

Factors Affecting Taxpayer Satisfaction in Sri Lanka: With Moderating Role of Tax Awareness and Knowledge of Taxpayers

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Abstract

Taxpayer satisfaction is vital for sustaining compliance and revenue in Sri Lanka, where income tax is a major fiscal source. Inland Revenue reform in 2022, including increased rates and a broader tax base, has intensified concerns over fairness, transparency, and efficiency. However, limited empirical research has explored taxpayer satisfaction in this context, particularly regarding the role of tax awareness and knowledge. This study investigated how fairness and transparency, simplicity of the tax system, income tax rates, and the quality of the e-tax system influence on the taxpayer satisfaction with tax awareness and knowledge serving as a moderating factor. A quantitative design was employed with data obtained from 384 individual income taxpayers in Sri Lanka through a structured questionnaire. Convenience sampling was utilized as the most appropriate method due to its practicality in addressing time, cost, and accessibility constraints. Multiple regression and moderation analysis were performed using SPSS. Results revealed that fairness and transparency and income tax rates significantly influence on the taxpayer satisfaction, while simplicity and e-tax system quality had an insignificant influence. Tax awareness and knowledge significantly moderated the relationship between fairness and transparency and taxpayer satisfaction. The study concludes that improving perceptions of fairness and transparency and maintaining equitable tax rates are critical for strengthening satisfaction. Moreover, strengthening tax awareness can foster greater compliance and trust, offering policymakers and tax authorities practical guidance to refine Sri Lanka's tax administration.

Keywords: taxpayer satisfaction, fairness and transparency, tax rates, e-tax system, tax awareness and knowledge