TAXPAYERS' PERCEPTION TOWARDS TAX NON-COMPLIANCE IN KALUTARA DISTRICT

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ABSTRACT

This study is aimed to find out the taxpayers' perception towards tax non-compliance in Kalutara District. The study is conducted in Kalutara District and to evaluate and identify the most influential factors that reduce taxpayers' non-compliance and to establish relationship between perception and compliance behavior. This research is the survey involving individual taxpayers in Kalutara District. There are eight determinants included in this study to be researched are gender, age, education level, income level, tax rate, tax education, tax morale and public governance quality.

Convenience sampling procedure is used in this research based on the availability of respondents, studying only on the perception of tax non-compliance among taxpayers in Kalutara District. A questionnaire is designed using Five-Point Likert Scales and distributed individual income taxpayers in Kalutara District in order to learn their opinions. Data are collected from hundred (100) taxpayers and analyze it using Descriptive statistics, Correlation analysis, Regression analysis and ANOVA and T-test. Overall, the findings in this study are supported by other studies in literatures.

Income tax non-compliance is a huge problem in Sri Lanka and the contribution of tax to GDP is very low. Sri Lanka it has been below 16.5% which is the average of lower middle income countries. Over fifty years of research on non-compliance is yet to produce a formula that can solve non-compliance problems applicable to all jurisdictions hence the need to develop country-specific models.

The results showed that there is positive significant relationship between taxpayers' perception and tax non-compliance and there are no differences in age and gender towards tax non-compliance. There are significant impact of tax rate and public governance quality towards tax non-compliance among individual income taxpayers; whilst tax education and tax morale affect tax non-compliance but the results are insignificant. The study provides insights both policy makers and tax administrators to gain better understanding of the key variables that are significantly associated with tax non-compliance and enable them to implement suitable strategies to minimize potential damaging factors and allow them to improve government revenue.

Key words: Taxpayers' Perception, Tax Non-Compliance

TABLE OF CONTENT

ACKNOWLEDGEMENT i

ABSTRACT ii

TABLE OF CONTENT iii

LIST OF TABLES ix

LIST OF FIGURES xi

ABBRIVIATIONS xii

CHAPTER ONE - INTRODUCTION

1.1. Background of Study 1

1.2. Problem Statement 3

1.3. Research Questions 4

1.4. Research Objectives 4

1.5. Significance of the Study 5

1.6. Scope of the Study 5

1.7. Assumptions of the Study 6

1.8. Summary 6

CHAPTER TWO – LITERATURE REVIEW

2.1. Introduction 7

2.2. Defining Keywords 7

2.2.1. Meaning of Tax 7

2.2.2. Current Tax System in Sri Lanka 8

2.2.3. Department of Inland Revenue 9

2.2.4. Income Tax in Default 9

2.3. The Concept of Tax Non-Compliance 10

2.3.1. Types of Income on which Tax Non-compliant 11

2.3.2. Classes and Forms of Tax Non-compliance 11

2.3.3. Branches of Tax Compliance and Non- Compliance 12

2.3.4. Models for Tax Non-Compliance 13
2.3.4.1. Traditional Economic Deterrence Models 13
2.3.4.2. Social and Psychological Tax Models 14
2.4. Taxpayers' Perception 19
2.4.1. Tax Rate 20
2.4.2. Tax Education 21
2.4.3. Tax Morale 21
2.4.4. Public Governance Quality 22
2.5. Taxpayers' Demographic Factors 23
2.5.1. Gender 23
2.5.2. Age 23
2.5.3. Education Level 24
2.5.4. Income Level 24
2.6. Taxpayers' Perception and Non-Compliance 25
2.7. Summary 25
CHAPTER THREE – CONCEPTUALIZATION AND OPERATIONALIZATION
3.1. Introduction 26
3.2. Conceptualization 26
3.3. Variables Relevant to the Conceptual Framework 27
3.3.1. Conceptualizing Taxpayers' Perception 27
3.3.1.1. Tax Rate 27
3.3.1.2. Tax Education 28
3.3.1.3. Tax Morale 28
3.3.1.4. Public Governance Quality 29
3.3.2. Taxpayers' Demographic Factors 29
3.3.2.1. Gender 29
3.3.2.2. Age 30

3.3.2.3. Education Level 30
3.3.2.4. Income Level 30
3.3.3. Tax Non-Compliance 31
3.4. Operationalization 31
3.4.1. Operationalization of Taxpayers' Perception 32
3.4.2. Demographic Factors 32
3.4.3. Tax Non-Compliance 33
3.5. Hypotheses Development 34
3.6. Summary 36
CHAPTER FOUR - METHODOLOGY
4.1. Introduction 37
4.2. Research Design and Study Setting 37
4.3. Research Approach 38
4.4. Study Population 39
4.5. Sampling Technique 40
4.6. Sample Size 40
4.7. Data Collection Method 41
4.7.1. Type of Data 41
4.8. Data Processing, Scaling and Presentation 41
4.9. Method of Data Analysis 42
4.9.1. Reliability Analysis 43
4.9.2. Univariate Analysis 43
4.9.3. Bivariate Analysis 44
4.9.3.1. Correlation Analysis 44
4.9.3.2. Simple Regression Analysis 45
4.9.3.3. Multiple Regression Analysis 45
4.9.4. ANOVA and Independent Sample T test 46

4.9.5. Cross Tabulation Analysis 46
4.9.6. Hypothesis Testing 46
4.9.6.1. Hypothesis Testing using Correlation 47
4.9.6.2. Hypothesis Testing using Regression Analysis 47
4.9.6.3 Hypothesis Testing using ANOVA 47
4.10. Method of Data Evaluation 48
4.11. Summary 49
CHAPTER FIVE – DATA PRESENTATION AND ANALYSIS
5.1. Introduction 50
5.2. Analysis of Reliability of the Instruments 50
5.3. Data Presentation 51
5.3.1 Frequency Distribution Analysis of Respondents by their Personal Details 51
5.3.1.1. Gender 51
5.3.1.2. Age 52
5.3.1.3. Education Level 52
5.3.1.4. Monthly Income Level 53
5.3.2 Frequency Distribution Analysis of Respondents by their Business Details 54
5.3.2.1. Business Category 54
5.3.2.2. Age of Business 55
5.3.3. Frequency Distribution Analysis of Perception and Tax Non-Compliance 55
5.3.3.1. Frequency Distribution of Tax Rate 55
5.3.3.2. Frequency Distribution of Tax Education 56
5.3.3.3. Frequency Distribution of Tax Morale 57
5.3.3.4. Frequency Distribution of Public Governance Quality 58
5.3.3.5. Frequency Distribution of Taxpayers' Perception 59

5.3.3.6. Frequency Distribution of Tax Non-Compliance 60
5.4. Data Analysis 61
5.4.1. Univariate Analysis 61
5.4.1.1. Descriptive Analysis 61
5.4.2. Bivariate Analysis 63
5.4.2.1. Correlation Analysis 63
5.4.2.2. Simple Regression Analysis 65
5.4.2.3 Multiple Regression Analysis 67
5.5 ANOVA testing and Independent Sample T testing 69
5.6. Cross Tabulation Analysis 71
5.7. Hypothesis Testing 72
5.7.1. Hypothesis One 72
5.7.2. Hypothesis Two 73
5.7.3. Hypothesis Three 74
5.7.4. Hypothesis Four 74
5.7.5 Hypothesis Five 75
5.7.6. Hypothesis Six 77
5.7.7 Hypothesis Seven 77
5.7.8. Hypothesis Eight 78
5.7.9. Hypothesis Nine 78
5.8. Summary 79
CHAPTER SIX - DISCUSSION
6.1. Introduction 80
6.2. Discussion on the Level of Tax Non-Compliance 80
6.3. Discussion on the Level of Taxpayers' Perception 80
6.4. Discussion on the Relationship and Impact between Tax Rate and Tax Non-Compliance 81

6.5. Discussion on the Relationship and Impact between Tax Education and Tax Non-Compliance 82

6.6. Discussion on the Relationship and Impact between Tax Morale and Tax Non-Compliance 83

6.7. Discussion on the Relationship and Impact between Public Governance Quality and Tax Non-Compliance 84

6.8. Discussion on combined effects of the Tax Rate, Tax Education, Tax Morale, Public Governance Quality (Taxpayers' Perception) and Tax Non-Compliance 85

6.9. Empirical Finding for Insignificant Variables 86

6.9.1. Tax Education 86

6.9.2. Tax Morale 86

6.10. Discussion on the Relationship between Demographic Factors and Tax Non-Compliance 87

6.11. Summary 88

CHAPTER SEVEN – CONCLUTIONS AND RECOMMENDATIONS

7.1. Introduction 89

7.2. Conclusions 89

7.3. Recommendations 91

7.4. Limitations of the Study 92

7.5. Suggestion and Implications for Future Studies 93

7.6. Summary 94

REFERENCES 95

APPENDICES 100

APPENDIX 01: The Questionnaires 100

APPENDIX 02: The Questionnaires in Sinhala 105

APPENDIX 03: Output of the Data Analysis 110