

Taxpayer Attitude and Tax Compliance Decision in Sri Lanka

How the Taxpayers' Attitudes influence Tax Compliance Decision among individual Taxpayers in Colombo City in Colombo District.

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Abstract

This study was conducted to bring an insight about influence of attitudes towards tax compliance decision among individual taxpayers in Sri Lanka and taking attitudinal factors into Consideration. The study was conducted in Colombo, the capital city of Sri Lanka in Colombo district and to evaluate and identify the most influential factors that reduce taxpayer compliance and to establish relationship between attitude and compliance behavior. This research was the survey involving individual Taxpayers' in Colombo city. A questionnaire was design using five point lickert scales and distributed individual taxpayers in Colombo Metropolitan area in order to learn their opinions. Data was collected from Two Hundred (200) taxpayers and analyzed it using descriptive statistics. The following conclusions were arrived at: results indicate tax rate is high and tat system unfair. Furthermore insufficient Tax Audits, weak probability of detection, weak enforcement action of the IRD, Complexity of tax system Attitude of the Government spending are also affecting Tax compliance decision. The results of this study will allow to policy makers to implement suitable strategies and also allow them to improve their government's tax revenue collections. The study reveals taxpayers' attitudes encourage tax compliance in Sri Lanka since the correlation of $0.834=1$.

Key words: Taxpayers' attitudes, Tax compliance decision, tax system, Tax Evasion

1. Introduction

1.1 General Back ground

Any governments of the world, needs financial resources to act as a government and play a role that is expected from it by the public. It makes every effort to achieve development goals which they set on Annual budget of the country. In this regard James (2000) illustrates that taxation is one method of transferring resources from the private to the public sector. Other writers (Auld & Miller, 1984) describe the role of taxes as an instrument that stabilizes the economy, and reduces private demand so that resources can be released for public sector use.

To achieve these goals, countries require huge capital expenditure to be met from taxation and other revenue sources. To examine the issues of tax compliance, several academics and practitioners observe from various angles including the behavior of the taxpayer. For example, Esag (1983) disputes that, the amount of tax revenue generated by a government for its expenditure programs depends among other things, upon the willingness of the taxpayer to comply with the tax laws of the country. This willingness could also be attributed to the attitude that taxpayers demonstrate at any given point in time on the one hand and the purpose of the tax on the other hand (Noami and Joel, 2009). Kirchler (2007) perceived a simpler definition in which tax compliance is defined as the most neutral term to describe taxpayers' willingness to pay their taxes.

Citizens' tax compliance is of paramount importance for a state to provide public goods and redistribute wealth. Government needs financial resources to act as a government and play a role that is expected from it by the public. In this regard James (2000) states that taxation is one method of transferring resources from the private to the public sector. Tax compliance is a major problem for many tax authorities. As per the statement of James and Alley (2004: 29) 'tax laws are not always precise 'according to Andreoni, Erard, and Feinstein (1998) claimed that tax compliance should be defined as taxpayers' willingness to obey tax laws in order to obtain the economy stability of a country. Kirchler (2007) perceived a simpler definition in which tax compliance is defined as the most impartial term to describe taxpayers' willingness to pay their taxes. Tax compliance is also defined by several tax authorities as the ability and willingness of taxpayers to comply with tax laws, declare the correct income in each year and pays the right amount of taxes on time (IRS, 2009; ATO, 2009; IRB,2009). Alm (1991) and Jackson and Milliron (1986) defined tax compliance as the reporting of all incomes and payment of all taxes by fulfilling the provisions of laws, regulations and court judgments.

The policy makers in develop and developing countries have main objective is to raise revenue towards the financing of public goods and services, and funding of governments (Martina et al., 2008)

Sri Lanka has recently achieved a lower middle income status; this, however, has only been a recent trend as all throughout from 1952 to the early 1990s the ratio remained at or above 20%. This decline has occurred despite a steady increase in real per capita income in the country, as the tax base did not sufficiently broaden in line with increases in income or economic activity. Tax evasion, the attitudes of taxpayers' towards government, poor tax administration, a extent of tax exemptions and discretionary and ad-hoc tax policy changes have contributed to this. And also identified the Anomalies in the tax structure and deficiencies in tax administration have not only led to a steady decline in tax revenues, but also to a poor public perception of tax authorities. Compliance levels are unsatisfactory, as tax evaders assign a very low value to the cost of non-compliance. Revenue consists of tax and non-tax revenue. Tax revenue in particular has seen a decline just in the last 4 years alone – 14.2% in 2007, down to 13.3% in 2008, in 2009 it has taken 12.8 and in 2010 as 12.9 in 2014 it has placed 11%

The contribution from direct taxes to total tax revenue, as well as a percentage of GDP, is low, and has largely been because the tax base has remained narrow. At present, the number of direct tax payers

(corporate, non-corporate and PAYE scheme employees) is just under 650,000. Several legal and administrative measures have already been instituted to widen the tax base and encourage and reward voluntary compliance, for example the issuing of privilege cards to compliant tax payers.

Aggressive taxpayers' behavior implies that given a chance taxpayers would not comply with tax laws.

Perhaps, understanding the taxpayers' behavior in terms of factors which influence their attitude towards tax compliance and how to influence the very factors would be a solution to this "puzzle" Hence, one of the purpose of this research is to bring attitudes and these factors to light in relation to the Sri Lankan taxpayers and show how they affect tax compliance. In explaining taxpayers' compliance behavior, that is, the reasons why taxpayers comply and do not comply, In explaining taxpayers' compliance behavior, that is, the reasons why taxpayers comply and do not comply, there are broadly two classes of theories- economic theories which emphasize incentives, and psychological based theories which emphasize attitude (Trivedi&Shehata, 2005)

According to the neoclassical economic theory which makes use of the Smithian concept of homo economics, taxpayers are selfish rational utility maximizers who, following the optimal strategy, try to evade taxes as a means of obtaining the best outcome. The classical economic model of tax evasion assumes there are four different determinants that shape taxpayers' behavior: audit probability, fines, tax rates, and income. According to the model, tax evasion decreases when audit probability and fines increase, because the expected utility of evasion mitigates as well.

Social psychology models inductively examine the attitudes and beliefs of taxpayers' in order to understand and predict human behavior. In examining the findings from the various social psychology studies completed to date it is evident that a number of studies originate from both Australian and overseas. The following review comprises a selection of both local and overseas social psychology studies undertaken to date. as per the study in overseas,

A study by Ajzen and Fishbein found that taxpayers' behavior is directly determined by their intentions that are a function of their attitude towards behavior and perception of social norms. This research indicated that compliance behavior is influenced by peers and community standards, which thereby impact upon taxpayer thinking and actions.

1.2 Tax compliance behavior & Taxpayer attitude.

To define tax compliance, it has been defined in various ways. For example, Andreoni, Erard, and Feinstein (1998) claimed that tax compliance should be defined as taxpayers' willingness to obey tax laws in order to obtain the economy equilibrium of a country. Kirchler (2007) perceived a simpler definition in which tax compliance is defined as the most neutral term to describe taxpayers' willingness to pay their taxes. A wider definition of tax compliance, defined in 1978 by Song and Yarbrough suggested that due to the remarkable aspect of the operation of the tax system in the United States and that it is largely based on self assessment and voluntary compliance, tax compliance should be defined as taxpayers' ability and willingness to comply with tax laws which are determined by ethics, legal environment and other situational factors at a particular time and place. Similarly, tax compliance is also defined by several tax authorities as the ability and willingness of taxpayers to comply with tax laws, declare the correct income in each year and pay the right amount of taxes on time (IRS, 2009; ATO, 2009; IRB2009). Alm (1991) and Jackson and Milliron (1986) defined tax compliance as the reporting of all incomes and payment of all taxes by fulfilling the provisions of laws, regulations and court judgments.

Organization for Economic Cooperation and Development (2001) advocates dividing compliance into categories in considering definitions of tax compliance. These categories are administrative compliance and technical compliance where the former refers to complying with administrative rules of

lodging and paying otherwise referred to as reporting compliance, procedural compliance or regulatory compliance and the latter refer to complying with technical requirements of the tax laws in calculating taxes or provisions of the tax laws in paying the share of the tax.

Furthermore, tax compliance has also been segregated into two perspectives, namely compliance in terms of administration and compliance in terms of completing (accuracy) the tax returns (Chow, 2004; Harris, 1989).

Compliance in pure administrative terms therefore includes registering or informing tax authorities of status as a taxpayer, submitting a tax return every year (if required) and following the required payment time frames (Ming Ling, Normala and Meera, 2005). Attitudes represent the positive and negative evaluations that an individual holds of objects. It is assumed that attitudes encourage individuals to act according to them. Thus, a taxpayer with positive attitudes toward tax evasion is expected to be less compliant than a taxpayer with negative attitudes. Following factors may influence taxpayers' behavior on Tax compliance.

Attitudes towards tax evasion are often found to be quite positive (Kirchler et al., 2008). Many studies on tax evasion found significant, but weak relationships between attitudes and self-reported tax evasion (Trivedi, Shehata, and Mestelman, 2004). The attitudes are important for both the power and the trust dimension. On the one hand, favorable attitudes will contribute to trust in authorities and consequently will enhance voluntary tax compliance. On the other hand, attitudes towards the authorities will be relevant for the interpretation of the use of power as generous or malevolent. According to Ajzen's (1991) Attitudes relates to one's own personal views about a behavior. Attitudes are generally assumed to influence compliance behavior because they represent taxpayer's propensity to respond positively or negatively to a particular situation (Eagly and Chaiken, 1993; Ajzen, 1993). There is a manifold of ways to operationalize and measure attitudes towards taxation starting from general judgments of the government and state (Schmolders, 1960), subjective assessments of tax evasion (Porcano, 1988), ending with moral attitudes towards tax evasion (Orviska and Hudson, 2002). Several empirical studies reveal a statistically significant link between attitudes and self-reported behavior (Chan et al., 2000; Trivedi et al., 2004). Nevertheless, because the link is weak in most of the studies, i.e., attitudes cannot be fully perceived as a convincing proxy for behavior, results have to be cautiously interpreted (Kirchler, 2007: 55).

Perceived fairness of tax system is another factor that citizens most often communicate is referring to tax system fairness concerns (Rawlings, 2003; Taylor, 2003). On the individual level, taxpayers are concerned about the fairness of their outcomes, and they want to be treated relative to their merits, efforts and needs. If an individual's tax burden is heavier than that of comparable other individuals, tax compliance is likely to decrease. Other social and psychology studies have found that the fairness and equity of a tax system also impacts upon compliance levels (Tan 1998). In particular, the notion of "exchange equity" (where taxpayers believe they are not receiving the benefits from the government in exchange for taxes paid) can affect compliance.

The political determinants of tax compliance behavior are the complexity of tax law, the complexity of tax system, and the fiscal policy. Before taking the decision to comply, one of the first elements taxpayers are confronted with is the tax law. Its level of complexity can turn a well intentioned taxpayer into an avoider or evader. From a tax administration viewpoint, other researchers (Cialdini 1989) have concluded that compliance could also be influenced, by educating taxpayers of their social responsibility to pay and thus their intention would be to comply. Poor knowledge can evoke distrust and negative attitudes toward tax; whereas good tax knowledge correlates with positive attitudes toward tax (Niemirowski et al., 2002).

A tax audit is an investigation made by the tax authority in order to verify the accuracy of tax returns and attempt to detect non-compliance behaviour and activities; audit probability is defined as the number of tax

returns assessed (audited) divided by the number of tax returns received (Shanmugam, 2003; IRB Annual Report, 2006; Kirchler, 2007).

Tax audit is one of the most effective policies to protect the behavior of tax evasion. Some studies claimed that audits have a positive impact on tax evasion (See Jackson and Jaouen, 1989; Shanmugam, 2003; Dubin, 2004). Audits rates and the thoroughness of the audits could encourage taxpayers to be more prudent in completing their tax returns, report all income and claim the correct deductions to ascertain their tax liability. Butler (1993) also found that tax audits can change compliance behavior from negative to positive. These findings complement the Witte and Woodbury (1985) and the Beron, Tauchen and Witte (1988) studies.

Probability of detection is one of the important factors. Compliance in respect to the probability of detection has received attention from many researchers. Allingham and Sandmo (1972) claimed that taxpayers will always declare their income correctly if the probability of detection is high. Probability of detection plays a significant role in reporting behavior as taxpayers will declare everything if they perceive that they will be one of the auditees in that particular year (Riahi-Belkaoui, 2004; Richardson, 2008). The experiment indicated that taxpayers' behavior varied with respect to level of income and the probability of being audited played a significant role in determining taxpayers' evasion behavior. However, the direction of the relationship (positive or negative) was not clearly stated by Slemrod et. al. (1988).

1.3 Tax compliance in Sri Lanka.

Sri Lanka ranked low-income countries or low tax compliance countries. The Tax department is still struggling to keep efficient and effective tax Administration. In order to ensure tax compliance, therefore raising more revenue. Administration of tax in Sri Lanka is by Department of Inland Revenue established in 2nd February, 1932 Mr. N.J. Huxham admits duties as first commissioner of the Income Tax Department and commenced work on 2nd April, 1932 Echelon Barracks with 24 staff officers and 77 clerks. First income tax chargeable year of assessment was in 1933/32 and tax exemption limit was Rs. 4800. Now it has more than 2000 professional staff.

The purpose of Inland revenue department Sri Lanka is tax Administration, revenue collection, issuing Assessments, enforcement of tax laws for non-compliers with professionalism governed by integrity. To achieve this purpose IRD divided its branches as 21 regional offices and the Head office.

IRD administers different types of taxes under different Tax Laws (Acts) Such as income tax, Nation Building Tax, Economics service Charge, Value Added Tax, PAYE Tax.

Taxes are the key source of government revenue. Normally, the tax share as a percentage of gross domestic products (GDP) is expected to increase as the per capita GDP rises. This Insight shows that in Sri Lanka, this is not the case; the country's per capita GDP has been rising but the tax to GDP ratio has been falling. Tax to GDP in 1990 was 19.5% in 2011 it has decreased up to 12.5% in 2014 tax to GDP is 11%. Sri Lanka needs to improve its tax revenue extremely to ensure that the government has enough money to spend towards welfare and growth while not running the risks of high budget deficits and debt levels.

1.4 Statement of problem

In Sri Lanka, taxpayers expose varying level of tax compliance. The researcher's objective was to identify factors influencing to tax compliance among individual taxpayers in Sri Lanka. The researcher was not aware of any other study that has been carried out to establish what factors influence to tax compliance decision in Sri Lanka and also the extent of the impact of attitudes and attitude change on tax compliance decision was not well understood and studies in this area have not been carried out in Sri Lanka. Therefore

addressing this gap was the primary intention of this study. According to the economic data, tax to GDP is continuously decreased. This, however, has only been a recent trend as all throughout from 1952 to the early 1990s the GDP ratio remained at or above 19.5%. This decline has occurred despite a steady increase in real per capita income in the country, as the tax base did not sufficiently broaden in line with increases in income or economic activity. Tax evasion, poor tax administration, a gamut of tax exemptions and discretionary and ad-hoc tax policy changes have contributed to this. Revenue consists of tax and non-tax revenue. Tax revenue in particular has seen a decline just in the last 2 years alone – 14.2% in 2007, down to in 2014 as 11%.

This study is attempted to find out how taxpayer 'attitudes influence compliance decision and the factors affecting tax compliance decision.

The study tried to answer the following question.

- (i) What was the level of tax compliance among Individual taxpayers' in Colombo city, Colombo District in Sri Lanka?
- (ii) How the taxpayers' attitude and the factors influencing it influenced taxpayers' tax compliance decision among individual taxpayers in Colombo city, Colombo District in Sri Lanka?

It was equally hypothesized that taxpayer attitudes do not encourage tax compliance in Sri Lanka.

2.0 Research strategy

This research was a survey involving individual taxpayers' in Colombo city in western province of Sri Lanka. This enabled generalization of the research findings on how taxpayers' positive attitudes influence for individual taxpayers in Colombo city.

The population of the study included individual taxpayers' who are registered in Colombo city regional office. The sample size was 200 individuals.

The study used primary data of taxpayers from 15.01.2015 to 30.1.2015. This data was collected using structured questionnaire, which was delivered direct to individual taxpayers' collecting within two weeks. Likert scale comprising of 5 responses was used with Matrix questions. The questionnaire was divided into following parts: part 1 demographic profile: this included Age, gender, level of education, income level, religion, Marital status. In part 2 attitudes and attitudinal factors: this included considering positive and Negative attitude and factors affecting attitudes such as degree of probability of detection tax system fairness, tax rate, enforcement of Law, government perception and taxpayer service.

Chi square (X^2) test significance at level of 0.05 was executed in order to reject the hypothesis that taxpayers' positive attitudes do not influence tax compliance in Sri Lanka and accept alternative hypothesis that taxpayers' attitudes influence tax compliance in Sri Lanka. The data was analyzed using Statistical package for social sciences (SPSS).

3.0 Data Analysis, findings and discussion

This section covers data analysis and findings of the research. The data was collected 160 individual taxpayers' in Colombo city. 200 Questionnaire were distributed and response only 160. The percentage of the response rate was 80%, this is reasonable and a high response rate.

3.1 business profiles and background information

According to the results of profile of individual taxpayers 72.5% were male taxpayers as 27.5% female Taxpayers. This is the poor distribution in gender among the taxpayers in the district. Age is another important factor in Taxpayers productive servicing period. From the data 32.5% of the respondents were between 50-59 years, 30% of the respondents were between 40-49 years. 17.5% were 30-39 years. As 17.5

were over 60 years. It indicated most of the taxpayers are in productive years. Most of the taxpayers are in the age category of 50-59. This is an indication that most of the taxpayers are productive ages.

According to the level of education 35% of the respondents have degree or professional and 30% have ordinal level. 17.5% have diploma level. Results indicated most of the respondents are above diploma level and indicated most of the taxpayers' are educated in Colombo city area.

One of the other important factors is religion. The study indicated most of the individual taxpayers are Buddhist as the percentage is 45%. Next high percentage is 27.5% were Muslims. It indicated second levels of taxpayers in Colombo city are Muslim Taxpayers.

3.2 The Attitude and Attitudinal factors on Tax Compliance decision in Sri Lanka.

The impact of attitude of tax compliance decision is not well understood in Sri Lanka. The study reveals different perspectives on the fairness of Sri Lankan Tax system. 74% of the taxpayers indicated tax system is unfair with weak Administrative Mechanism and 27% indicated it is fair.

Tax compliance decision assumes that psychological factors are highly influence tax compliance decision. Which are Tax Moral, ethical concerns, and changing individual attitudes regarding tax issues with some statements relating to such theories? In this study respondents were asked to indicate their extent of the disagreement, or agreement views on tax system in Sri Lanka. This was on a likert scale, where strongly Disagree=1; Disagree=2; neutral=3; agree=4; strongly agree=5. The results are in table 3.1 is below.

Table 3.1 Factors influence views on tax system in Sri Lanka.

Attitudinal Factors	Mean	Std.Dev.
Ease in compiling with tax process	1.52	.656
The tax laws are easy to understand to you	1.97	.274
Ease in getting refunds	1.29	.455
Simplicity in procedures in submits to returns.	1.72	.656
Ease in filling forms	2.06	.460
Non-taxpayers' are detected highly by the IRD	1.86	.470
Government spends reasonable amount on welfare.	1.86	.882
Government does not waste too much money	1.77	.826
If detected not reported my exact income, I believe that the tax authority is going to make punishment.	2.40	.587

Source: research data

From the results in table 3.1 most respondents disagreed (Mean=2, and the standard deviation is insignificant) that their view with the statements as Ease in compiling with tax process, The tax laws are easy to understand, Ease in getting refunds, Simplicity in procedures in submits to returns, Ease in filling forms, Non-taxpayers' are detected highly by the IRD, Government spends reasonable amount on welfare, Government does not waste too much money, and If detected not reported exact income the tax authority is going to make punishment. So those statements indicated that most of taxpayers in Sri Lanka are reluctant to pay taxes impact on attitudes and attitude change on compliance decision.

3.3 Tax compliance and Non-compliance

In Sri Lanka, the tax system basically stands on the self Assessment system. Taxpayers who should maintain their records, books and accounts to determine their liabilities to correctly report the income earned under the regulations and rules stipulated by the department of Inland revenue. Taxpayers should submit

annual return on due date, paying quarterly payments on due dates and should report correct income. But the problem is they do not comply properly. In this situation Respondents were asked to give information relating to the compliance requirements to facilitate and upgrade the level of tax compliance. 22% respondents indicated that they file the tax returns themselves and 52% indicated it was done by the Accountant/tax practitioners and 26% did not file returns. Following table (table 3.2) indicates reasons for tax compliance and Non- compliance.

The respondents were asked to indicate extent to which they agree or disagreed with the factors that influence tax compliance and non compliance with Tax Law requirements.

Table 3.2 Reasons for Tax Compliance and Tax Non- Compliance

Factor	Mean	Std. dev
Ease to compiling with tax process	1.58	.636
The laws are easy to understand	1.99	.472
Ease to get refunds	1.38	.525
Simplicity in tax procedures	1.85	.556
Easy to file tax forms	2.19	.469
Probability of detection is high	1.95	.489
Government spends reasonable amount on welfare	1.95	.892
Government does not waste money	1.88	.896
If detected not reported my exact income, tax authority is going to make punishment.	2.63	.682

Source: research data

Table 3.3 another Reasons for Non- compliance

Factors	Mean	Std.Dev
Penalty rates are very low can afford to pay it	3.94	.486
The enforcement actions are weak	4.08	.546
I believe penalty is very lower than my tax saving due to not complying with tax laws.	3.80	.488
My friends do not comply and they have never been penalized	4.24	.509
My relations do not comply and they have never been penalized	4.24	.509
Waste in government is high	4.80	.403
Wealthy people evade tax than poor people	4.00	.503
When under report of income that the IRD does not make Audit to find correct income of taxpayers'	3.90	.587

Source: research data

The taxpayer attitude may be influenced by the following factors, which extremely influence taxpayers' behavior. Some of those factors influence tax compliance behavior and non compliance behavior. The factors are may be differ from one country to another country. Peer Attitude/ subject norm(Toumi, hasseldine, Hite,James&Conner,2000) understanding of tax laws (Silvani,1992;Le Baube,1992)punishment (Allingham&Sandmo,1972) the positive effect of increased sanction levels on taxpayer compliance has been found even where relatively low (and realistic) penalty levels are used (Carnes and Eglebrecht 1995).Fair treatment of taxpayers and a culture of mutual understanding between tax authorities and taxpayers were found to improve trust in authorities (Feld & Frey, 2002; Job & Reinhart, 2003; Wenzel, 2006). Silvani and

Baer (1997) added that simplifying the tax return will encourage taxpayers to complete the tax return on their own rather than employing a tax agent and thus reducing compliance costs. Allingham and Sandmo (1972) claimed that taxpayers will always declare their income correctly if the probability of detection is high.

From Table 3.2 most respondents agreed (Mean=4 or more the standard deviation is in significant) .i e. The factors for tax non- compliance as enforcement actions are weak, my friends do not comply and they have never been penalized, my relations do not comply and they have never been penalized, Waste in government is high. it means the enforcement action of the IRD is weak and taxpayers do not compliance on their attitude towards the IRD and also attitudes of others (i.e Friends, relatives do not paying taxes) who are not paying taxes and never been penalized. Most respondents were also indifferent (Mean=3 or more, and the standard deviation is insignificant) with the following factors. This means that these factors depending on how they are applied they can facilitate compliance and non- compliance. They include ‘Penalty rates are very low can afford to pay it’, ‘I believe penalty is very lower than my tax saving due to not complying with tax laws’ , ‘When under report of income that the IRD does not make Audit to find correct income of taxpayers’. The study found that taxpayers of Sri Lanka are agreed to such statements.

3.4 repercussions of Tax Non- compliance

The respondents were indicating most of them are agreed as the enforcement actions are weak in IRD Sri Lanka. It means tax Department is not going to make proper action for non- compilers. The attitudes of Respondents their friends and relatives as non-compliers and never been penalized by the IRD. The mean= 4 and it indicated as they agreed the statement and also they have agreed the statement as ‘Wealthy people evade tax than poor people’. Mean is 4. There are three statements with mean 3+ as ‘Penalty rates are very low can afford to pay it’, ‘Penalty is very lower than my tax saving due to not complying with tax laws’, ‘When under report of income that the IRD does not make Audit to find correct income of taxpayers’ It indicated most of the respondents agreed with those statements.

3.5 The relationship between the taxpayers’ Attitude and Tax compliance in Sri Lanka.

To be test the hypothesis of the study, that individual tax payers’ attitude do not encourage tax compliance in Sri Lanka. But accept alternative hypothesis as taxpayers’ attitudes influence tax compliance in Sri Lanka. it has been proved chi square results as below mentioned.

Table 3.4 a: Mean for Attitudinal factors and compliance.

Factors	Attitude Mean	Compliance mean
Ease in compiling with tax process	1.52	1.58
The tax laws are easy to understand to you	1.97	1.99
Ease in getting refunds	1.29	1.38
Simplicity in procedures in submits to returns.	1.72	1.85
Ease in filling forms	2.06	2.19
Non-taxpayers’ are detected highly by the IRD	1.86	1.95
Government spends reasonable amount on welfare.	1.86	1.95
Government does not waste too much money	1.77	1.88
If detected not reported my exact income, I believe that the tax authority is going to make punishment.	2.40	2.63

Source: research data

Table 3.4 b: Correlation between Attitude and Compliance

Variable	Attitude	compliance
Attitude	1	
Compliance	0.983125	1

From the results in table 3.4 b, there is very strong relationship between the taxpayers' attitudes and tax compliance in Sri Lanka. i.e taxpayer attitudes encourage tax compliance in Sri Lanka.

Table 3.4 c: test statistics for Attitude and compliance.

Test Statistics	Attitude	Compliance
Chi square(a,b)	.834	.000
df	11	12
Asump.sig.	1.000	1.000

The results in table 3.4 c shows all the 9 factors in the Analysis indicated as "a" i.e. 100% have expected frequencies less than 5 with the minimum expected frequency 1.1. thus all the factors that influence the taxpayers Attitude, equally affect the taxpayers compliance with the tax requirement i.e. taxpayer attitudes encourage tax compliance in Sri Lanka.

4.0: conclusions and recommendations.

4.1 conclusions

Based on the results of the analysis and findings of the research conclude followings. As per the attitudes and attitudinal factors, it was found most taxpayers view the Sri Lankan tax Department (IRD) as unfair with weakened tax Administration process. This was most respondents disagreed or differed Ease in compiling with tax process; The tax laws are easy to understand; Ease in getting refunds; Simplicity in procedures in submits to returns; Ease in filling forms; Non-taxpayers' are detected highly by the IRD; Government spends reasonable amount on welfare; Government does not waste too much money and lastly If detected not reported my exact income, I believe that the tax authority is going to make punishment.

Secondly on some of the reasons for tax compliance and non-compliance, some of the factors for non-compliance were found to be: Penalty rates are very low can afford to pay it; The enforcement actions are weak; believe penalty is very lower than my tax saving due to not complying with tax laws; My friends do not comply and they have never been penalized; My relations do not comply and they have never been penalized; Waste in government is high; Wealthy people evade tax than poor people; When under report of income that the IRD does not make Audit to find correct income of taxpayers'

Lastly relationship between the taxpayers' attitudes and tax compliance in Sri Lanka, in order to test the hypothesis of the study that "taxpayers' Attitudes do not encourage tax compliance in Sri Lanka" it was found very strong relationship and proving the results of Chi Square. The correlation of 0.834=1. and all that influence the taxpayers Attitudes, equally affect the taxpayers' compliance in Sri Lanka.

4.2 recommendations for improvement

The following recommendations are also importance to improve the level of tax compliance to IRD: to be improved the level of tax compliance that tax process must be simplify and tax Law must be simplify and it must be easy to understand. To be achieved such things through changing Administrative Mechanism and changing Tax policy. To be detected non-compliers, the awareness and training program must be conducted for officers' of the tax department (IRD). To be changed the attitudes of the government i.e government

waste to much money. The government must accountable and transferable for people's money. They should work to improve peer attitude.

4.3 suggestions for further research

To be identified the factors in addition to this, a similar study should be done on the concepts of taxpayers' attitudes towards tax systems, the factors which influence taxpayer attitudes and the relationship between attitudes and the compliance behavior. The researcher recommends to a study to be conducted, which will evaluate such concepts for other 24 Districts in Sri Lanka to improve on the revenue collection as to build our developing country.

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