

## ***The Effect of Taxpayers' Ethical Perceptions on Tax Evasion: A Study in Sri Lanka***

E.M.P.T. Ekanayaka<sup>1\*</sup>, M.N.F. Nuskiya<sup>2</sup>

<sup>1</sup>*University of Peradeniya, Peradeniya, 20400, Sri Lanka*

<sup>2</sup>*University of Peradeniya, Peradeniya, 20400, Sri Lanka*

\* *mg18030@mgt.pdn.ac.lk*

Generally, taxes are considered as a primary source of revenue for governments. However, at times the government fails to collect income from income taxes as expected, because of tax non-compliance. Tax non-compliance, such as tax evasion is considered widespread, causing countries to face many problems (Giray & Gercek, 2015). Thus, in terms of Sri Lanka, the study initially assesses the level of tax evasion and then investigates the impact of taxpayers' ethical perceptions (i.e., tax knowledge, tax discrimination, tax fairness and tax corruption level) on tax evasion. A quantitative methodological approach was followed, and primary data were collected using a self-administered questionnaire from Sri Lankan taxpayers. Then the collected data are analyzed using one-sample t-tests and multiple regression analysis. Regarding the level of tax evasion in Sri Lanka, the findings suggest that there is an increased possibility of avoiding paying taxes on their income since the mean value (3.19 out of 5) is above the test value of 3 with a significant mean difference of 0.19. Interestingly, regarding taxpayers' ethical perceptions, the level of perception of tax knowledge and tax corruption seems to be higher whereas the level of perception of tax discrimination and tax fairness seems to be lower. Correlation analysis results suggested that there were significant positive associations between tax evasion and taxpayers' ethical perceptions of tax knowledge, tax discrimination, tax fairness and tax corruption level. Taxpayers evade taxes due to government corruption. Further, tax evasion is willfully and fraudulently evading tax assessment, payment, or fraudulently claiming a tax refund. However, multiple regression analysis results revealed that taxpayers' ethical perceptions of tax knowledge, tax discrimination and tax corruption level have a positive impact on tax evasion whereas tax fairness shows an insignificant impact. The study findings provide potential implications for reducing tax evasion by understanding.

**Keywords:** Tax Corruption, Tax Discrimination, Tax Evasion, Tax Fairness, Tax Knowledge, Taxpayers' Ethical Perceptions

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