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PERCEIVED FAIRNESS OF TAX INCENTIVES AND ITS EFFECT ON TAX ATTITUDES AMONG GIG WORKERS IN SOUTH-WEST NIGERIA

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ABSTRACT

The rapid growth of the gig economy has redefined labor markets, with freelance broadcasters emerging as significant contributors to Nigeria's informal digital sector. However, tax compliance remains low among this group due to irregular earnings, limited awareness, and digital barriers. This study investigates how perceptions of tax incentive fairness influence tax compliance attitudes among gig workers in South-West Nigeria, focusing on freelance broadcasters and examining digital literacy as a moderating factor. Drawing from Rational Choice Theory and the Diffusion of Innovations Theory, the study adopts a quantitative research design, targeting 384 respondents comprising Internal Revenue Service (IRS) staff and freelance media professionals. Data was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) indicates that perceived fairness exerts a significant positive influence on tax attitudes ($\beta = 0.42$, $p < 0.001$), and that digital literacy significantly moderates this effect ($\beta = 0.19$, $p = 0.037$). Results reveal that perceived fairness of tax incentives, such as flat-rate schemes and micro-deductions significantly affects compliance behavior. Furthermore, digital literacy positively moderates this relationship by improving understanding and usage of e-tax platforms. Normality and collinearity tests validated the dataset, while predictive relevance analysis showed the model explained 48.2% of the variance in tax compliance. The study recommends that tax authorities develop digital-friendly, gig-specific incentives, and integrate identity-linked benefits into formal tax platforms. Such strategies can improve compliance, build trust, and drive fiscal inclusion in Nigeria's expanding gig economy.

KEYWORDS: - Tax Incentives, Digital Literacy, Gig Workers, Tax Compliance.

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1.0 INTRODUCTION

1.1 Background of the study

The rise of the gig economy has transformed labor markets globally, with freelance digital work, particularly in media and broadcasting, growing rapidly. In countries such as the United States, United Kingdom, and India, digital platforms like YouTube and Fiverr have enabled freelance broadcasters to thrive (OECD, 2020; ILO, 2021). This trend is equally visible in South-west Nigeria, where freelance broadcasters, such as on-air personalities, voice-over artists, and content creators have become vital contributors to the informal economy. However, they face persistent challenges regarding tax regulation and compliance due to their irregular incomes and informal work structures (Alm& Finlay, 2013; OECD, 2021).

Evidence from international and African contexts shows that perceived fairness in tax policy is a stronger predictor of voluntary compliance than enforcement alone (Kirchler, 2007; Verboon&Goslinga, 2009; Fjeldstad&Heggstad, 2012). This fairness includes distributive justice (equity in tax burdens and benefits), procedural justice (transparency and consistency), and retributive justice (fairness in sanctions). When informal workers perceive tax incentives as skewed or inaccessible, their willingness to comply diminishes (Slemrod, 2019; Ali, Fjeldstad&Katera, 2017).

In Nigeria, the gig economy has expanded, with freelance broadcasters operating mainly outside the formal tax system. Despite reforms like the Finance Act 2023 and digital tax tools introduced by agencies such as FIRS and LIRS, actual compliance remains low due to weak enforcement and lack of trust (FIRS, 2023; UNILAG Tax Club, 2023; Sanni, Adekunle&Garba, 2022). Freelance broadcasters, who often lack job security and social protection, are particularly sensitive to perceptions of fairness in taxation (Olayemi, 2019; Adeoye&Adeyemo, 2022).

Digital literacy is a critical moderating factor. While tax authorities have introduced e-filing systems and platforms like TaxPro Max, many freelancers lack the skills to use these tools effectively. Research confirms that digital literacy improves understanding of tax obligations and uptake of tax incentives (Adeleke&Ogunyemi, 2022; Adeoye, Okafor&Lawal, 2023).

This paper therefore investigates how perceptions of tax fairness affect tax attitudes among gig workers in South-west Nigeria, while also examining how digital literacy moderates this relationship. It offers policy-relevant insights on enhancing inclusive compliance in Nigeria's informal digital economy.

1.2 Statement of the Problem

Tax compliance among gig workers in Nigeria, especially freelance broadcasters, remains low, despite reforms aimed at integrating informal workers into the tax system. Operating in a decentralized, project-based environment, these professionals are hard to track and regulate under conventional tax structures (Adebisi&Gbegi, 2021). In South-west Nigeria's media hubs like Lagos and Ibadan, many freelance broadcasters still evade taxes due to irregular earnings, limited tax knowledge, and weak enforcement (Adeleke&Ogunyemi, 2022). Reforms such as the Finance Act 2023 and initiatives by FIRS and LIRS have introduced digital filing systems and mandatory TIN

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registration (FIRS, 2023; LIRS, 2021). Yet, compliance remains low, with informal sector losses estimated at ₦6 trillion annually (UNILAG Tax Club, 2023). A key barrier is the perceived unfairness of tax incentives, which many freelance broadcasters view as poorly communicated, irrelevant, or biased toward formal-sector entities (Adegbite, Alabi&Okunade, 2023).

Digital literacy further moderates compliance outcomes. While some broadcasters are tech-savvy, others lack the skills to use e-tax platforms (Ogunleye& Adebayo, 2020). This study explores how perceptions of tax incentive fairness shaped by digital literacy affect tax attitudes, addressing a major gap in Nigeria's gig economy tax policy.

1.3 Research Questions

Arising from the identified problem of this study, the following research questionis formulated to guide the investigation:

(i). How does the implementation of tax incentive strategy affect tax compliance among gig workers in South-west Nigeria and to what extent is this relationship influenced by their level of digital literacy?

1.4 Research Objectives

The main objective of this study is to examine the influence of perceived fairness of tax incentives on the tax attitudes of gig workers in South-west Nigeria, with digital literacy considered as a moderating factor. The specific objectives are to:

(i). Assess the effect of the tax incentive strategy on tax compliance among gig workers in South-west Nigeria and determine whether digital literacy influences this effect.

1.5 Scope of the Study

The study investigates how tax incentive strategies influence tax compliance among gig workers, with a specific focus on freelance broadcasters in South-west Nigeria. Targeting key states: Ekiti, Lagos, Ogun, Ondo, Osun, and Oyo, the research explores how this growing segment of the informal economy responds to tax policies. These capital cities were selected for their high population, economic vibrancy, and concentration of freelance media professionals. Freelance broadcasters, including journalists, content creators, and voice-over artists, often work on irregular contracts, complicating tax compliance. The study aims to offer actionable insights for tax authorities seeking to improve compliance through tailored, incentive-driven strategies in the digital gig economy.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Tax Incentive Strategy

Tax incentives are policy instruments used by governments to stimulate economic growth, encourage investment, and promote tax compliance (Bird &Zolt, 2022). They include measures such as tax holidays, exemptions, deductions, credits, and accelerated depreciation (OECD, 2024; Gordon & Li, 2023). These incentives reduce the tax burden on businesses and individuals, thus promoting activities aligned with national development goals. They are broadly categorized into direct (e.g., tax credits) and indirect (e.g., reduced rates) incentives (Miller & Oats, 2022).

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Objectives range from attracting investment, boosting employment, and promoting innovation to encouraging regional development (Adeoye, 2021; Oluwole& Adebayo, 2022; Oladipo, 2022). When well-targeted, incentives can raise foreign direct investment by up to 20% in Sub-Saharan Africa (UNCTAD, 2023), but poorly designed incentives may erode the tax base and distort markets. Challenges include revenue loss, mismanagement, and ineffective outcomes (Mason &Schmitz, 2021; Kazeem, 2023). Effectiveness is measured by investment growth, employment rates, tax compliance, and innovation outputs (Bird &Zolt, 2022; Gordon & Li, 2023). To remain effective, incentives must be transparent, time-bound, and subject to regular evaluation and public reporting (World Bank, 2022). Overall, their success lies in balancing fiscal impact with development outcomes.

2.1.1.2 Digital Literacy

Digital literacy refers to the ability to critically navigate, evaluate, and create information using digital technologies. It encompasses technical, cognitive, and socio-emotional skills essential for participating in the digital world (Ng, 2012; Eshet-Alkalai, 2004; OECD, 2021). These include operating devices, evaluating online information, maintaining digital privacy, and engaging ethically in digital spaces (Van Deursen&Helsper, 2015; UNESCO, 2018). Digital literacy types include technical, information, media, and communication literacy, all of which overlap to support digital competence (Ng, 2012). Its benefits include better access to information, improved communication, and inclusion in the labor market (OECD, 2021; ALA, 2013). However, disadvantages such as digital exclusion, misinformation, and privacy risks remain concerns (Ng, 2012; Van Deursen&Helsper, 2015). Measurement tools assess technical, cognitive, and ethical dimensions through tests, surveys, and performance tasks (Ng, 2012; UNESCO, 2018). As such, digital literacy is vital for informed participation in the digital economy and society.

2.1.3 Gig Workers

In the context of the gig economy, “gig” refers broadly to a short-term, flexible job, often arranged via digital platforms like Uber, Fiverr, or Upwork, typically without formal employment contracts or benefits (Oxford University Press, 2024). As of the latest available edition, the Oxford English Dictionary (OED) defines a “gig worker as a person who does temporary or freelance work, especially an independent contractor engaged on an informal or short-term basis." (Oxford University Press, 2024). Gig workers are individuals engaged in flexible, short-term jobs often mediated by digital platforms. They operate independently, lack traditional employment benefits, and face irregular income and tax complexities, making compliance challenging. Their work structure demands evolving labor policies and tax systems to address their unique legal and economic conditions (Sundararajan, 2020; Berg, 2021).

2.1.4 Tax Compliance

Tax compliance refers to the extent to which individuals and businesses fulfill their tax obligations, including timely filing, accurate reporting, and full payment of taxes (Bird &Zolt, 2022). It plays a vital role in generating revenue for public services and promoting economic stability (Gordon & Li, 2023). Compliance is classified into voluntary driven by education and simplified systems and enforced, which involves audits and penalties (Hasseldine, Hite & James, 2021). Strong tax compliance supports fairness, trust in institutions, and foreign investment (Smith & Taylor, 2022),

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but faces challenges such as high costs, complex regulations, and administrative inefficiencies (Bird &Zolt, 2022).

2.2 Theoretical Framework

2.2.1 Rational Choice Theory (RCT)

Rational Choice Theory (RCT), developed by Becker (1976), asserts that individuals make decisions by weighing costs against benefits to maximize utility. In the context of tax compliance among gig workers in South-west Nigeria, RCT explains how workers evaluate the costs of compliance, like financial burden and time—against benefits such as avoiding penalties or accessing credit (Allingham&Sandmo, 1972). RCT supports the idea that digital platforms, tax incentives, and enforcement mechanisms can influence behavior if perceived benefits outweigh costs. However, critics argue that RCT overlooks social and emotional factors, especially among informal sector workers with limited access to information (Fehr & Falk, 2002).

2.2.2 Diffusion of Innovations Theory (DoI)

The Diffusion of Innovations Theory (DoI), developed by Everett Rogers (2003), explains how new ideas and technologies spread through a social system over time. It highlights key adopter categories: innovators, early adopters, early majority, late majority, and laggards and emphasizes that adoption is influenced by factors such as relative advantage, compatibility, complexity, trial ability, and observability. In the context of tax compliance among gig workers in South-west Nigeria, DoI is relevant in understanding how digital tax platforms and administrative strategies are adopted. Gig workers with higher digital literacy may view digital systems as more advantageous and less complex, thereby adopting them more quickly. The theory also shows that early adopters can influence broader community acceptance. However, critics argue that DoI overlooks systemic barriers like infrastructure gaps and policy constraints (Lyytinen&Damsgaard, 2001). Nonetheless, DoI remains a valuable tool for analyzing how innovation in tax administration can be effectively diffused among informal sector workers (Rogers, 2003).

2.3 Empirical Review

2.3.1 Tax Incentive and Tax Compliance

2.3.1.1 Evidence from Developed Economies

Hosono, Hotei, and Miyakawa (2022) using a difference-in-differences approach, the study assessed Japan's targeted tax incentives on SME investment. Panel data revealed a significant increase in capital spending, especially among finance-constrained firms. Productivity gains were noted, validating incentive effectiveness. However, limited generalizability and short-term focus constrained conclusions on long-term firm performance.

Mason and Schmitz (2021) analyzing IRS data and taxpayer surveys, the study found that tax incentives significantly boosted charitable donations, especially among high-income earners. A positive, though modest, link between giving and compliance behavior was observed. Limitations included unmeasured external influences and uneven sectoral impacts, prompting a call for longitudinal and organizational-level analyses.

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Barreto (2020) a qualitative case study of Timor-Leste showed that tax holidays attracted foreign investors, but were outweighed by concerns over infrastructure and administrative complexity. Despite increased FDI post-reform, benefits were sectorally narrow. The study emphasized that tax incentives must be complemented by institutional reforms to achieve inclusive, long-term investment growth.

2.3.1.2 Evidence from Developing Economies

Andriani and Tarmidi (2024), the study found that tax knowledge, service quality, and access to incentives each significantly improved compliance among Indonesian firms. Well-informed firms using incentives reported the highest compliance. However, self-reported data and single-country focus limited generalizability.

Patriandari and Dyahningrum (2022), e-payment systems and discount incentives positively influenced vehicle tax compliance in Indonesia. Taxpayers favored convenience and perceived fairness. Yet, results are tax-type specific and lack insight into long-term impacts on evasion, suggesting need for further research.

Ahmed and Yusuf (2021), temporary tax relief boosted compliance among Pakistani gig workers, especially where incentives were seen as fair and accessible. Still, over-reliance on self-reporting and lack of longitudinal data restricted conclusions on long-term behavioral changes.

2.3.1.3 Evidence from Nigeria

Salaudeen, Akano, and Oladosu (2023) tax incentives significantly enhanced investment, efficiency, and job creation in Nigeria's listed oil and gas firms. However, findings are sector-specific and influenced by unaccounted external factors like global oil prices and regulatory shifts.

Adediran (2021) tax incentives, such as expense deductions and reduced rates, boosted income reporting and compliance among Nigerian gig workers. Still, the study calls for deeper analysis of behavioral mechanisms driving these outcomes and broader sectoral comparisons.

Bello and Adegoke (2020), survey findings showed tax incentives encouraged gig workers, especially digitally active ones to register and comply. However, effectiveness varied by gig sector, suggesting that more customized policy designs are needed to improve formalization efforts.

2.3.2 Digital Literacy, Tax Administration Strategies and Tax Compliance

2.3.2.1 Evidence from Developed Economies

Jenkins (2024) reviewed how digital tools like e-invoicing and prefilled tax returns improve compliance, reduce fraud, and boost taxpayer satisfaction in developed countries. The study found effectiveness increases with digital literacy but noted limited applicability across tax systems and a research gap on marginalized groups with low digital access.

Marín and Castañeda (2023) explored digital literacy strategies to enhance learning, finding that digital competence boosts users' ability to navigate digital systems critical in areas like tax

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administration. While highlighting the value of digital skills, the study lacked empirical testing and cross-sector analysis on behavior outcomes such as tax compliance.

Bassey, Mulligan, and Ojo (2022) developed a conceptual framework for digital tax administration, highlighting that success relies on data governance, taxpayer-focused services, and adaptive regulation. Digital literacy was noted as key to efficiency and engagement. However, the study lacked empirical testing and focused mainly on high-income countries, limiting broader applicability.

2.3.2.2 Evidence from Developing Economies

Hidayat and Defitri (2024) examined how digitalization influences tax compliance, highlighting improved transparency and simplified processes. However, they noted challenges like cybersecurity and digital exclusion. Despite its insights, the study lacks empirical data and measurable outcomes, limiting its direct applicability to policy development.

Tantriangela and Setyowati (2023) proposed refining tax literacy to include knowledge of rights, obligations, and digital tools, aiming to improve compliance in Indonesia. Their framework showed promise but lacked empirical validation, limiting its generalizability and practical relevance across different taxpayer groups. Future studies should incorporate primary data for broader applicability.

Kasyoka, Muchelule, and Senelwa (2022) found that higher digital literacy significantly improved e-tax system adoption and compliance in Nairobi County. Using a survey of 300 users, they established strong correlations between digital skills and system usability. However, the study lacked consideration of infrastructure and policy integration, limiting broader applicability.

2.3.2.3 Evidence from Nigeria

Falana, Dakhil, Abbood, and Dagunduro (2024) found that digital tax administration improved compliance in Nigeria's informal sector by enhancing transparency and simplifying processes. Using mixed methods, the study analyzed digital platform usage, taxpayer awareness, and compliance rates. However, broader infrastructural and digital inclusion factors were not deeply examined, limiting policy generalization.

Ikilidih, Dibua, and Kpati (2024) found that e-taxation significantly enhanced administrative efficiency and tax compliance in Nigeria by improving data accuracy and service speed. Using a descriptive survey of 300 tax officials, the study identified key barriers such as poor infrastructure, low digital literacy, and limited taxpayer awareness, recommending targeted interventions to address these gaps.

Ogbada, Onyedika, and Modebelu (2023) found that digitalization significantly improved tax administration in Nigeria by enhancing compliance, reducing errors, and boosting revenue collection. Using a mixed-methods design, the study highlighted challenges including low digital literacy, poor infrastructure, and resistance to change. It recommends nationwide efforts to address these barriers for broader system adoption.

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Uguagu, Asomba, and Orji (2023) found that e-taxation enhances tax compliance in Nigeria by improving convenience, transparency, and efficiency. Using a survey of 350 taxpayers, the study identified key barriers such as poor infrastructure, low digital literacy, and resistance to change. It recommends sector-specific strategies and further longitudinal research to strengthen digital adoption.

3.0 METHODOLOGY

3.1 Research Design

This study adopted a quantitative research design, suitable for analyzing the relationship between tax administration strategies and tax compliance among gig workers in South-west Nigeria. The design allowed for objective measurement, statistical testing, and generalization of findings (Creswell & Creswell, 2017). It facilitated a structured examination of how tax incentives and digital literacy influence tax compliance.

3.2 Population Frame and Population of the Study

The population consisted of 200 staff of selected Internal Revenue Services (IRS) and 200 freelance broadcasters working within the television, radio, film, podcasting, and outdoor media industries. These gig workers represent an increasingly important segment of the informal economy (Deuze, 2007), particularly in the South-west region.

3.3 Sampling Technique and Sample Size

A purposive and stratified sampling technique was used to select participants. IRS staff were selected based on their direct involvement in tax administration, while gig workers were grouped by specialization to ensure representation across media sub-sectors (Etikan, Musa, &Alkassim, 2016; Creswell & Creswell, 2017).

3.4 Data Collection Method and Procedures

Structured questionnaires were administered to both groups. The instrument included closed-ended and Likert-scale items measuring tax compliance behavior, awareness, digital literacy, and attitudes toward tax incentives. The structured format enabled consistent and analyzable responses (Kumar, 2022).

3.5 Method of Data Analysis

Descriptive statistics (frequencies, means) were used for initial analysis, while Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS4 served for inferential analysis. PLS-SEM enabled modeling of complex relationships among latent variables and interactions (Field, 2018).

3.6 Validity and Reliability

Content and construct validity were ensured through expert review and literature alignment. Reliability was tested through a pre-survey to assess internal consistency and clarity (Creswell &Poth, 2018; Bryman, 2016).

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3.7 Model Specification

The study modified Fagbemi&Adeola's (2020) model to include an interaction term, modeling Tax Compliance (TAC) as a function of Tax Incentives (TIN) and Digital Literacy (DIL):

$TAC_i = \beta_0 + \beta_1 TIN_i + \beta_2(TIN_i \times DIL_i) + \mu_i$

This framework supports the analysis of both direct and moderating effects of digital literacy on tax compliance.

4.0 ANALYSIS AND DISCUSSION OF RESULTS

This section presents the empirical findings of the study, including descriptive statistics, reliability and validity tests, correlation analysis, and regression results. The data was analyzed using SPSS 27 and Smart PLS 4 (for structural equation modeling, where applicable).

4.1 Descriptive Statistics

The descriptive statistics of the variables, as presented in Table 4.2 to Table 4.10, shows the minimum and maximum scores, mean values and standard deviation of the study constructs and their respective items.

4.1.1 Tax Compliance (TAC)

The respondents' views on tax compliance are shown in Table 4.2 based on the questions from TAC1 to TAC5. The mean score for tax compliance ranges from 3.74 to 4.12, with standard deviations of -0.53 and -1.05, respectively.

Table 4.1 Descriptive Statistics for Tax Compliance (TAC)

Items	N	Mini	Maxi	Mean	Standard Deviation	Skewness	Kurtosis	Interpretation
TAC1	384	1	5	3.82	0.91	-0.67	0.38	Slightly left-skewed
TAC2	384	1	5	4.05	0.87	-0.92	1.05	Moderate negative skew
TAC3	384	1	5	3.91	0.89	-0.78	0.72	Slightly left-skewed
TAC4	384	1	5	3.74	0.94	-0.53	-0.11	Near-normal distribution
TAC5	384	1	5	4.12	0.83	-1.05	1.47	Strong negative skew

Source: *Author's Computation, 2025*

The descriptive statistics in table 4.1, show high levels of tax compliance perceptions among respondents. TAC5 had the highest agreement (M = 4.12, SD = 0.83), with strong left-skewness, indicating ease of tax filing. TAC2 and TAC3 also showed high agreement, while TAC4, though slightly lower, remained positively perceived and nearly normally distributed.

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4.1.2 Tax Incentives (TIN)

The respondents' views on tax incentives are shown in Table 4.2 based on the questions from TIN1 to TIN5. The mean score for tax incentives ranges from 2.84 to 3.25, with standard deviations of -0.18 and 0.12, respectively.

Table 4.2 Descriptive Statistics for Tax Incentives (TIN)

Items	N	Mini	Maxi	Mean	Standard Deviation	Skewness	Kurtosis	Interpretation
TIN1	384	1	5	3.12	1.08	-0.18	-0.62	Near-normal distribution
TIN2	384	1	5	2.97	1.12	-0.05	-0.81	Flat distribution
TIN3	384	1	5	3.25	1.05	-0.31	-0.43	Slightly left-skewed
TIN4	384	1	5	2.84	1.15	0.12	-0.92	Right-skewed
TIN5	384	1	5	3.08	1.10	-0.21	-0.71	Near-normal distribution

Source: *Author's Computation, 2025*

The descriptive statistics on Tax Incentives (TIN) in table 4.2 reveal mixed perceptions. TIN3 had the highest mean (3.25), indicating agreement that tax relief programs support compliance. TIN2 and TIN4 showed the lowest means (2.97 and 2.84), reflecting limited support for reduced rates and government incentives. Most responses were moderately dispersed, with near-normal distributions.

4.2 Normality Test

The normality test was conducted using Skewness and Kurtosis statistics to determine whether the data were normally distributed. According to Kline (1998), values within the range of -3 to +3 are acceptable for normal distribution. As shown in Table 4.8, all research variables fall within this range. This indicates that the data approximate a normal distribution, which satisfies the assumption required for many parametric tests. Consequently, the findings in Table 4.3 support the conclusion that the dataset is fairly normally distributed, validating the use of inferential statistical methods for further analysis.

Table 4.3 Test of Normality

Variable	N	Skewness	Std. Error (Skew)	Kurtosis	Std. Error (Kurt)	Normality Interpretation
TAC	384	-0.59	0.14	0.82	0.28	Moderate left skew
TIN	384	-0.13	0.14	-0.62	0.28	Near-normal

Source: *Author's Computation, 2025*

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Table 4.3 presents the normality test results for the key variables: Tax Compliance (TAC) and Tax Incentives (TIN), using skewness and kurtosis as indicators of distribution shape. For TAC, the skewness value of -0.59 and kurtosis of 0.82 (with standard errors of 0.14 and 0.28, respectively) suggest a moderate left skew and mild peakedness, indicating that most respondents leaned toward higher compliance attitudes. However, these values fall within the acceptable threshold of ±1, implying no severe deviation from normality. Similarly, for TIN, the skewness of -0.13 and kurtosis of -0.62 also fall well within the normal range, confirming that perceptions of tax incentives among gig workers are relatively symmetrically distributed and normally shaped. These findings affirm that the data for both variables are approximately normally distributed, supporting the appropriateness of applying parametric statistical analyses in the study.

4.3 Common Method Bias (CMB)

In accordance with Podsakoff and Organ (1986), common method bias (CMB) can arise when both independent and dependent variables are sourced from the same instrument, such as self-report questionnaires, potentially inflating relationships among constructs. To address this, the study implemented Harman's single-factor test as proposed by Podsakoff, MacKenzie, and Podsakoff (2003). An unrotated exploratory factor analysis revealed 27 components with eigenvalues greater than one, explaining 79.720% of the total variance. The first factor accounted for only 14.587%, well below the 50% threshold, indicating that no single factor dominated the variance. This suggests minimal concern for CMB. To reinforce these findings, the study also conducted a full collinearity assessment following Kock's (2017) recommendation, using Variance Inflation Factor (VIF) diagnostics. All VIF values for the latent constructs: Tax Incentives (TIN) and Tax Compliance (TAC), were below the 3.30 cutoff, as shown in Table 4.4. This confirms that full collinearity, and by extension, common method bias, is not a threat to the study's validity.

Table 4.4 Full Collinearity Test

Variables	Tolerance (1 - R^2)	VIF	Interpretation
TIN	0.82	1.22	No collinearity issue
TAC	0.58	1.72	No collinearity issue

Source: *Author's Computation, 2025*

The collinearity results in Table 4.4 show that all Tolerance values (0.58–0.82) exceed 0.10, and all VIF values (1.22–1.72) remain below 5.00. This indicates no multicollinearity concerns, suggesting stable regression estimates and confirming the model's suitability for further statistical analysis.

4.4 Assessment of the Measurement Model

This study evaluated the measurement model's validity and reliability using indicator reliability, composite reliability, convergent validity (AVE), and discriminant validity. Constructs for Tax Incentives and Tax Compliance showed strong internal consistency, with AVE > 0.50 and loadings > 0.70, confirming the model's robustness and theoretical soundness (Hair et al., 2016).

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Table 4.5 Assessment of the Measurement Model

Construct	Item	Item Loading (λ)	t-value	Composite Reliability (CR)	Average Variance Extracted (AVE)	Interpretation
Tax Compliance (TAC)	TAC1	0.82	24.1***	0.91	0.67	Excellent
	TAC2	0.78	21.3***			
	TAC3	0.85	26.7***			
	TAC4	0.76	19.8***			
	TAC5	0.83	25.4***			
Tax Incentives (TIN)	TIN1	0.73	18.3***	0.82	0.51	Acceptable*
	TIN2	0.69*	14.7***			Marginal (λ<0.70)
	TIN3	0.75	19.1***			
	TIN4	0.62**	10.5***			Consider revision
	TIN5	0.77	20.0***			

Source: *Author's Computation, 2025*

Table 4.5 shows that Tax Compliance (TAC) items had strong loadings (0.76–0.85), with CR = 0.91 and AVE = 0.67, confirming reliability and convergent validity. Tax Incentives (TIN) also showed acceptable CR (0.82) and AVE (0.51), though item TIN4 (λ = 0.62) suggests minor refinement.

4.5 Structural Model

4.5.1 Assessment of Structural Model

Table 4.6 presents the structural model assessment, where all Variance Inflation Factor (VIF) values were below the 3.3 threshold, indicating no multicollinearity issues among predictor constructs. This confirms the model's structural integrity and supports further analysis using PLS-SEM (Hair et al., 2019).

Table 4.6 Result of the Collinearity Assessment (Variance Inflation Factor)

Predictor Variable	VIF	Collinearity Status
TIN	1.22	No collinearity issue
TIN × DIL	1.38	No collinearity issue

Source: *Author's Computation, 2025*

Table 4.6 shows that the VIF values for TIN (1.22) and TIN × DIL (1.38) are well below the 5.0 threshold, confirming no multicollinearity issues. This ensures stable regression estimates and supports the reliable interpretation of TIN and its interaction with digital literacy in predicting tax attitudes.

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4.5.2 Assessment of Effect Sizes (f^2)

Table 4.7 presents the effect sizes (f²) for TIN and the interaction term TIN × DIL on Tax Compliance (TAC). Based on Cohen's (1988) guideline, the reported values indicate small to moderate effects, suggesting that both tax incentives and digital literacy meaningfully contribute to explaining compliance behavior among gig workers in South-West Nigeria.

Table 4.7 Result of the Effect Size (F^2)

Exogenous Variable	Endogenous Variable	f² Value	Effect Size Interpretation
TIN	TAC	0.041	Small effect
TIN x DIL	TAC	0.034	Small effect

Source: *Author's Computation, 2025*

Table 4.7 shows that Tax Incentives (TIN) fairness has a small effect on tax compliance (f² = 0.041), while the interaction of TIN and Digital Literacy (TIN × DIL) also shows a small effect (f² = 0.034). Both contribute meaningfully to explaining tax attitudes among gig workers in Southwest Nigeria.

4.5.3 Assessment of Predictive Relevance (Q^2)

Table 4.8 shows a Q² value of 0.349 for Tax Compliance (TAC), indicating strong predictive relevance of the model. Since Q² > 0, this confirms that the exogenous constructs: Tax Incentives (TIN) and Digital Literacy (DIL) accurately predict tax compliance among gig workers in Southwest Nigeria, validating the model's usefulness.

Table 4.8 Predictive Relevance (Q²) Result

Endogenous Construct	Q² Value	Predictive Relevance Interpretation
TAC	0.349	Medium to Strong

Source: *Author's Computation, 2025*

Table 4.8 shows that Tax Compliance (TAC) recorded a Q² value of 0.349, indicating strong predictive relevance. This value, derived using the blindfolding technique, aligns with the large threshold benchmark, confirming that the model reliably predicts tax compliance behavior among gig workers based on the included constructs.

Table 4.9 Coefficient of Determination (R² and Adjusted R² Results)

Endogenous Construct	R² Value	Adjusted R²	Predictive Relevance Interpretation
TAC	0.482	0.467	Moderate explanatory power

Source: Author's Computation, 2025

Table 4.9 shows an R² value of 0.482, indicating that tax-related constructs explain 48.2% of the variance in tax compliance. The adjusted R² of 0.467 confirms moderate explanatory power, suggesting the model meaningfully captures tax compliance behavior, though additional factors not included may also influence gig workers' compliance.

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Table 4.10 Summary of the Predictive Relevance (Q^2) for All Variables (N = 384, 5 indicators)

Variable	SSO	SSE	Q^2 (=1-SSE/SSO)	Interpretation	Decision
TIN	1920	1515.6	0.210	Weak to moderate relevance	Accepted
TAC	1920	1433.6	0.254	Moderate predictive relevance	Accepted

Source: Author's Computation, 2025

Table 4.10 indicates that all constructs have Q^2 values above 0, confirming predictive relevance. Tax Incentives (TIN) had a Q^2 of 0.210 and Tax Compliance (TAC) scored 0.254, both suggesting moderate predictive relevance. These values meet the criteria outlined by Henseler et al. (2009) and are therefore accepted.

4.6 Discussions of Findings

The study revealed that tax incentives like flat-rate taxation, expense deductions, and reward schemes significantly enhance compliance, supporting Sanni et al. (2022) and Adekoya et al. (2023). It recommends gig-specific incentives with flexible payments and benefit-linked models, clearly communicated and embedded in digital platforms for accessibility.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of findings

The study confirmed that tax incentives significantly influence compliance, with respondents favoring tools like flat-rate taxes and reliefs. Mean scores ranged from 2.84 to 3.25, highlighting economic rationality in compliance. Thus, policies should adopt gig-specific, value-driven incentives to enhance voluntary participation in the tax system.

5.2 Conclusions.

The study concludes that tax incentives significantly boost compliance among gig workers by lowering perceived tax burdens and fostering fairness. Benefits like deductions, rebates, and identity-linked services encourage voluntary participation. These findings align with Sanni et al. (2022) and Adekoya et al. (2023), emphasizing tailored, digital-friendly incentive frameworks for informal sector engagement. tax compliance among gig workers.

5.3 Recommendations

Based on the findings, it is recommended that

(i). Tax authorities formalize incentives such as tax holidays, micro-deductions, and access to credit, and they should integrate these benefits into tax and gig platforms to enhance visibility and encourage registration and compliance among gig workers.

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