

SMALL AND MEDIUM ENTERPRISE PERCEPTION OF GOVERNMENT TRANSPARENCY AND TAX COMPLIANCE IN LAGOS STATE: THE MEDIATING ROLE OF TAXPAYERS' SATISFACTION WITH REVENUE UTILISATION

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Abstract

Tax compliance is a core subject in Nigeria because of the diminishing revenue accruing to the government coffers, resulting from oil revenue reduction. This study examined the impact of SME taxpayers' perception of government transparency on tax compliance as mediated by taxpayers' satisfaction with revenue utilisation in Lagos State, Nigeria. Both primary and secondary data were used in this research. The research design for this study was survey research. From a population of 42,067 SME owners in Lagos State, a total sample of 400 respondents was drawn which necessitated the administration of 400 questionnaire out of which 364 were returned while 342 copies were found usable. The study used both descriptive and inferential statistics to analyse the data collected. The test of the hypothesis was carried out using regression analysis while Process Macro on SPSS was deployed to test the mediating effects of taxpayers' satisfaction on the relationship between the independent variables on tax compliance. Results of the study showed that government transparency has a significant bearing on taxpayers' satisfaction with government spending and tax compliance. Finally, the study also revealed that taxpayers' satisfaction mediated significantly on the relationship between government transparency and tax compliance among Lagos State SME owners. The study recommends that the government of Lagos State be more transparent in the utilisation of public funds.

Keywords: Tax compliance, Government Transparency, Revenue utilisation

1.0 Introduction

The effective governance of any nation depends largely on its tax revenues, which are needed to fund public expenditures, including providing social amenities and national security (Jusoh, Mansor, Razak, & Noor, 2021). Taxes are paid into government coffers by individuals and organisations from the production of goods and services, consumption, and income (Adeyeye & Otusanya, 2015; Bassey, 2013; Adeyeye, 2013). According to Ezu and Okoh (2016), tax is paid for the sustenance of the government, which is charged with the responsibility of carrying out basic functions, for its citizens. For tax revenues to be effectively mobilised, however, taxpayers must comply with relevant tax laws and pay their taxes sufficiently (Fjeldstad et al., 2012; Vegh & Gribnau, 2018). In this regard, governments are highly concerned about taxation and compliance with taxation rules, as they form the mechanism for generating state revenue for nations (Khalid, Turmin & Palil, 2021; Ganyam et al., 2019).

Tax compliance can be referred to as taxpayers' willingness to obey the laws relating to taxation, declare accurate income and pay the actual tax liability as assessed promptly (Abdu & Adem, 2023; Ige, Igbekoyi, & Dagunduro, 2023; Ng, Lee2 & Wong, 2020; Suleiman, Yahaya, & Abba, 2018; Sitardja & Dwimulyani, 2016; Atawodi & Ojeka, 2012; Badara, 2012). Saw (2017) declares that tax compliance is the capacity of taxpayers to file tax returns at the specified time frame for tax declaration and prompt payment of the liability to the relevant tax authority. In developing countries, tax non-compliance is a foremost challenge that governments and administrators of tax are facing and this affects revenue generation and the government's capacity to provide the essential infrastructure and deliver programmes expected by the citizens (Akpubi & Igbekoyi, 2019, Alaaray, Bustamam & Mohamed, 2018, Radae & Sekhon, 2017). The biggest source of revenue of developed nations is revenue through taxes which have been used to impact the lives of their nationals through the provision of good roads and other social amenities (Oluba, 2008). Bird, Jorge, and Benno (2008) submit that tax revenues in developing countries account for only about 10 to 15 percent of national income whereas advanced nations get as high as 30-40 per cent. According to the World Bank Group (2014), Nigeria had the lowest tax revenue to Gross Domestic Product (GDP) ratio in the Sub-Sahara region. According to the Lagos State Chamber of Commerce and Industry (2024), the contribution of tax to the gross domestic product (GDP) in Nigeria is 10.86% as of 2021 which fell short of the 15% projected for similar countries and 34% currently being experienced in OECD countries (OECD, 2022) as of 2021. This means that tax compliance is very low in Nigeria.

Small and Medium Enterprise taxpayers seem to adduce their reduced compliance to the lack of transparency on the part of the government. According to Kopits and Craig (1998), transparency connotes disclosing to the public information about how governments work, spend its revenue and manage their general resources. Transparency helps citizens to become more informed and knowledgeable about government activities, which brings them closer to the government and creates increased understanding of government policies (Ige, Igbekoyi, & Dagunduro, 2023).

The average SME owner in Lagos State does not appear to know how the government spends the revenue accruing to it or reconcile the amount of taxes collected with the extent of the performance of her primary responsibilities. Perhaps, the level of transparency would not have been magnified if there had been satisfaction with the infrastructures and amenities like roads, security, water, and education. Perhaps, the non-compliance of taxpayers is predicated on the non-satisfactory benefits accruable to them, especially when they still have to spend their hard-earned money to provide what the government should ordinarily make available for them. In effect, could there be a nexus between the level of government transparency and SME taxpayers' compliance in Lagos State for which the level of satisfaction with government spending has been complicit? This study, therefore, examines the impact of government transparency on tax compliance of SME owners in Lagos State using satisfaction with government utilisation of its revenue as a mediating factor.

2.0 Literature review

2.1 Empirical review

2.1.1 Government Transparency and Tax Compliance

Transparency International (2009) considers transparency as the quality of being open in the disclosure of information, rules, plans, processes, and actions of governments, companies, organisations and individuals. Grimmelikhuijsen and Meijer (2012) studied the impact of government transparency on trust of citizens in government using predisposition and prior knowledge as moderating variables. They discovered that transparency influences trust where there is less predisposition to information and prior knowledge. Djawadi and René (2013) study revealed that tax compliance is higher in tax environments where there is complete transparency on public expenditures and taxpayers are given the opportunity to decide on how their taxes would be utilised. Fadjjar & Siahaan (2013) conducted a study on the influence of tax transparency and trust on taxpayers' voluntary compliance in Surabaya, East Java, Indonesia using primary data obtained from 67 taxpayers. The authors concluded that a government characterised by a high level of tax transparency exhibits greater trust, and would achieve a higher degree of taxpayers' voluntary compliance.

2.1.2 Satisfaction with Government's Revenue Utilisation

Aigheyisi (2013) emphasises that government expenditures are cost outlays on security, administration, defence, health, social, education, and foreign affairs which have both capital and recurrent components. Government utilises revenues on various expenditure heads leading to the servicing of government machinery, economic development, social development, the protection of its citizens, and the provision of social infrastructures, such as good roads, quality education, sound health, and adequate power (Adeyeye, 2013; Ogundipe & Oluwatobi, 2013; Abu & Abdullahi, 2010). In essence, the provision of public infrastructures is delivered on a platform of revenue utilisation; hence non-provision of these essential infrastructures and amenities could discourage the citizens from performing their civic obligations (Akpo, 2009). Mohammed and Sebhat (2019) examined the drivers of Ethiopia's compliance with tax and concluded that the perception of government spending was a primary determinant of tax compliance among taxpayers. Over the years, Nigeria has appropriated huge sums of money for her social and economic developments; however, the performance has been extremely disappointing (Aigheyisi, 2013; Eze, Nnedum & Ugochukwu, 2013). This has probably accounted for Lagos State having only 4.6 million out of the possible 9.6 million taxpayers in the tax net (Subair, 2020). This level of compliance perhaps results from the perception of government transparency in the utilisation of revenue accruing to Lagos State government from its taxpaying citizens which is far from satisfactory to them.

Accordingly, this study examines the mediating influence of taxpayers' satisfaction with the utilisation of government revenue on the relationship between government transparency and tax compliance of SME owners in Lagos State and provides empirical evidence that would expand the frontier of tax compliance literature. The study hypothesises the following:

H01: SME taxpayers' perception of government transparency does not have a significant relationship with taxpayers' satisfaction with revenue utilisation in Lagos State, Nigeria.

Ho2: SME taxpayers' perception of government transparency has no significant impact on tax compliance in Lagos State.

H03: Taxpayers' satisfaction with government spending does not have a significant mediating effect on the relationship between taxpayers' perception of government transparency and tax compliance in Lagos State

2.2. Theoretical Framework for the study

This study is supported by the Stakeholder theory which was propounded by Edward Freeman in 1984. The Stakeholder theory was originally applied in the field of organisational management and ethics to explain that a company is responsible, not only to the shareholders but to other groups of stakeholders. A stakeholder has been identified as a person or group, which can influence or is influenced by the actions of a business, including employees, customers, suppliers, creditors and even the wider community members, and competitors. Stakeholder theory prescribes a reciprocal relationship between the corporation itself and the stakeholders. Therefore, it is important that stakeholders' expectations resonate with the objectives of the organisation, otherwise, the organisation would not be able to achieve its objectives. In applying the stakeholder theory to tax compliance, it is deemed that the government would succeed when the stakeholders, including taxpayers, are satisfied with the way the government spends its revenues. The taxpayers would be motivated to go back to the government and contribute to its success by paying their taxes.

3.0 Materials and methods

This study adopted a survey research design to elicit data objectively from the sample of the study. A total number of 42,067 owners of SME forms the study population, from which 37,135 and 4,932 were grouped into small and medium enterprises owners' respectively, in Lagos State (Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and Bureau of Statistics, 2021). This study used the stratified sampling method to determine its respondents. In a survey of small and medium enterprises carried out in 2021, SMEDAN and the Bureau of Statistics 2021 identified 16 different classes of business which form the basis for grouping the population into various strata. A total of 387 (approximated to 400) owners of SME, determined using Taro Yamane (1962) statistical formula, were sampled. Going by the number of the twenty (20) constitutionally recognised Local Government Areas in Lagos State, the 400 SME owners were conveniently selected, that is, 20 per local government because the result of SMEDAN's report does not include distribution into Local Governments in Lagos State.

The samples were surveyed using a five-point Likert linear scale questionnaire format. A total number of 364 (90%) copies were filled and returned. After due scrutiny of the returned copies of the questionnaire, 342 (86%) copies were found to be usable for analysis. This is the above acceptable response rate recommended in the literature, which stipulates that a minimum of 60% response rate, should be the goal of a researcher (Finchman, 2008). Both descriptive and inferential statistics were used to analyse the data. The demographic background information of the respondents was analysed and presented using descriptive statistics such as frequency and percentages. To test the hypotheses, Pearson correlation and regression methods were performed at a 0.05 level of significance used to present and analyse the data by testing the impact of the variables and the extent of variation occasioned by each explanatory variable. Hypotheses were tested using regression estimation analysis. The regression model are:

$$\text{TxpSatis} = \beta_0 + \beta_1\text{GovTrans} + \varepsilon \dots \dots \dots (1c)$$

$$\text{TxpComp} = \beta_0 + \beta_2\text{GovtTrans} + \epsilon \dots\dots\dots (2c)$$

$$\text{TxpComp} = \beta_0 + \beta_3\text{GovtTrans} + \beta_4\text{TxpSatis} + \epsilon \dots\dots\dots (3d)$$

Where TxpComp and TxpSatis stand for taxpayers’ compliance and taxpayers’ satisfaction respectively, GovtTrans represents government transparency. For the above models, β_0 represents the intercept while β_1 , β_2 , β_3 and β_4 are the regression coefficients and ϵ represents the error margin.

4.0 Results

4.1 Descriptive analysis

The demography of the respondents presented in Table 1 reveals that the male 221 (65%) are more than their female (121) 35% counterparts suggesting there more male small and medium entrepreneurs among them. As per age, 280 (86%) are within the age group of 30 to 60 years, meaning that the respondents are still in their prime and active age. Concerning their marital status, the distribution shows that 263 (77%) respondents are married, meaning that the majority of the respondents are married. The respondents are quite learned (OND/NCE: 54; B.Sc/HND: 177; M.Sc/MBA: 68; and Ph.D: 15), hence their level of literacy helped to appreciate the import and the concepts being considered in the study. Out of the sampled respondents. 144 (42.1%) have professional qualifications as against 198 (57.9%) that do not have, which entails that only few professionals engage in small and medium enterprises. Majority of the respondents, 287 (73.9%) have been in business for upward of six years, hence respondents are business men and women with a requisite number of years of experience, hence they are all qualified to be examined on the level of their tax compliance.

Table 1: Demographic distribution

Variable		No of respondents (%)	Variable		No of respondents (%)	
Gender	Male	221(64.6)	Prof. qualification	Yes	144(42.1)	
	Female	121(35.4)		No	198(57.9)	
	Total	342(100)		Total	342(100)	
Age	>30	36(10.5)	Marital Status	Single	40(11.7)	
	31 - 40	92(26.9)		Married	263(76.9)	
	41 - 50	109(31.9)		Separated	23(6.7)	
	51 - 60	79(23.1)		Divorced	16(4.7)	
	Above 60	25(7.3)		Total	342(100)	
	Total	342(100)				
Qualification	W.A.S.S.C.E/G.C.E/NECO	28(8.2)	Years in business	1 - 5	55(16.1)	
	OND/NCE	54(15.8)		6 - 10	137(40.1)	
	BA/B.Sc/HND	177(51.8)		11 - 15	107(31.3)	
	MA/M.Sc/MBA	68(19.9)		16 - 20	21(6.1)	
	Ph.D	15(4.4)		Above 20	22(6.4)	
	Total	342(100)		Total	342(100)	
Business types	Manufacturing	37(10.8)	Average assets base	₦5.00m - ₦50.00m	302(88.3)	
	Mining and quarrying	17(5.0)		₦51.00m - ₦500m	40(11.7)	
	Accommodation/catering services	33(9.6)		Total	342(100)	
	Agriculture	25(7.3)				
	Wholesale/Retail Trade	45(13.2)	Number of Employees	11 - 49	284(83.0)	
	Construction	34(9.9)		50 - 199	58(17.0)	
	Transportation	24(7.0)		Total	342(100)	
	Information Communication	22(6.4)				
	Education	37(10.8)		Income per annum	Below ₦10m	67(19.6)
	Administration and support services	29(8.5)			₦11m - ₦100.00m	256(74.9)
	Arts, Entertainment and Recreation	18(5.3)	₦101m - ₦500m		19(5.6)	
	Water supply, Sewage and waste mgt	18(5.3)	Total		342(100)	
	Others	3(0.9)				
	Total	342(100)				

Table 2 relates the indices for measuring taxpayers’ perception of government transparency.

Table 2: SME Taxpayers’ Perception of Government Transparency

S/N	Statement	Mean	Std Dev.
1	Taxpayers have a say in how their taxes are spent.	2.13	1.077
2	Taxpayers are well informed of the outcome of revenue utilisation	2.04	1.014
3	Funds are utilised on the projects that are budgeted for.	2.11	1.075
4	Taxpayers are involved in the review of the execution of projects.	2.21	1.121
5	Revenue utilised is made available to taxpayers on an ongoing basis	2.13	1.140
6	Taxpayers are involved in the review of project costs.	2.13	1.152
	Average	2.12	1.10

Source: Research Survey (2021)

Six (6) transparency measures were used to elicit responses on the level of government transparency on the part of Lagos State government about revenue utilisation. From Table 2, the results show the highest mean of 2.21 whereas the lowest mean was 2.04. On average, the mean and standard deviation showed 2.12 and 1.10 respectively. In essence, the respondents scored the government low on transparency which might be responsible for their apathy towards fulfilling their tax obligations.

4.1.2 Descriptive analysis of SME owners' tax compliance

Table 3 shows the descriptive analysis results for measuring SME compliance with tax.

Table 3: SME owners' compliance with tax

Tax compliance index	Mean	Std. Deviation
Compliance with registration	2.59	0.549
Compliance with filing	2.59	0.661
Compliance with tax liability	2.56	0.705
Compliance with tax payment	2.54	0.656
Compliance with tax record-keeping	2.70	0.933

Source: Researcher's survey (2021)

Table 3 reflects the five indices used to ascertain SME owners' tax compliance in Lagos State. The results show that all the indices on tax compliance return scores below 3.00. On average, 2.59 and 0.70 are the mean and standard deviation, respectively, which implies that respondents acknowledge low tax compliance in Lagos State. Overall, this is an admittance of respondents that they were not fully tax compliant. This entails that the perception of government transparency might have encouraged SME owners' non-tax compliance in the state.

4.2 Inferential statistics

Pearson correlation analysis was carried out to establish the relationship between taxpayers' perception of government transparency, satisfaction with government spending, and tax compliance. Table 4 shows that perception of government transparency, satisfaction with government spending correlated significantly and positively with tax compliance (Taxpayers' compliance: $p < .05$, $r = .000$).

Table 4: Correlation analysis

		Taxpayer s' Compliance with Registration	Taxpayer s' Compliance with Registration	Taxpayer s' Compliance with Tax Liability	Taxpayers' Compliance with Tax Payment	Taxpayers' Compliance with Tax Record keeping
Taxpayers' Perception of Government Transparency	Pearson Correlation	.136*	.281**	.279**	.305**	.268**
	Sig. (2- tailed)	.012	.000	.000	.000	.000
	N	342	342	342	342	342
	Pearson Correlation	.265**	.427**	.465**	.436**	.383**

Taxpayers' Perception of Satisfaction with Govt. Spending	Sig. (2-tailed)	.000	.000	.000	.000	.000
	N	342	342	342	342	342

Source: Author's Survey (2021)

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

4.2.1 Test of hypotheses

Multiple regression analysis was performed on the dependent and independent variables. The results of these analyses are hereby presented. For the model, the effect of the explanatory (independent) variable on satisfaction with government spending and tax compliance measures was assessed at a .05 level of significance.

Ho1 SMEs taxpayers' perception of government transparency does not have significant impact on taxpayers' satisfaction with revenue utilisation in Lagos State, Nigeria.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Beta Co-efficient	F Change	Sig. F Change
1	.981 ^a	0.962	0.962	.981	8681.695	0.000

a. Predictors: (Constant), Taxpayers' Perception of Government Transparency

Source: Research Survey (2021)

Table 5 shows a positive and statistically significant relationship between government transparency and satisfaction with revenue utilisation with a coefficient of correlation, $r = .981$, $t (93.176)$, $p < .05$. The value of $R^2 (.962)$, suggests that the perception of taxpayers of government transparency accounts for 96% of the variation in taxpayers' satisfaction with revenue utilisation in Lagos State which means that a change in taxpayers' perception of government transparency would cause their satisfaction to change significantly. The results show an F value of 8681.695 and $P < .05$ implying that as taxpayers' perception of Lagos State government transparency increases, their satisfaction with revenue utilisation would also increase.

Ho2 SME taxpayers' perception of government transparency does not have significant impact on tax compliance in Lagos State.

To test the hypothesis, the taxpayers' perception of the level of government transparency was regressed against the tax compliance of the respondent. The results are presented in Table 6 as follows:

Table 6: The Impact of SME Perception of Government Transparency on Tax Compliance

Model	R	R square	Adjusted R square	T Statistic	Change Statistics	
					F Change	Sig F Change
1	.458a	0.21	0.208	9.497	90.186	0.000

a. Predictors: (Constant), Taxpayers' perception of government transparency

b. Dependent Variable: Tax Compliance

Source: Research Survey (2021)

Table 6 shows a positive and also a statistically significant relationship between government transparency and tax compliance with a coefficient of correlation, $r = .458$, $t(9.497)$, $p < .05$. This means that a change in taxpayers' perception of government transparency would cause their tax compliance to change significantly. The value of $R^2 (.21)$ suggests that the perception of SME taxpayers of the level of government transparency will account for a 21% variation in tax compliance. The ANOVA value shows the F value of 90.186 and is significant at $P < .05$, which implies that as taxpayers' perception of Lagos State government transparency increases, their compliance level would also increase. By reason of this result, the null hypothesis is rejected while the alternative hypothesis is accepted.

4.2.2 Mediation analysis

To test hypothesis 3, Process Macro for SPSS version 4 was used to perform a mediation analysis. The study fulfilled the conditions of Baron and Kenny (1986) which state that, the independent variable must significantly predict the dependent variable, the mediator, the mediator must significantly predict the dependent variable, and the significant influence of the independent variable on the dependent variable(s) weakens with the mediator. Further works by Kenny, Korchmaros and Bolger (2003) and MacKinnon, Fairchild and Fritz (2007) argued that not all the steps have to be fulfilled for there to be a mediation and that indirect effects should be tested even where any of the four criteria fails by considering the range of confident intervals; where it contains zero, the null hypothesis would be retained. According to Hayes (2018:119), "it is the test of indirect effect that matters, not the test of the individual paths in the model." In order to test the indirect effect, a percentile bootstrap estimation approach with 5000 samples was used (Hayes, 2013).

H03 SME taxpayers' satisfaction with revenue utilisation does not have significant mediating effect on the relationship between taxpayers' perception of government transparency and tax compliance in Lagos State.

To test hypothesis 3, a mediation analysis of the effect of taxpayers' satisfaction on the relationship between taxpayers' perception of government transparency and tax compliance was carried out. Using taxpayers' perception of government transparency, taxpayers' compliance and taxpayers' satisfaction as the independent variable, dependent and mediating variables respectively, the total, direct and indirect effects were computed and the mediation results are as follows:

Table 6 Mediation analysis of the effect of taxpayers' satisfaction on government transparency and tax compliance

	<i>Beta (b)</i>	<i>Std. Error</i>	<i>T</i>	<i>Sig.</i>	<i>LLCI</i>	<i>ULCI</i>
Government transparency to taxpayers' satisfaction	1.055	0.054	19.486	0	0.948	1.161
Government transparency to tax compliance	0.281	0.256	-1.096	0.274	-0.785	0.223
Total effect	1.155	0.191	6.055	0	0.779	1.529

Indirect effect	1.436	1.021	1.858
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Source: Authors survey, 2021

The text for hypothesis 3 discloses that taxpayers’ perception of government transparency significantly predicts taxpayers’ satisfaction $b = 1.05$, $t = 19.49$, $SE = .05$ $p = .000$. With the introduction of the mediating variable of taxpayers’ satisfaction into the model, the result shows that government transparency does not significantly predicts tax compliance, $b = -.28$, $t = -1.10$, $SE = .26$, $95\%CI (-0.78, .22)$, $p = 0.274$; however, taxpayers’ satisfaction significantly predicts tax compliance, $b = 1.36$ $t = 7.71$, $SE = .18$, $95\%CI (1.01, 1.71)$, $p = .000$. The R^2 value explains 23% of the variance in tax compliance. The total effect of government transparency on tax compliance without the mediator shows a significant impact, $b = 1.15$, $t = 6.06$, $SE = .19$, $p = .000$. The indirect effect shows that taxpayers’ satisfaction play a mediating role on the relationship between government transparency on tax compliance, $b = 1.44$, $95\% CI (1.02, 1.86)$ because the range does not contain zero. Hence the null hypothesis is not retained.

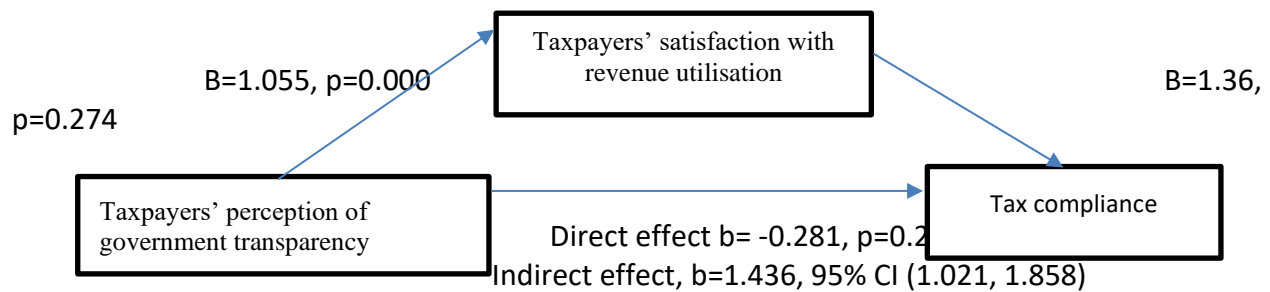


Fig. 1 Government transparency as a predictor of tax compliance mediated by taxpayers’ satisfaction.

Source: Research Survey, 2021

5.0 Discussions of findings and recommendations

This study has achieved its stated objectives by providing literary evidence on the impact of the mediation effect SME satisfaction with government revenue utilisation and the relationship between SME perception of government transparency and tax compliance in Lagos, Nigeria. In this first instance, SME perceptions of government transparency and satisfaction with government spending correlated significantly with tax compliance. The study also found that SME taxpayers’ perception of government transparency and taxpayers’ satisfaction have a significant impact on tax compliance of the SMEs in Lagos State. This finding is consistent with the findings of previous researchers (Adekoya, Enyi, & Akintoye, 2019; Adeyeye & Otusanya, 2015; Adekoya & Akintoye, 2018). The study also indicates that a high perception of government transparency by the taxpayers would inevitably engender an improvement in tax compliance on their part. The results indicated that taxpayers’ satisfaction has a mediating role on the relationships between government transparency and tax compliance.

Based on the outcome of the study, it is recommended that the government should be more open and carry the citizens of Lagos State along in the act of project implementation, financing, and review. Town hall meetings should be held regularly between the government on one side and the representatives of the citizens in all the local governments in Lagos State to constantly inform them and appraise them with the level of development in the state. This would afford the populace to have a say in the development process of the state. This study investigated the taxpayers’ perception of revenue utilisation and tax compliance in Lagos State, Nigeria. Having shown that taxpayers’ satisfaction with government spending has a mediating impact on the relationships between government transparency

and tax compliance in Lagos State it entails that when taxpayers are happy with the government spending of revenue, there would be an increased tendency for taxpayers to comply with tax registration, filing, computation of tax liability, payment and keeping records of tax documents. This study has contributed to the existing body of literature on taxation by extending the frontier of knowledge on the factors that affect tax compliance amongst SMEs in Lagos State. The study established mediating effects of taxpayers' satisfaction on the relationship between government transparency and tax compliance of owners of SMEs in Lagos State and it shows that taxpayers' satisfaction is a major determinant of tax compliance.

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