enforcement capabilities and non-compliance action.

Furthermore, since Merima (2018) showed that regulatory burdens and bribe-seeking behavious increase compliance costs, institutional reforms must address the corrosive effects of corruption and weak governance. To restore trust and lessen the informal coping mechanisms that compromise the integrity of the tax system, transparent administrative procedures, strong oversight mechanisms, and taxpayer charters that ensure fair treatment are crucial. More so, in order to facilitates evidence-based policy evaluation and cross-national learning, policymakers should create uniform frameworks for measuring and tracking compliance costs across jurisdictions, addressing the methodological problems of time valuation, joints costs, non-response bias, and definitional ambiguities found in this review.

References

Abdulrasaq, M., & Babatunde, A. A. (2024). Tax enforcement strategy: The antidote to non-tax compliance in North-West Nigeria. *Journal of Business Management and Accounting, 14*(1), 67-89.

Ajibola, A. A., Kasali, D. O. & Lateef, S. A. (2026). Role of tax audits in enhancing tax compliance: evidence from Ogun State. *FUDMA Journal of Accounting and Finance Research, 4*(1), 16-29.

Akims, M. A., Pyoko, O. M., Akims, K. A., Motende, W. N., Odwa, B., & Toyiring, D. B. (2023). Tax Education and Tax Compliance: A Review of Literature. *Journal of Economics*, *7*(1), 51–63. https://doi.org/10.53819/81018102t4235

Ali, M. (2021). A systematic literature review of sustainable entrepreneurship with thematic analysis. *World Journal of Entrepreneurship, Management and Sustainable Development, 17*(4), 742-764.

Bernard, O. Memba, F. & Oluoch, O. (2018). Influence of cost of tax compliance on tax compliance among investors in the export processing zones in Kenya. *International Journal or Scientific Research and Management, 6*(10), 744-749.

Blyse (2026). The Importance of Taxation and Tax Administration. Retrieved 24th July 2026 from https://blyce.com/the-importance-of-taxation-tax-administration/

Chigbu, E. E., Eze, A. L., & Ebimobowei, A. (2012). An empirical study on the causality between economic growth and taxation in Nigeria. *Current Research Journal of Economic Theory, 4*(1), 29-38.

Contos, G., Guyton, J., Langetieg, P., Lerman, A. H., & Nelson, S. (2012). Taxpayer compliance costs for corporations and partnerships: A new look. IRS Research Bulletin: *Proceedings of the IRS Research Conference 2012*, 4-18.

Eichfelder, S., & Vaillancourt, F. (2014). Tax compliance costs: A review of cost burdens and cost structures. *Available at SSRN 2535664*.

Eke, M. N. (2023). Principles and Importance of Taxation to the Nigeria's Economy. Retrieved 25th July 2026 from https://www.researchgate.net/publication/371339851_PRINCIPLES_AND_IMPORTANCE_OF_TAXATION_TO_THE_NIGERIA%27S_ECONOMY

Emslie, T. S., Davis, D. M., Hutton, S. J., & Olivier, L. (2011). *Income tax: Cases and materials. Capetown:* The Taxpayer.

Emwionmwusi, O., Nzotta, S., Chris-Ejiogu, U. & Uzoamaka, G. (2022). Effects of Taxation on the Growth of Nigerian Economy. *International Journal of Accounting and Financial Management Research, 1*(1), 1-17.

Ernest, B. T., Daniel, S. & Nicholas, A. (2022). Determinants of tax compliance costs of small and medium enterprises in emerging economies: Evidence from Ghana. *Social Sciences & Humanities Open, 6*(1), 30-43.

European Union (2013). A Review and Evaluation of Methodologies to Calculate Tax Compliance Costs. Retrieved 24th July 2026 from https://taxation-customs.ec.europa.eu/document/download/9d0ee4ea-48f5-4f4c-b0ca-3a732022d2ef_en?filename=taxation_paper_40.pdf

Evans, C., Tran-Nam, B., & Lignier, P. (2014). Tangled up in tape: The continuing tax compliance plight of the small and medium enterprise business sector. *Australian Tax Forum, 2*(9), 217-247.

Gregory, A. A., & Ndu, O. M. (2023). Tax collection, utilization systems and the performance of small and medium scale enterprises in Nigeria: A multivariate approach. *Journal of Tax Reform, 9*(2), 134-144.

Grigorios, L., Andreas G. K. & Michail P. (2022). The Tax compliance costs of businesses and its key determinants: Evidence from Greek Businesses. *Journal of Tax Administration 7*(1) 39-56.

Hansford, A. & Hasseldine, J. (2012). Tax compliance costs of small and medium-sized enterprises (SMEs): The case of the UK. *Journal of Tax Research, 10*(1), 288-303.

Ibrahim, R. T., Tijjani, M. S., Salami, S. & Yabagi, M. (2026). Determinants of Tax Non-Compliance in Nigeria. *International Journal of Research and Innovation in Applied Science (IJRIAS), 11*(3), 1027-1036.

Ilemona, S. A. (2023). Effects of Tax Compliance Determinants on Tax Evasion in Nigeria: An Empirical Insight. *African Development Finance Journal, 6*(1), 87-104.

Iswahyudi, H. (2018). Economic Consequences of Tax Noncompliance. *Jurnal BPPK Badan Pendidikan dan Pelatihan Keuangan, 11*(2), 49-60.

John, O. C., Shehu, A. N., Ahmad, B. A., Abdullahi, A. A. & Abdulkarim, M. M. (2024). Effect of Compliance Cost and Tax Burden on Tax Compliance of Small and Medium-Scale Enterprises in Benue State, Nigeria. *Gusau Journal of Accounting and Finance, 5*(2), 262-282.

Kazeem, S. B., Sadiat, O. S. & Adeolu, J. O. (2025). The Impact of Taxation on Economic Growth and Development. *Asian Journal of Economics, Business and Accounting, 25*(3), 389-399.

Kendrick, M. S. (1939). The ability to pay theory of taxation. *The American Economic Review. 29*(1), 92-101.

Khaemba, F. O., Simiyu, R. F. & Lusala, V. A. (2025). The Effect of Tax Compliance Costs on Financial Performance of Commercial Banks in Western Kenya. East African Scholars *Journal of Economics, Business and Management, 8*(9), 296-311.

Kramer, H. (2021). The effectiveness of tax audit penalties: A case study of Nigeria. African Journal of Public Finance, 10(4), 78-91.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Public Policy & Governance
Volume 10||Issue 3||Page 120-132 ||September||2026|
Email: info@stratfordjournals.org ISSN: 2616-8413

Latif, A. N. (2025). Factors Influencing Tax Non-Compliance among Taxpayers: A Review. *International Journal of Research and Innovation in Social Science (IJRISS), 9*(1), 81-88.

Mahangila, D. N. (2017). The Impact of Tax Compliance Costs on Tax Compliance Behaviour. *Journal of Tax Administration, 3*(1), 57-81.

Makoni, C. K. & Laryea, J. E. N. (2025). Consequences of Non-Tax Compliance: A Comprehensive Analysis of Potential Revenue Leakage and Its Impact on Federal Infrastructure Investment. *EPRA International Journal of Economic and Business Review (JEBR), 13*(9), 40-69.

Merima, A. (2018). Regulatory Burdens in Tax Administration and Firms' Compliance Costs in Africa. *International Centre for Tax and Development Working Paper 78*.

Obodoechi, E. U. & Mbobo, M. E. (2024). Effect of Tax Compliance Costs on Tax Evasion by Small and Medium Enterprises. *International Journal of Research and Innovation in Social Science (IJRISS), 2*(6), 45-62.

Olasunkanmi, Y. T., Ogieriakhi, A. P., Oladapo, O. G., Chigozie, P. I., Adewumi, J. O., Esegine, J. K. & Ohaeri, U. E. (2025). Evaluating the Economic Impact of Tax Avoidance and Evasion on Personal Income Tax Administration. *Path of Science, 11*(1), 10-17.

Pigou, A. C. (1928). *A Study in Public Finance*, Macmillan, London.

Prado, S. M. M., Franco, M. J. Z., Zapata, S. G. Z., García, K. M. C., Everaert, P., & Valcke, M. (2022). A Systematic Review of Financial Literacy Research in Latin America and the Caribbean. *Sustainability (Switzerland), 14*(7), 1-43.

Putri, S. A., & Prihatiningtias, Y. W. (2023). The mechanism and benefits of receiving government facilities in bonded zone for tax and financial report: A Case Study. *Telaah Ilmiah Akuntansi dan Perpajakan, 1*(4).

Rashid, M. H. U., Ahmad, A., Abdullah, M. S., Ahmmed, M., & Islam, S. (2022). Doing business and tax evasion: evidence from Asian countries. *SAGE Open*, *12*(4), 21-58.

Reddy, D. (2021). *Taxpayer Behavioural Factors Influencing Entrenched Tax Gaps.* (Doctoral dissertation).

Rotimi, O. (2021). Impact of Tax Compliance on Standard of Living in Nigeria. *Journal of Accounting and Management*, *11*(1), 237-250.

Ryšavá, T., & Zídková, H. (2021). What are the factors of tax evasion? New findings in the EVS Study. *Review of Economic Perspectives*, *21*(4), 385–409.

Sahoo, S., Kumar, A., Mishra, R., & Tripathi, P. (2022). Strengthening Supply Chain Visibility with Blockchain: A PRISMA-Based Review. *IEEE Transactions on Engineering Management*, 1-17.

Saldajeno, P., Angelica, D. & Sarita. A. N. (2025). Drivers of Tax Non-Compliance: A Systematic Review of Evasion and Avoidance. *Journal of Economics, Management and Trade, 31*(6), 177-85.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Public Policy & Governance
Volume 10||Issue 3||Page 120-132 ||September||2026|
Email: info@stratfordjournals.org ISSN: 2616-8413

Salih, D. M., Emmanuel, D. M., Gheni, A. F. & Ayodele, F. G. (2025). Tax Compliance Strategies and Revenue Generation in Nigeria, Economy, Business and Development. *An International Journal (EB&D), 6*(1), 1-18.

Sasidharan, A., & Duggal, M. (2023). Does sustainability matter for firm value: Evidence from China. *International Journal of Management and Business Research, 7*(3), 12-22.

Tayo, O. L., Adenike, O. M. & Babaloal, O. (2026). Tax Compliance and Economic Growth in Nigeria: Evidence from Southwest Nigeria. *Journal of Accounting, Auditing and Taxation, 1*(1), 16-23.

WeFinder (2022). What is the Importance of Taxation? Retrieved 25th July 2026 from https://www.wefinder24.com/2022/06/what-is-importance-of-taxation.html

World Bank Group (2025). Paying Taxes. Retrieved 25th July 2026 from https://subnational.doingbusiness.org/en/data/exploretopics/paying-taxes/why-matters.

York, E. & Muresianu, A. (2018). Reviewing Different Methods of Calculating Tax Compliance Costs. Retrieved 24th July 2026 from https://taxfoundation.org/research/all/federal/different-methods-calculating-tax-compliance-costs/