

Factors Affecting for Compliance with Income Tax; Reference to Western Province, Sri Lanka

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ABSTRACT

Tax evasion and tax compliance can be considered as two sides of the same coin. Tax authorities have taken considerable actions to promote voluntary tax compliance but many taxpayers in developing countries, do not have such intention to comply with taxation laws in the country and Sri Lanka is no exception. The high levels of budget deficits and foreign exchange difficulties suggests that Sri Lankan tax compliance level was very low. The main reason for this is frequent changes done by the past governments to the taxation policy of the country has created an extremely complex tax system. The respondents mainly argue that there should be a simple and consistent tax system for the country. Voluntarily tax compliance is very important for developing countries to get rid from the prevailing fiscal difficulties of the country. When it comes to the Sri Lankan context, the country is undergoing a huge debt trap. Therefore, this has resulted some foreign exchange difficulties in repaying the borrowings. On this ground, the country should look for ways of reducing over dependency on foreign aid and debt. Encouraging voluntarily tax compliance can be considered as a remedy for that. Therefore, based on the positivist research approach, five factors that affects for tax compliance have been selected for this study based on the literature to examine what factors are affecting for determining tax compliance. The study concludes that knowledge of the taxation system and the perceived behavior of the referent group has significant influence over tax compliance.

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1. Introduction

1.1 Background of the Study

Government tax revenue with compared to Gross Domestic Production (GDP) is ranging from 12.5% to 15% (Moore, 2020) and high level of budget deficits suggested that Sri Lanka is undergoing severe fiscal difficulties. In this context, tax compliance is a very useful tool to the government to get rid from the financial difficulties. Different governments came into power have made significant changes to the taxation law of the country. These frequent changes to the taxation policy makes ambiguity towards the taxation policy of the country. Taxpayers face plenty of challenges in calculating taxable income and resolving tax related disputes between taxpayers and tax authority because taxpayers and tax authority interpret taxation law in different ways. Recently, the Inland Revenue Department (IRD) which is the main tax authority in Sri Lanka introduced a management information system called RAMIS (Revenue Administration and Management Information System) to simplify the tax administration and enforce tax compliance (Dissanayaka, 2017). Positive results were shown in 2018 with an increase in tax revenue collected in 2018 by RS.63830 million compared to 2017. This is mainly because RAMIS facilitated IRD to reach taxpayers more economically and efficiently by enforcing the tax compliance. However, Sri Lankan tax authorities still depends on the traditional enforcement of tax compliance mechanism like tax penalty, tax audits. Voluntarily tax compliance is very important for developing countries to get rid from the prevailing fiscal difficulties of the country.

1.1 Problem Statement

The problem under investigation of this study is how the factors of tax compliance have been contributed to the lower level of tax compliance in the country.

1.2 Research Questions

The primary research objective of this study is to identify:

What factors are affecting tax compliance in the western province?

Factors have been selected for this study by reviewing the literature and analyzing the relationships among variables in the literature. Therefore, the secondary research question is:

What are the suggestions for stakeholder to improve tax compliance?

1.3 Research Objectives

The primary research objective is to identify the factors affecting tax compliance with reference to the Western province.

Based on the second research question, the secondary research objective is to provide suggestions for stakeholders to improve the compliance.

1.4 Significance of the Study

Different stakeholders will be interested in the findings of this study. Specially, government has a direct concern because it makes the policies to increase the level of tax compliance of the whole country. Therefore, it is very much helpful for them (policy makers) to know the factors that affecting for tax compliance. In addition, government can reduce the cost of tax compliance by addressing the factors affecting tax compliance. On the other hand, taxpayers also have significant interest that what factors will affect them to comply with the tax law of the country. Apart from that, those who study tax compliance will be able to know what factors affect tax compliance and its relationship. As far as the overall community is concerned, this study will be effective to improve the level of tax compliance in the country.

1.5 Limitations

The main limitation of this study is the inability to employ a probability sampling technique and sample size is not based on any

acceptable formula (Eg: - Yamane Table). Therefore, there can be issues when generalizing the results obtained from this study. Apart from that, the conceptual model is not exhaustive. There can be myriad of other determinants that affect tax compliance. Therefore, the concept of tax compliance will not be fully measured by this study. There will be a considerable level of measurement error. This study employed quantitative research method. Therefore, the researcher will not be able to get meaningful insights of tax compliance. Tax compliance is highly subjective and sensitive aspect of taxpayers. Quantitative research methods will not reveal those insights of the taxpayers.

2. Literature Review

2.1 Tax Law of Sri Lanka

According to article 148 of the constitution of Sri Lanka, no tax can be imposed on public without a valid legislation. Therefore, the research has focused primarily on Inland Revenue Act, No 24 of 2017 with effect from 01.04.2018 which is the Act that impose income tax on persons (both Individuals and entities). Income tax is mainly administered by the Commissioner General of Inland Revenue. Section 2 of the Inland Revenue Act (Charging Section) says on what income tax should be charged, at what rates and what the period to be considered is. Accordingly, the section 2 of the Act says, “Imposes the tax of a person at relevant rates on the taxable income for each year of assessment.” According to section 2 of the Act, the person means Individual or Entity both resident and nonresident. Year of assessment is the period of 12 months commencing from 1st April to 31st March of the following year. To derive the taxable income, qualifying payments and reliefs should be deducted from assessable income of the person. It is the aggregation of employment income, business income, investment income and other sources. Further, this Act provides various compliance rulings (Chapter 10 to 15) relating to tax record keeping and information collection, submission of

tax return, Assessments, objections and appeals and liability for payment of income tax. Specially, Chapter 17 and 18 provide guidance if there is any non-compliance with above rulings.

2.2 Self-Assessment Tax System

Simply the self-assessment tax system means the taxpayer assesses his/ her tax liability by his own knowledge and submit it to the tax authority. Once the tax return is submitted to the tax authority, they audit the tax return and identify the any balance tax payable or receivable to the taxpayer. Sri Lankan tax authorities have been practicing this system for all the kinds of taxes they collect. According to Mohd Rizal Palil, both developed and developing nations have implemented this system subject to their own structural limitations. One of the key objectives of implementing self-assessment tax system is to enhance the efficiency of tax administration and collecting process. The following Table (2.2) depicts the mission and vision of self-assessment tax system of different countries. Sri Lanka implemented self-assessment tax system in 1972 for both individual and corporate income taxes (Palil, 2010).

2.3 Major Problems in Self-Assessment System

Different countries have been facing different kinds of issues in implementing self-assessment tax systems. With the development of information technology, some countries have adopted the system of online submission of tax returns. Therefore, this will facilitate to the achievement of the expected benefits of self-assessment tax system. The following issues have been identified with the work done by (PALIL, 2010).

2.3.1 Tax Knowledge and Education

Countries that implement the self-assessment tax system should promote tax knowledge among the taxpayers. This can clearly be seen in developed countries such as United States, United Kingdom, and Canada. Taxpayers in

those countries are willingly and voluntarily participating in compliance process. But taxpayers in developing nations cannot be expected to have sound tax knowledge. Therefore, there is clear likelihood of evading the taxes. Therefore, it is the tax authority's responsibility to take necessary actions to enhance the tax knowledge among taxpayers.

2.3.2 The Degree of Simplicity of the System

The simplicity of the tax system should be ensured from the taxpayer's point of view. The degree of simplicity will be determined mainly on how frequently government changes the tax policy within the given period. The previous researchers found that there is a positive relationship between complexity and tax compliance. The government should play a major role in this regard. Sometimes government changes the tax policy to meet the short-term financial needs of the state. Therefore, taxpayers will have to adopt to the new changes as required by the tax law. This will create lots of grey areas and misunderstandings of the tax policy of the country.

2.3.3 Tax Audits and Probability of Detection

When implementing the self-assessment tax system, the severity of the tax audits is subjected to a debate because the more the tax audits conducted by the tax authority, the benefits of the self-assessment tax system is denied. Therefore, tax authority has to decide the appropriate level of the tax audits.

2.4 Tax Compliance

Hoa, Lien, & Tuan define the meaning of tax compliance as tax payers fully comply with tax obligations according to the tax law, including tax registration, tax declaration, tax calculation and tax payment. Further, it is not an autonomous process but rather, it is influenced by factors such as tax inspections, tax penalty and tax knowledge (Hoa, Lien, & Tuan, 2019).

2.4.1 Factors Affecting for Tax Compliance

2.4.1.1 Perceived Knowledge of the Tax System

Merima Ali, Odd-Helge Fjeldstad and Ingrid Hoem Sjursen have proven in their study in Kenya, Uganda, Tanzania and South Africa that tax knowledge is highly correlated with tax compliance and the extent of difficulty to know what type of taxes have to pay will reduce the probability of complying with taxes (Ali, Fjeldstad, & Sjursen, 2012).

2.4.1.2 Perceived Probability of Detection

Mohd Rizal Palil emphasized that probability of detection has a significant role to be played in reporting behavior of the taxpayers because they will not hide anything from the tax department if they perceive high detection probability. The researcher also presents some variables that are associated with tax compliance. Such as level of income is associated with probability of being audited will determine the compliance behavior. Similarly, previous audit experience and frequent contact with tax department will also improve the compliance behavior (Palil, 2010).

2.4.1.3 Perceived Level of Fine Rate

The fine rate can be seen as a traditional mechanism for the enforcement of tax compliance. Some studies have proved that the fine rate alone is not capable of enforcing tax compliance. Helhel & Ahmed argued that the Penalty rate is also not an adequate factor in Yemen. If fine rate is not supported by a sound mechanism of tax audits, it will not create significant impact. (Helhel & Ahmed, 2014).

2.4.1.4 Perceived Benefits Received from Government Spending

Mohd Rizal Palil has presented that those who pay high amounts of tax are very sensitive to how government utilizes the tax revenue. However, the researcher further argued that the perception towards government spending will not be

significant on the basis that taxes such as PAYE (Pay As You Earn) and withholding tax will be deducted at time of receiving the income. Therefore, taxpayers have no choice in complying with taxes based on government spending (PALIL, 2010). However, he has emphasized the importance of the way of spending the tax revenue because it affects different levels of tax compliances.

tax evasion. That society is encouraging the tax evasion. A study carried out by Bandara and Weerassoriya (2019) has found that 54% of the respondents agreed that tax evasion is ethical if everyone does it. Mohd Rizal Palil has discussed that the more tax evaders in the taxpayer's referent group will be motivated to under reporting the sources of income. That means taxpayer perceive that tax evasion is ethical in his/ her referent group

Table 1
Summary of the Literature

Factor of Tax Compliance	Name of the Author	Type of Relationship
Perceived Knowledge of the Tax System	Merima Ali, 2012	Positive Relationship
	Odd-Helge Fjeldstad, 2012	
	Ingrid Hoem Sjursen, 2012	
	Mohd Rizal Palil, 2012	
Perceived Probability of Detection	Helhel & Ahmed, 2011	No Relationship
	Mohd Rizal Palil, 2010	Positive Relationship
Perceived Level of Fine Rate	Helhel & Ahmed, 2011	No Relationship
Perceived Benefits Received from Government Spending	Shih-Ying Wu, 2014	Positive Relationship
	Mei-Jane Teng, 2014	
	Merima Ali, 2012	
	Odd-Helge Fjeldstad, 2012	
	Ingrid Hoem Sjursen, 2012	
Perceived Behavior of Taxpayer's Referent Group	Mohd Rizal Palil, 2012	Positive Relationship
	Bandara K.G.A.G, 2019	
	Weerassoriya W.M.R.B, 2019	

2.4.1.5 Perceived Behavior of Taxpayer's Referent Group

According to the tax morale theory and social influence theory, complying with tax rule is an individual factor and the motivation to comply with tax rule is also affected by the behavior of other persons (Referent group of the taxpayer) towards the complying with tax law. If taxpayer is of the view that other people are getting away with

if he knows majority in the group evade taxes (PALIL, 2010). Further Mohd Rizal Palil argues that researchers in tax compliance were not taking this variable into consideration in most of the times. Therefore, there is knowledge gap in the literature.

2.5 Summary of Literature

Table 1 presents a summary of the literature provided by different scholars.

3. Methodology

3.1 Research Approach

This study adopts primarily the quantitative research approach. Therefore, a multiple regression model has been developed for the factors of tax compliance. To align with the research questions of the study, research has selected the quantitative research approach.

3.2 Conceptual Framework

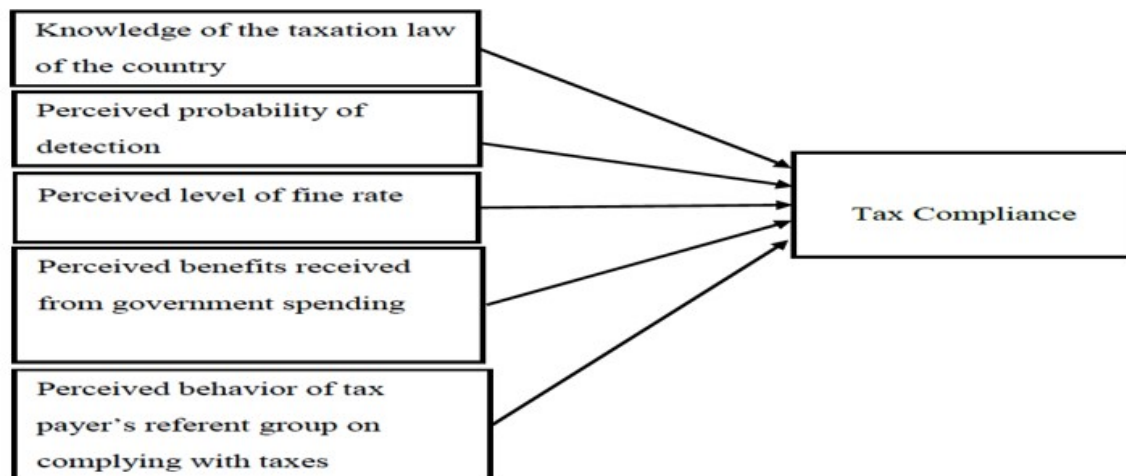


Figure 1: Conceptual Framework

3.3 Hypotheses

H₁: - There is a relationship between knowledge of the taxation law of the country and tax compliance.

H₂: - There is a relationship between perceived probability of detection and tax compliance.

H₃: - There is a relationship between perceived level of fine rate and the tax compliance.

H₄: - There is a relationship between perceived benefits received from the government and the tax compliance.

H₅: There is a relationship between perceived behavior of taxpayers referent group on complying with taxes and tax compliance

3.4 Summary of the Methodology

Table 2 presents a summary of the methodology.

4. Data Analysis and Discussion

4.1 Descriptive Analysis

According to Table 3, sample size was 87 out of that 59.8% of respondents were male and 40.2% of them were female. The highest percentage of respondents (41.4%) were in the age of 40 - 50 years and the least percentage of respondents (16.1%) in terms of age were in 30 to 40 years. 18.4% and 24.1% of respondents were recorded in the age categories of 20 – 30 and Above

50 respectively. Majority of the respondents (51.7%) were in the industry sector. 32.2% of the respondents were in the Service sector and the balance (16.1%) of the respondents were in agricultural sector. According to the business type, majority of the respondents (54%) were in Retail business and 46% of them were in wholesale business.

4.2 Factors affecting for Tax Compliance

This section provides the results obtained from the correlation analysis between tax compliance and the factors affecting tax compliance. Pearson's bivariate correlation indicates the relationship between two variables which enables to identify whether there is a statistically significant relationship between tax compliance and factors affecting tax compliance.

According to Table 4, there is a systematic moderate positive relationship between tax

Table 2

Summary of the methodology

Data Collection Method	Semi Structured questionnaire. Five-point Likert Scale was used to gather data on factors affecting for tax compliance in addition open ended question was asked to obtain suggestions to improve tax compliance in Sri Lanka
Data Collection Sources	Both Primary and Secondary data was gathered
Method of Data Analysis	Both descriptively and inferentially
Population	281105 of individual income taxpayers has been registered across the country as at 31.12.2019 (Department of Inland Revenue, 2019).
Study Population	individual taxpayers who have registered throughout the country, the researcher has decided to focus on taxpayers in western province of Sri Lanka
Sample	A sample of 100 individual taxpayers who pay income tax on self-assessment basis in western province was selected for this study.
Sampling Technique	nonprobability sampling technique. a convenient sampling method has been used in this study

compliance and the knowledge of the taxation system of the country. There was enough evidence to reject the null hypothesis. Therefore, the relationship between tax compliance and knowledge of the taxation system of the country was significant at 99% confidence level. There is no systematic relationship between tax compliance and the perceived probability of detection. There was not enough evidence to reject the null hypothesis. Therefore, it cannot be concluded that there is a systematic relationship between tax compliance and perceived probability of detection at 95% confidence level. There is no systematic relationship between tax compliance and the perceived level of fine rate. There was not enough evidence to reject the null hypothesis. Therefore, it cannot be concluded that there is a systematic relationship between tax compliance and perceived level of fine rate at 95% confidence level. According to Table 4, there is a systematic weak positive relationship between tax compliance and perceived benefits received from government spending. There was enough evidence to reject the null hypothesis. Therefore, the relationship between tax compliance and perceived benefits

received from government spending was significant at 95% confidence level.

According to Table 4, there is a systematic weak positive relationship between tax compliance and perceived behavior of taxpayer's referent group on complying with taxes. There was enough evidence to reject the null hypothesis. Therefore, the relationship between tax compliance and perceived behavior of taxpayer's referent group on complying with taxes was significant at 95% confidence level.

4.3 Multivariate Analysis

This study has used multiple regression technique to develop a model for tax compliance. Therefore, prerequisite assumptions of the multiple regressions have been ensured by this study in following ways.

The adequacy of the sample size was tested by the KMO – Bartlett's Test. Sample size was sufficient as adequacy measure was above 0.6 for all the variables. Missing data were eliminated from the study because questionnaire was administered by the researcher. However, missing data of the responses obtained through online

Table 3
Descriptive Statistics

Demographic Variable	Frequency	Percent%	Cumulative %
Gender			
Male	52	59.80	59.80
Female	35	40.20	100.00
Total	87		
Age			
20-30	16	18.40	18.40
30-40	14	16.10	34.50
40-50	36	41.40	75.90
Above 50	21	24.10	100.00
Total	87		
Sector of the Business			
Agriculture	14	16.10	16.10
Industry	45	51.70	67.80
Service	28	32.20	100.00
Total	87		
Type of the Business			
Retail	47	54.00	54.00
Wholesale	40	46.00	100.00
Total	87		

Table 3 presents the descriptive statistics of the variables used in the analysis

questionnaire were eliminated by making questions as mandatory to answer. The boxplot was used to identify whether there were outliers. All the variables were tested by using boxplot and outliers have been detected and those were not taken into consideration. Histogram was used to analyze whether the sample follows normal distribution. Therefore, it seemed to follow a normal behavior with respect to all the variables. Linearity was checked with the scatterplot; all the variables were linearly related with the dependent variable. The Multi-collinearity (interrelationship among independent variables) was checked by VIF values given in the ANOVA table. Therefore, VIF values were less than 10 for all the variables indicating there is a very mild level of interrelationship among variables.

Table 5 presents the results of the multiple regression model of tax compliance. The

regression model could explain the 16.3% of variation of the tax compliance and the overall model was significant. Therefore, it can be concluded that there is an unmeasured portion of the tax compliance variable which did not explain by the selected variables of this study. However, the overall model was significant at 5% significance level.

4.4 Suggestions to Improve Tax Compliance

One of major suggestion presented by the respondents is to simplify the taxation system in Sri Lanka. This suggestion was proposed by 42% of the sample. Their main concern was Sri Lankan tax system is subjected to frequent changes to meet the short-term financial requirements of the government. Respondents further elaborated that the number of taxes were also so high. They suggested that number of different taxes should be

Table 4
Factors affecting Tax Compliance

Name of the Factor	Corr. Coefficient	p-Value
Knowledge of the taxation law of the country (TK)	0.4230	0.0020**
Perceived probability of detection (PD)	0.1940	0.0720
Perceived level of fine rate (FR)	-0.0710	0.5110
Perceived benefits received from government spending (GS)	0.2610	0.0150*
Perceived behavior of taxpayer's referent group on complying with taxes (RG)	0.2610	0.0150*

Table 4 correlations of the factors affecting the tax compliance. *, ** denotes the significance levels at 5% and 1% respectively

combined into few categories. In other words, broad based taxes should be introduced rather than narrow based taxes. 23% of the respondents suggested that there should be effective tax awareness programs to increase the taxpayer's knowledge on taxation system of the country. They mentioned the importance of the tax awareness programs in an environment where taxation policy was so complex. 10% of the respondents suggested that there should be government tax calculation service. That is very much cost effective for them because private tax consultants are charging high rates from them. They suggested that government should utilize the collected tax revenue effectively in delivering public services. They emphasized that they do not feel government tax policy is beneficial for them. Respondents criticized that there is no equality among the tax rates charged on different sources of income. Even though, capital gain is so huge in most of the times, they have specifically mentioned tax rate charge on business income is higher than the rate on capital gain. Few respondents proposed the appeal process of IRD should be more responsive than present system.

5. Discussion

This section provides a comparison of results of the data analysis with the literature extracted to this study. The key findings of the

analysis will be consistent or inconsistent with the extant literature of this study.

This study measures the factors affecting tax compliance in western province of Sri Lanka and identified the differences of tax compliance in relation to various demographic factors. The variable tax compliance was first measured in relation to gender. The results suggested that there is no significant differences between males and females in relation to tax compliance. That means both males and females are from same population in relation to tax compliance. However, existing literature suggested that females were more tax compliant than males. Therefore, there is an inconsistency between the results obtained and the literature.

Then, differences of tax compliance were measured in relation to type of the business as retail and wholesale. However, no statistically significant differences can be seen between retail businesses and wholesale businesses. That means both retail and wholesale businesses came from same population in relation to tax compliance. The same variable was then measured for differences in relation to age categories. However, no significant differences were identified, and all the age categories were from same population.

Notwithstanding the above findings, there were statistically significant differences of tax compliance among agriculture, industry, and

Table 5
Multivariate Analysis

	Coefficient	t	Co-linearity Statistics	
			Tolerance	VIF
Intercept	6.280*	2.879		
Knowledge of the Taxation system of the country	0.245*	2.647	0.900	1.111
Perceived Probability of Detection	0.058	0.72	0.875	1.143
Perceived Level of Fine Rate	-0.110	-1.376	0.954	1.048
Perceived Benefits Received from Government Spending	0.133	1.45	0.824	1.214
Perceived Behaviour of Taxpayers Referent Group on Complying with Taxes	0.182*	2.095	0.906	1.104
F Value	4.348			
Sig. of the F-Value	0.001*			
R ²	0.163			
N	87			

Table 5 presents the results of the multivariate analysis. *,** denotes significance at 5% and 1% levels respectively

service sector businesses. The ANOVA results suggested that at least one category is different from other two. Therefore, agriculture, industry and service sector business were from different populations in this study. After the analysis of differences between demographic groups in relation to tax compliance, the correlation with tax compliance was measured with each independent variables affecting tax compliance. The knowledge of the taxation system of the country (TK) positively correlated. Therefore, this finding was consistent with the previous studies of Ali, Fjeldstad, & Sjursen, 2012 and PALIL, 2010. However, the knowledge of the taxation system of the country had moderate level of relationship with tax compliance when compared to high correlation in both the above-mentioned studies.

Perceived probability of detection (PD) was not able to demonstrate a significant relationship with tax compliance. This was contradicting with the theory of Allingham and Sandmo Model. This theory assumed that few people will evade tax when there is high probability of detection. However, this finding was consistent

with the study of Helhel & Ahmed, 2014 in which probability of detection was proven that there is no relationship with tax compliance. PALIL, 2010 Further explains probability of detection was not alone having a significant impact on tax compliance. Instead, it is combined with level of income and previous audit experience. Perceived level of fine rate (FR) was also not significantly affecting the tax compliance. This result was in line with the study of Helhel & Ahmed, 2014. In that study, it was concluded that fine rate was a traditional mechanism to induce the tax compliance and does not have significant impact on taxpayer compliance. Perceived benefits received from government spending (GS) was statistically significant with tax compliance. This finding was highly consistent with the existing studies done by Wu & Teng, 2014, Ali, Fjeldstad, & Sjursen, 2012 and PALIL, 2010. These studies mentioned that those taxpayers who pay high amounts of taxes were really sensitive to the benefits received from the government. As per the fiscal exchange theory, this finding can be used to substantiate the theory. Perceived Behavior of taxpayer's referent group on

complying with taxes (RG) was also having significant positive relationship with tax compliance. Therefore, this finding was also consistent with studies of Bandara & Weerasooriya, 2019 and PALIL, 2010. According to the social influence theory, this finding can be used to substantiate the theory.

When it comes to the results of multivariate analysis, the overall model was significant with two independent variables of knowledge of the taxation system of the country and perceived Behavior of taxpayer's referent group on complying with taxes. The model adequacy was 16.3%. Therefore, there is a large portion of tax compliance that remained unmeasured. This will indicate that the predictive ability of the selected independent variables over the tax compliance were very limited. Therefore, future researchers should focus to reveal those hidden variables and develop a comprehensive model for the tax compliance with high predictive ability.

6. Conclusion and Recommendations

6.1 Recommendations

Ministry of Finance and Department of Inland Revenue (IRD) as the main government bodies regarding taxation can play a major role in improving the level of tax compliance of Sri Lanka. Since knowledge of the taxation system of the country was significant in this study. Researcher is proposing to enhance the tax awareness level of the taxpayers of the country. Specially, regional tax awareness and island-wide tax awareness programs can be conducted by the relevant authorities.

As the taxpayers of the country, they have a huge responsibility towards the development of the country. They should develop the mindset that paying taxes is a way of contributing to the development of the country. Taxpayers should perceive that complying with taxes is an ethical conduct of them. So long as it is treated as unethical behavior, it will lead others to evade from taxes because there is significant impact on taxpayer's

referent group behavior on complying with taxes. For tax professional, they are running an important role in self-assessment tax system. Therefore, tax professionals should encourage fully compliance with tax law for their clients. Specially, they can educate the taxpayers on what the dimensions of tax compliance and what factors need to consider by them. When it comes to the professional bodies of taxation, they can develop the code of conduct for the tax professionals to guide their behavior to make sure that they are providing competent and objective service to their clients. This system will encourage integrity in tax calculation and payment process.

6.2 Future Directions of the Study

This study presents many prospects for the prospective researcher to carry out research in the field of tax compliance. The quantitative approach was used as the method of data analysis in this study. This will hinder the ability to obtain deeper understanding on tax compliance attitudes of the taxpayers. The overall model has only 16.3% of predictive ability of tax compliance. Therefore, researchers suggest that qualitative research methods will be able to reveal those variables that are outside this study, and this enhance the explanatory power of the future research on tax compliance. The geographical coverage of this study is limited to the western province of the country. Therefore, there will be issues in generalizing findings to the other provinces of the country. Therefore, researcher is suggesting employing an island wide geographical base of the future studies that are carried on tax compliance. This will enable the potential researchers to get an overall understanding on the level of tax compliance of the country.

Since knowledge of the taxation system of the country was significant in this study, the potential researchers will be interested in analyzing the how the level of tax compliance will differ among various educational groups of the respondents. This will be an interesting finding that

is beneficial for the government when developing policies to enhance tax compliance.

6.3 Conclusion

To sum up this study, this explains the summary of the findings of this study and recommendations provided by the researcher to the various identified stakeholders of this study based on the findings. In addition, the possible areas have been elaborated for the future researchers and limitations of the study has been discussed. As a concluding remark, the tax policies developed by the government should be fair enough from the point of view of taxpayers. Government should impose a minimum level of burden on taxpayers when collecting money from them. Therefore, a balanced and fair tax policy for Sri Lanka is still an unsatisfied need for the country.

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