

IMPACT OF TAXPAYER'S PERCEPTION ON TAX EVASION IN SRI LANKA

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ABSTRACT

Understanding the factors influencing tax evasion is crucial for developing effective tax policies and ensuring compliance, which is essential for the economic development of any country, such as Sri Lanka. By delving into taxpayers' perceptions of tax evasion, researchers can discern the underlying factors that contribute to tax evasion. Very few studies have been conducted in this regard in the recent past in Sri Lanka. Despite the significance of this issue, there is a notable gap in the literature regarding a comprehensive examination of individual taxpayers' perceptions across all districts in Sri Lanka. This study addresses this gap by investigating the impact of taxpayers' perceptions of tax evasion among individual taxpayers in Sri Lanka. Because taxpayers directly experience and form opinions on tax obligations, their insights are crucial for understanding broader societal attitudes towards tax compliance and evasion. This study identified four variables to assess taxpayers' perceptions: tax knowledge, tax fairness, tax morale, and compliance costs. This study used quantitative and convenience sampling methods, with a sample of 352 individual taxpayers in Sri Lanka. Data were gathered using structured questionnaires distributed among individual taxpayers in Sri Lanka. All variables were measured using a five-point Likert scale. Data were analyzed using descriptive statistics, correlation, and regression analyses. This study finds that tax knowledge, fairness, morale, and compliance costs significantly impact tax evasion. When tax knowledge, loss of tax morale, expectation of tax fairness, and compliance costs increase, tax evasion increases. Furthermore, this study suggests that policymakers should invest in comprehensive educational campaigns and simplified resources to improve taxpayer awareness and comprehension of tax laws.

Keywords: Compliance cost, tax evasion, tax fairness, tax knowledge, tax morale