

FACTORS AFFECTING INDIVIDUAL TAXPAYERS' TAX COMPLIANCE IN SRI LANKA

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ABSTRACT

A tax system is a set of rules that govern how a government collects revenue from individuals, corporations, and other entities. Generally, the government collects taxes to finance public goods and services that benefit all members of the society. The researcher's motivation for undertaking this study stems from the absence of prior research in the Sri Lankan context that comprehensively covered all factors across the entire nation and those that only represented part of Sri Lanka. Therefore, this study examines the factors that affect individual income taxpayers' compliance with the Sri Lankan tax system. This study covered six independent variables and one dependent variable: tax knowledge, tax audits, taxpayers' attitudes, financial base, perception of tax fairness, and government spending. Employing a quantitative research approach, this study involved a sample of 100 individuals paying income tax in Sri Lanka, gathered through a structured questionnaire. This study was based on psychological and economic theories. The data analysis included descriptive statistics, reliability, correlation, and regression. The study found that taxpayers' knowledge significantly affected individual income taxpayers' compliance. Individual income taxpayers' attitudes, financial bases, and perceptions of tax fairness significantly influence taxpayers' tax compliance. However, tax audits and taxpayers' perceptions of government spending do not impact taxpayers' compliance. This study recommends that tax authorities adopt an amicable approach when conducting tax audits with individual-income taxpayers while prioritizing the fairness of tax audits and addressing concerns raised by taxpayers.

Keywords; taxpayers' attitudes, tax audit, tax compliance, tax fairness, tax knowledge