

**The Impact of Taxpayers' Attitude on  
Tax Compliance Behavior:  
A study of Sole Proprietorship Holders  
in Sri Lanka.**

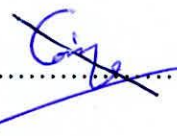

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the Degree of Master of Business Administration  
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## DECLARATION BY THE STUDENT

The work described in this research was carried out by me under the supervision of Dr.Aruna Shantha Gamage and a report on this has not been submitted in whole or in part to any university or any other institution for another Degree/ Diploma.



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# **The Impact of Taxpayers' Attitude on Tax Compliance Behavior:**

## **A study of Sole Proprietorship Holders in Sri Lanka**

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### **ABSTRACT**

Tax is a charge imposed by the government as a compulsory contribution on its citizens, corporations or other legal entities for meeting all or part of its expenditures. Money collected from the taxes help a country to become stronger and help government provide a variety of services to its citizens. Operation of the government activities cannot be achieved without having a sufficient level of taxation revenue. There should be a sufficient level of tax compliance from the citizens in order to ensure a sufficient level of taxation revenue. Therefore all the citizens of a country are morally and legally bound to being complaint with the taxation. Different people and organizations hold different opinions regarding taxation, because there are different factors which influence the tax compliance behavior of taxpayers. Attitude is one of the factors which influence the tax compliance behavior. This research study was conducted in order to find out the impact of taxpayers' attitude on tax compliance behavior. The study was conducted among the Proprietorship Holders in Sri Lanka. The data were collected through both the primary and secondary sources. Primary



data were collected through a questionnaire. Secondary data were collected through Annual Reports of the Central Bank of Sri Lanka and the Annual Reports of the Department of Inland Revenue. Primary data were collected from the sole Proprietorship taxpayers in the Colombo district. 125 questionnaires were distributed among tax payers covering all the five regional branches in the Colombo district. 25 taxpayers from each regional branch were provided with questionnaires. Questionnaires were developed in both English and Sinhala languages. The researcher herself distributed the questionnaires among the taxpayers. The researcher was able to collect 84 questionnaires out of 125 questionnaires distributes. The respondent rate was 67.2%.

Hypothesis were developed in order to find out the relationship between attitude and tax compliance, perception of tax fairness and tax compliance, ethical beliefs and tax compliance. Pearson correlation coefficient, regression analysis and mean value analysis were used to analyze the data collected through the study.

According to the results of the study, there was a strong positive impact of the attitude of the taxpayers' on tax compliance behavior. Further, the perception of the tax fairness and the ethical beliefs of the tax payers' have significant positive impact on tax compliance behavior. Level of the tax compliance and the attitude of the taxpayers' are at a satisfactory level.