

**INFLUENCE OF TAX PAYERS' ATTITUDES ON TAX
COMPLIANCE DECISION IN ANURADHAPURA DISTRICT**



INOKA DAMAYANTHI RATHNAYAKA



PCV1929



Project report
Library - EUSL

ABSTRACT

This study was conducted to bring an insight about influence of attitudes towards tax compliance decision among individual taxpayers in Anuradhapura District and taking attitudinal factors into Consideration. The study was conducted in Anuradhapura District and to evaluate and identify the most influential factors that reduce taxpayer compliance and to establish relationship between attitude and compliance behavior. This research was the survey involving individual Taxpayers' in Anuradhapura District.

Conceptualization framework used to develop to the questionnaire to the research and each element from conceptualization hold include in the questionnaire. According to conceptualization model, through the main objective of the study is to show the level of impact of tax payers' attitude on tax compliance decision among individual tax payers in Anuradhapura District. A questionnaire was design using five point likert scales and distributed individual taxpayers in Anuradhapura District area in order to learn their opinions. Data was collected from Hundred (100) taxpayers and analyzed it using descriptive statistics, Correlation analysis, Regression analysis and ANOVA test.

The multiple regression models were used to examine the relationship between independent and dependent variables and indicate that tax compliance was influenced by the tax complexity, tax deterrence sanctions, tax law fairness but tax rate structure does not affect tax compliance decision. The results of this study can inform policy makers how the determinants influence tax compliance decision. The results of this study also provides insights both policy makers and tax Administrators to gain better understanding of the key variables that are significantly associated with tax compliance and enable them to implement suitable strategies to minimize potential damaging factors and allow them to improve government revenue. The study also attempts to enhance the existing literature by providing comprehensible picture and a view of taxpayers' compliance behavior from developing countries. The study reveals taxpayers' attitudes encourage tax compliance in Anuradhapura District since the correlation of 0.734.

TABLE OF CONTENTS

Acknowledgement	I
Abstract	II
Table of Contents	III
List of Tables	VII
List of Figures	VIII
Abbreviations	IX
1. Chapter One	
1.1. Chapter Introduction	01
1.2. Problem Statement	03
1.3. Research Questions	03
1.4. Objectives of the Study	04
1.5. Significance of the study	04
1.6. Scope of The Study	05
1.7. Chapter Summary	05
2. Chapter Two	
2.1. Introduction	06
2.2. Defining Key Words	06
2.2.1. Meaning of	06
2.2.2. Current Tax System in Sri Lanka	07
2.2.3. Department of Inland Revenue	07
2.2.4. Types of Income Taxpayers in Sri Lanka	08
2.3. The Concept of Tax Compliance	09
2.4. Importance of Tax compliance decision	16
2.5. Tax Payers' Attitudes	17
2.6. Tax Attitudinal Aspects	17
2.6.1. Tax Complexity	19
2.6.2. Tax Rate Structure	19
2.6.3. Tax Deterrence Sanction	20
2.6.4. Tax Law Fairness	21
2.6.5. Demographic Factors	21
2.7. Tax Payers' Attitudes & Compliance Decision	23

2.8. Summary.....	24
3. Chapter Three	
3.1. Chapter introduction.....	25
3.2. Conceptualization	25
3.3. Variable related to Conceptual Model	26
3.3.1 Conceptualizing Attitudinal Factors.....	26
3.3.1.1 Tax Complexity	26
3.3.1.2 Tax Rate Structure	26
3.3.1.3 Tax Deterrence Sanction.....	28
3.3.1.4 Tax Law Fairness.....	29
3.3.1.5 Tax Payers' Attitudes.....	29
3.3.2 Conceptualizing Tax Payers' Demographic Factors.....	26
3.3.2.1. Age.....	29
3.3.2.2. Gender.....	30
3.3.2.3. Education Level	31
3.3.2.3. Income Level	32
3.4. Attitudes and Tax Compliance Decision.....	33
3.5. Operationalization.....	33
3.5.1 Operationalization Tax Payers Attitudes	33
3.5.2 Operationalization Demographic Factors	34
3.5.3 Tax Compliance Decision.....	35
3.6. Summary.....	35
4. Chapter Four	
4.1. Chapter Introduction.....	37
4.2. Research Design & Study	38
4.3. Research Approach.....	38
4.4. Research Sample & Sampling Technique	39
4.5. Study Population.....	39
4.6. Data Collection Method.....	40
4.6.1 Type of Data	40
4.7. Data Processing, Scaling, Presentation.....	42
4.8. Method of Data Analysis.....	43
4.8.1 Univariate Analysis.....	43

4.8.2. Bivariate analysis.....	44
4.8.2.1 Correlation Analysis.....	45
4.8.2.2 Regression Analysis.....	45
4.8.2.3 Multiple Regression Analysis.....	46
4.8.3. ANOVA test and Independent sample t- test.....	47
4.8.4. Cross Tabulation Analysis.....	47
4.8.5. Hypothesis Testing.....	47
4.8.5.1 Hypothesis Testing Using Correlation Analysis.....	48
4.8.5.2 Hypothesis Testing Using Regression Analysis.....	48
4.8.5.3 Hypothesis Testing Using ANOVA, T test.....	48
4.9. Method of Data Evaluation.....	49
4.10. Chapter summary.....	50
5. Chapter Five	
5.1. Chapter Introduction.....	51
5.2. Analysis of reliability of the instrument.....	51
5.3. Data Presentation.....	52
5.3.1 Frequency Distribution Analysis for Personal Details.....	52
5.3.1.1 Age.....	52
5.3.1.2 Gender.....	53
5.3.1.3 Education Level.....	53
5.3.1.4 Income Level.....	54
5.3.2 Frequency Distribution Analysis for Business Details.....	55
5.3.2.1 Business Category.....	55
5.3.2.2 Age of the Business.....	55
5.3.3 Frequency Distribution Analysis for Attitudes & Tax Complexity.....	55
5.3.3.1 Tax Complexity.....	55
5.3.3.2 Tax Rate Structure.....	56
5.3.3.3 Tax Deterrence Sanction.....	57
5.3.3.4 Tax Law Structure.....	58
5.3.3.5 Tax Payers' Attitudes.....	56
5.3.3.6 Tax Compliance Decision.....	60
5.4. Data Analysis.....	60
5.4.1. Univariate Analysis.....	60
5.4.1.1. Descriptive Analysis.....	61

5.4.2. Bivariate Analysis.....	62
5.4.2.1. Correlation Analysis.....	62
5.4.2.2. Simple Regression Analysis.....	62
5.4.2.3. Multiple Regression Analysis.....	62
5.4.3. ANOVA & Independent T Testing.....	62
5.4.4. Hypothesis Testing.....	62
5.4.4.1. Hypothesis Testing Using Correlation & Analysis.....	69
5.4.4.2. Hypothesis Testing Using Multiple Regression Analysis.....	72
5.4.4.3. Hypothesis Testing Using ANOVA & T Testing.....	72
5.4.5. Cross Tabulation Analysis.....	78
5.5. Summary.....	78

6. Chapter Six

6.1. Chapter Introduction.....	80
6.2. Discussion Relationship between Tax Complexity & Tax Compliance.....	
Decision.....	80
6.3. Discussion Relationship between Tax Rate Structure & Tax Compliance.....	
Decision.....	82
6.4. Discussion Relationship between Tax Deterrence Sanction & Tax Compliance.....	
Decision.....	83
6.5. Discussion Relationship between Tax Law Fairness & Tax Compliance.....	
Decision.....	84
6.5. Discussion Relationship between Tax Payers Attitudes & Tax Compliance.....	
Decision.....	85
6.6. Discussion Relationship between Demographic Factors & Tax Compliance.....	
Decision.....	86
6.7. Summary.....	87

7. Chapter Seven

7.1. Chapter Introduction.....	60
7.2. Conclusions.....	62
7.3. Recommendations.....	62
7.4. Limitations for the study and suggestions for the future studies.....	63
7.5. Implications of the study.....	63
7.6. Chapter Summary.....	63

8. References	64
9. Appendix	67
Appendix	
Appendix - 1: The Questionnaires used for the study.....	67
Appendix - 2: The Sinhala Questionnaires used for the study.....	71
Appendix - 3: The output of analysis	75