

DETERMINANTS OF BUSINESS INCOME TAX COMPLIANCE AMONG MEDIUM ENTERPRISES IN CAPITAL CITY OF BHUTAN

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ABSTRACT

This study explores the determinants of Business Income Tax compliance and identifies the factors influencing tax compliance. Non-compliance behavior of businesses reduces tax revenues generation collected by the government and leads to budget deficits in most of the countries. Therefore, exploring the different factors influencing the businesses to practice non-compliance is imperative for the business to reduce fines and penalties, and for the government to generate revenue and imposing of taxes based on fair and equitable manner. For the study, data was collected with the aid of structured survey questionnaires. A sample of 123 enterprises was taken from 179 medium enterprises taxpayers. The study used a systematic random sampling method. The measurement scale is ordinal as per the Likert scale ranging from strongly disagree (1) to strongly agree (5) to measure the level of agreement for each item in questionnaires. Data are analyzed by using descriptive (including cross-tabulation) and inferential statistics. Regression analysis is carried out to test the descriptive analysis. The result of this research has shown that out of 5 independent variables incorporated such as demographics, individual, economic, institutional, and social factors, the individual factors have a higher impact on tax compliance compared to other independent factors which include tax education and tax knowledge. The increase in the level of tax education and knowledge increases their tax compliance behavior. The higher the Beta value, the stronger will be the effect.

[Asian Journal of Multidisciplinary Research & Review \(AJMRR\)](#)

ISSN 2582 8088

Volume 2 Issue 5 [October - November 2021]

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INTRODUCTION

The origin of the word "Tax" is from "Taxation" which means an estimate. The word 'tax' first appeared in the English language only in the 14th century. It is derived from the Latin *taxare* which means 'to assess'. Before that, English used the related word 'task', derived from Old French. 'Tax' then developed its meaning to imply something wearisome or challenging. So a word like 'duty' was used to suggest a more appealing purpose.

Tax revenue is a powerful resource for funding the public payments of developed, developing, and underdeveloped countries in the world. In Bhutan the taxation picture came during the reign of Zhabdrung Ngawang Namgyal (1594–1651), taxes in Bhutan were levied by Penlops (regional governors). Modernly, governmental authority was fully consolidated in 1907 with the establishment of the Wangchuk Dynasty and the modern state of Bhutan. Before the 1960s, the Bhutanese government collected taxes in kind and the form of "labor contribution". Taxes in kind were gradually phased out in favor of nominal monetized taxes on land, property, business income, and consumption of goods and services. In 1971, the Ministry establishment the Department of Customs, later to become the Department of Revenue and Customs, responsible for implementing tax law. In 1974, the Royal Government began experimenting with decentralization, devolving some governmental powers including taxation to the municipalities of Thimphu and Phuentsholing.

But the amount of revenue to be generated by the government from taxes for its expenditure programs depends on the willingness of the taxpayers to comply with the tax laws of a country. Besides, the degree of compliance in most of the countries is affected by demographic, individual, economic, institutional, and social factors. Tax compliance refers to fulfilling all tax obligations as specified by the law freely and completely by the taxpayers including registration as a taxpayer, maintaining records, timely filing, correctly stating income and deductions, and paying levied taxes.

PROBLEM STATEMENT

Non-compliance behavior reduces tax revenues generation collected by the government and leads to budget deficits (Deyganto, factors influencing taxpayers' voluntary compliance attitude with tax system, 2018). Business Income tax is a non-corporate business tax. It is levied at 30% on the net profit. BIT is payable by all unincorporated business entities holding a trade license or registration certificate issued by the Ministry of Economic Affairs. Every year there are few cases of tax evasion in the country. For example; Twenty three criminal and five civil cases involving 28 individuals, including two customs inspectors were filed before the Phuentsholing drungkhag court on June 5th by the Office of the Attorney General (OAG) for tax evasion and business fronting at the country's commercial hub (Wangchuk, 2017). In Phuentsholing, one of the enterprises is liable to pay Nu.14.478 million for evasion of tax amounting to Nu.3.937 million (Tshering, 2019) As per Mr. Lhakpa's report we can determine that due to the individual (tax knowledge) and demographic (education) factors there is a rise of such kind of problem. In addition, tax collectors should be efficient enough to ensure compliance behavior (Al-Taffi & Jabbar, 2016).

Therefore, this research studies what are and how the variables affect the business income tax compliance behavior among medium enterprises in Bhutan specifically in Thimphu Dzongkhag.

RESEARCH OBJECTIVE

This study examines the determinants of non-compliance behaviors among medium enterprises in Thimphu and it identifies the factors influencing tax payer's compliance behaviors. The objectives are:

- To examine the demographic factors such as age, gender, and level of education that affect the compliance behavior.
- To examine whether the determinants such as individual, economic, institutional, and social factors affect the business income tax compliance.
- To find out the predominant factors affecting tax compliance.

RESEARCH QUESTIONS

- Who is more compliant between male and female taxpayers?
- Who is more compliant between elder and younger taxpayers?
- Does the level of education influence tax compliance behavior?
- How do the individual, economic, institutional, and social factors lead to non-compliance with tax?
- What is the predominant factor of determinants that affects the tax compliance behavior of taxpayers?

Tax revenue is one of the sources of income for the government in any country. However, the main threat to this financing method is tax avoidance and tax evasion. Voluntary compliance with tax law involves true reporting of taxable income, correct computation of tax liability, timely filing of tax returns, and timely payment of the tax amount. Thus, this study attempts to examine tax compliance problems through external factors, particularly focusing on demographic determinants of taxpayers such as gender and age level in submitting their annual tax returns. The previous studies such as Palil (2010) recommended tax knowledge and awareness were the significant factors that influence taxpayers' voluntary compliance attitude.

Some cases related to tax evasion were in Phuentsholing where one of the enterprises is liable to pay Nu.14.478 million for evasion of tax amounting to Nu.3.937 million (Wangchuk, 2017). As per Mr. Wangchuk's report, we can determine that due to the individual (tax knowledge) and demographic (education) factors there is a rise of such kind of problem. In addition, due to the inefficiency of the tax collector and weak BIT administration, it has been negatively affecting the government to achieve its objective.

LITERATURE REVIEW

This review discusses the literature on the determinants that affect business income tax compliance. It is important to review all the relevant literature to understand the whole concept of how tax compliance is affected by various factors in Bhutan. There has been an extensive amount of research undertaken in the area of tax compliance and non-compliance in many countries outside Bhutan. Non-compliance behavior mainly occurs due to the determinants which lead to non-registration for tax, non-filing of returns, poor payment record, underreporting of turnover and profit, and poor bookkeeping.

DEMOGRAPHIC:

Demographic factors in the study are age, gender, and education which have been researched by the previous researcher. The demographic factors have significantly affected tax compliance behavior.

GENDERS

Gender is a sociological factor that influences compliance behavior in the taxation system. The factor investigated in this paper in terms of the effect of demographic factors on tax compliance is gender. (The Effect of Demographic Factors on Individual tax compliance in Duren Sawit, 2015). For example, Widiyanto (2015) depicted that gender variable has statistically negative significant marginal effects. In other words, female taxpayers are more likely to comply with by abiding tax laws than male taxpayers. This finding is consistent with the finding of Tadesse

& Goitom (2014) that female taxpayers are more compliant in comparison to males in the study area. But, the study of Aronmwan, Imobhio & Izedonmi (2015), Manchilot (2018), and Adimassu & Jerene (2016) stated that gender has a positive effect but no significant impact on the compliance level of taxpayers. In terms of gender, females are more compliant than males. (Kasipillai & Jabbar, 2006) Some studies found that males are more compliant but others found female taxpayers are more compliant, hence, female taxpayers were expected to have more compliance with the taxation system as compared to males (Admasu & Shallo, 2018) and traditionally, females have been identified with more constraint, moral restraints, more conservative life pattern (Olowookere et al 2013).

AGE

Age is also one of the demographic factors that impact the level of tax compliance or tax non-compliance behavior of individual taxpayers. A majority of studies done in the United States show that age is a key factor in explaining the degree of tax non-compliance (The influence of Demographic factors on taxpayer compliance in Uganda, 2019). Age is not a significant factor in general, especially for external factors. As a principal demographic variable, age has been demonstrated to have a positive correlation with tax compliance that can be attributed to a higher commitment to society at old age or tendency to take a risk and face sanctions at a young age (Y & Y, Factors Affecting Tax Attitudes and Tax Compliance: A Survey Study in Yemen, 2014). The legit result of Widiyanto (2015) shows that age is a statistically significant negative influence in explaining tax compliance. This means that older taxpayers are less likely to comply than younger taxpayers. Tadesse & Goitom (2014) in their study also found a negative association implying that older taxpayers were less compliant. Whereas, the study of Adimassu & Jerene (2016) and Manchilot (2018) stated that the age of taxpayers has a positive but no significant impact on the compliance level of taxpayers

INDIVIDUAL FACTOR:

Tax Education

Another demographic variable is education, this refers to the taxpayers' ability to understand and to either comply or not comply with taxation rules. There is an inverse relationship between the level of education and the level of non-compliance (Antwi, Inusah, & Hamza, 2015). Tax authorities should develop the confidence of highly qualified communicators, proficient in the training method. Tax authorities should concentrate on building good propaganda groups with deep expertise to reach regional and international levels, training and forcing with the focus and focus in tax. Specific tax education programmers for taxpayers have been implemented in most SAS countries including in the US (including via online education) Canada and UK. Tax education can constitute any informal or formal program organized by the tax authority or independent agencies by which facilitate taxpayers in completing tax return correctly and also to cultivate awareness of their responsibilities in respect of the tax system (Palil M. R., Tax Knowledge and Tax Compliance Determinants in Self-Assessment System in Malaysia, 2010). There is an inverse relationship between the level of education and the level of non-compliance (Antwi, Inusah, & Hamza, 2015). Education has been found to have inconsistent associations with tax compliance. Aside from positive associations, negative associations were also reported between education and tax compliance that can be recognized to utilizing opportunities for tax avoidance & evasion with increasing fiscal knowledge (Y & Y, Factors Affecting Tax Attitudes and Tax Compliance: A Survey Study in Yemen, 2014). Tax education has a positive insignificant relationship with tax compliance among all the variables it has the lowest influence (Dlamini, 2017). The findings from the research Kirchler (1999) says that there needs to be interpreted from this perspective Kirchler, found that small business taxpayers were more likely to perceive tax-paying as limiting and threatening their freedom to make decisions about their financial income. Perceived restriction of freedom was positively related to favorable attitudes toward tax evasion, lower tax morale, and a tendency to act in ways to avoid paying taxes (Ahmed & Braithwaite, 2005).

Tax knowledge

Knowledge of taxation is the reasoning and meaning of tax laws. The people should have knowledge and understanding of tax regulations, tax obligations and they need to know about taxes in advance. Without their knowledge and understanding of the tax rules, the public may not want to pay taxes. Tax knowledge is an essential element in the voluntary compliance tax system (saad, 2014). The taxpayer does not have full knowledge about tax rules and regulations that is mainly because of not participating in tax awareness creation programs and tax rules and regulations which are not simple to understand. Another reason they mentioned was awareness creation conducted by the revenue office was not sufficient to understand the rules and regulations of tax (Ergo A. E., performance determinants of Business Income Tax, 2018). Tax knowledge is an essential element in the voluntary compliance tax system. (saad, 2014)

In the Australian context, Mc Kerchar (1995) found that small business taxpayers did not have adequate knowledge of tax law to meet their obligations. Coleman and Freeman (1994, 1997) argue that not only do they not understand what is required to meet their obligations but they are insufficiently aware of what they need to do to effectively minimize their tax. In Australia, a high proportion of taxpayers (75%), including wage and salary earners rely on a tax adviser or tax agent to complete their yearly tax returns (Compliance Program, 2002–3).

Economic factor:

The tax fairness, tax service quality, and government spending priorities greatly affect their tax compliance decisions. If the government's acts are trustworthy, the taxpayer may be more willing to comply with tax law. Therefore, the relationship between the taxpayer and government can be seen as rational (Torgler & Schneider, 2006). Taxpayers evade if they think that the system is unfair due to an insufficient level of public goods, evasion by other taxpayers, or an unfair tax schedule (Nur-trgin, 2008). The studies on the relationship between actual government spending and tax compliance particularly on tax evasion are limited. Logically the taxpayer and especially those who pay a high amount of tax will be sensitive to what a government spent their money on (Ergo A. E., 2018). Tax audits influence tax compliance because of the deterrent effect of audits on non-compliance of taxpayers (Deyganto, Factors

influencing taxpayer voluntary compliance attitude with tax system: Evidence from Gedeo Zone of Southern Ethiopia, 2018).

Tax Rate

Tax rate refers to the rate at which a business or person is taxed on income and it also refers to the rate of tax on goods and services (Muoki et al., 2014). High tax rates and an unfair tax system are the two most crucial factors associated with low compliance (Y & Y, Factors Affecting Tax Attitudes and Tax Compliance: A Survey Study in Yemen, 2014). Helhel & Ahmed (2014) and (Dlamini, 2017) pointed out that high tax rates are one of the crucial factors associated with low compliance. This implies that a high tax rate reduces the taxpayer compliance level. This is confirmed with the finding of Abdul Salam Masud (2014) and Inasius (2015) which states there is a significant negative correlation between tax rate and tax compliance in Africa. According to (white and Woodbury (1985) raising marginal tax rates will be likely to encourage taxpayers to evade tax more. Park and Hyu (2003) in their empirical study also find that the increase in tax rate strengthens the incentive to report less income to compensate the reduced income.

The findings of Ali (2018) and Waithira (2016) found that the tax rate has a positive and significant influence on income tax compliance. This implies that when taxpayers develop a positive affinity for tax administrators (likely because of proper fund management and utilization); they are likely to comply when there is an increase in tax rate because they have or receive value for the taxes paid. But, the study of Mansor (2016) on the factors affecting tax evasion in Gombe state, Nigeria showed that tax rate positively but not significantly influences tax evasion. This is similar to the finding of Agbadi (2011) that the tax rate was not significantly correlated with tax compliance.

Penalty

Penalties are made to keep taxpayers afraid to violate the tax law. Taxpayers will comply with their tax payments if the view of penalties is unfavorable. Tax audit has a positive relationship with tax compliance that is an increase in tax compliance and tax audit has the highest influence on compliance (Dlamini, 2017). Furthermore, insufficient tax auditing, little preventive effects

of tax penalties, and tax amnesties enacted frequently have an impact on taxpayers' compliance decisions. (Y & Y, Factors Affecting Tax Attitudes and Tax Compliance: A Survey Study in Yemen, 2014) The tax compliance will increase when penalties are involved to handle increased non-compliance. Some of the researchers have studied that punishment should be applied so the idea of fear of punishment will prevent tax evasion. If all enterprise acts of tax noncompliance are sanctioned by the tax department per the law and enterprise will comply with the tax better. The higher the fine, the better is the taxpayers' compliance (Phuong, 2019).



Asian Journal of Multidisciplinary Research & Review

[Asian Journal of Multidisciplinary Research & Review \(AJMRR\)](#)

ISSN 2582 8088

Volume 2 Issue 5 [October - November 2021]

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INSTITUTIONAL FACTOR:

The tax administrator should not only focus on their convenience but also consider taxpayers' convenience, particularly, in terms of tax regulations, filings, assessment, payments, administration, and cost of administering the tax system. Assessors and tax collectors do not do diligence (carefulness) for the taxpayer's problem and do not consider the existing business environment. As their response tax assessor and collector's motives were only to collect tax liability from taxpayers, no care has been done for taxpayers (Ergo A. E., performance determinants of Business Income Tax, 2018).

The growing complexity of the tax system will also affect the tax administration, compliance cost. The tax compliance studies suggest greater emphasis should be assigned to simplicity in comparison to the complex tax procedure. The complexity of tax law and regulation and weak tax administration affects the government to achieve its goal (Ergo A. E., performance determinants of Business Income Tax, 2018). The factors like insufficient tax office staff number and frequent tax code changes affect tax compliance to a lesser extent (Y & Y, Factors Affecting Tax Attitudes and Tax Compliance: A Survey Study in Yemen, 2014). Reducing tax complexity may, thus, lead to an increased perception of fairness in the tax system and subsequent reduction of tax non-compliance.

Tax audit and follow-up strategies are poor, taxpayers will evade taxes and penalties are not severe non-compliance will be high which has weak follow-up and insufficient awareness

Campaigns (Dlamini, 2017). The perceptions of deterrence activity by the tax authority spread through the community and as fears of being caught are aroused, tax evasion is expected to go down in the population as a whole. A degree of support has been found for the hypothesis that compliance is likely to be higher when taxpayers perceive there to be a higher probability of being caught along with anticipated adverse consequences (Ahmed & Braithwaite, 2005).

Many countries have also had committees of inquiry, which have dealt with tax issues, including corrupt tax practices. In many cases, political corruption is at least as serious as corruption in the tax bureaucracy. Low salaries for tax officials, political protection of prominent tax evaders, poor monitoring of junior officials, high tax rates and poor information

leads to corruption. Measures to reduce corrupt practices are needed and they need to be applied on an ongoing basis over a long period (Micah, 2012).



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SOCIAL FACTOR:

Value system

One of the determinants that affect the business income tax compliance is also the value system which mainly consists of the Culture, beliefs, ethics, and values of the taxpayers. The effect of culture on tax morale to comply with the tax law in Switzerland, Belgium and Spain suggested that culture and national pride influences tax morale in compliance with the tax law (Suhila & Hamid, 2016). Ethics are a subjective continuum and the level of ethical behavior is heavily reliant on how people perceive the behavior being considered. It is assumed that ethics encourage individuals to act according to them and a taxpayer with a negative attitude towards tax evasion tends to be less compliant (Palil M. R., Tax knowledge and tax compliance determinants in self-assessment system in Malaysia, 2010). The moral beliefs and attitudes that are non-economic influences on tax compliance have to be focused on. Meanwhile, some economists have tried to control the influence of social norms in models of tax compliance behavior indicated that one should not ignore the socially acquired norms that shape moral values, and tax morale affecting tax compliance (Helhel & Ahmed, 2014). A positive attitude will encourage tax compliance, whereas a negative attitude will trigger tax noncompliance. According to the theory of planned behavior, personal attitudes towards behavior are derived from beliefs about the consequences of said behavior, namely behavior beliefs (Nurwanah, T, T, & Rosidi, 2018). Research conducted by (Yilmaz & Ozer, 2010) reveals that attitudes have better predictive abilities than the subjective norm and perceptual control. Roth recognizes two fundamental influencing elements in taxpayers' taxation compliance, namely self-interest and on financial bases and moral obligation, and confirms that there was a reliably positive association between ethical obligation and Compliance behavior (Magiya, 2016).

Peer pressure

A substantial body of research shows that taxpayers who believe their peers evade tax are more likely to evade tax themselves. This correlation does not necessarily translate to the conclusion that the behavior of a taxpayer's peers causes the taxpayer's behavior. For example, peer

behavior may be used to defend a prior decision not to comply, or (less plausibly) a noncompliant taxpayer may see out noncompliance peers (Morse, Karlinsky, & Bankman, 2009). Some studies do find a causal relationship, however. For example, one paper reports, based on longitudinal survey data that a taxpayer tends to internalize the taxpaying norms of a group with which the taxpayer strongly identifies. Issues of non-compliance are only due to state and society relationships but also because of the relationship between citizens and groups of the citizen within the local communities. There is a bond between societies that influence in complying with the tax (Deyganto, Factors influencing taxpayer voluntary compliance attitude with tax system: Evidence from Gedeo Zone of Southern Ethiopia, 2018).

Research Methodology

The research method is a quantitative method that emphasizes objective measurement and statistical, mathematical, or numerical analysis of data collection through polls, questionnaires, and surveys. Therefore, the questionnaire is the main instrument to collect the primary data from target respondents.

Conceptual Framework

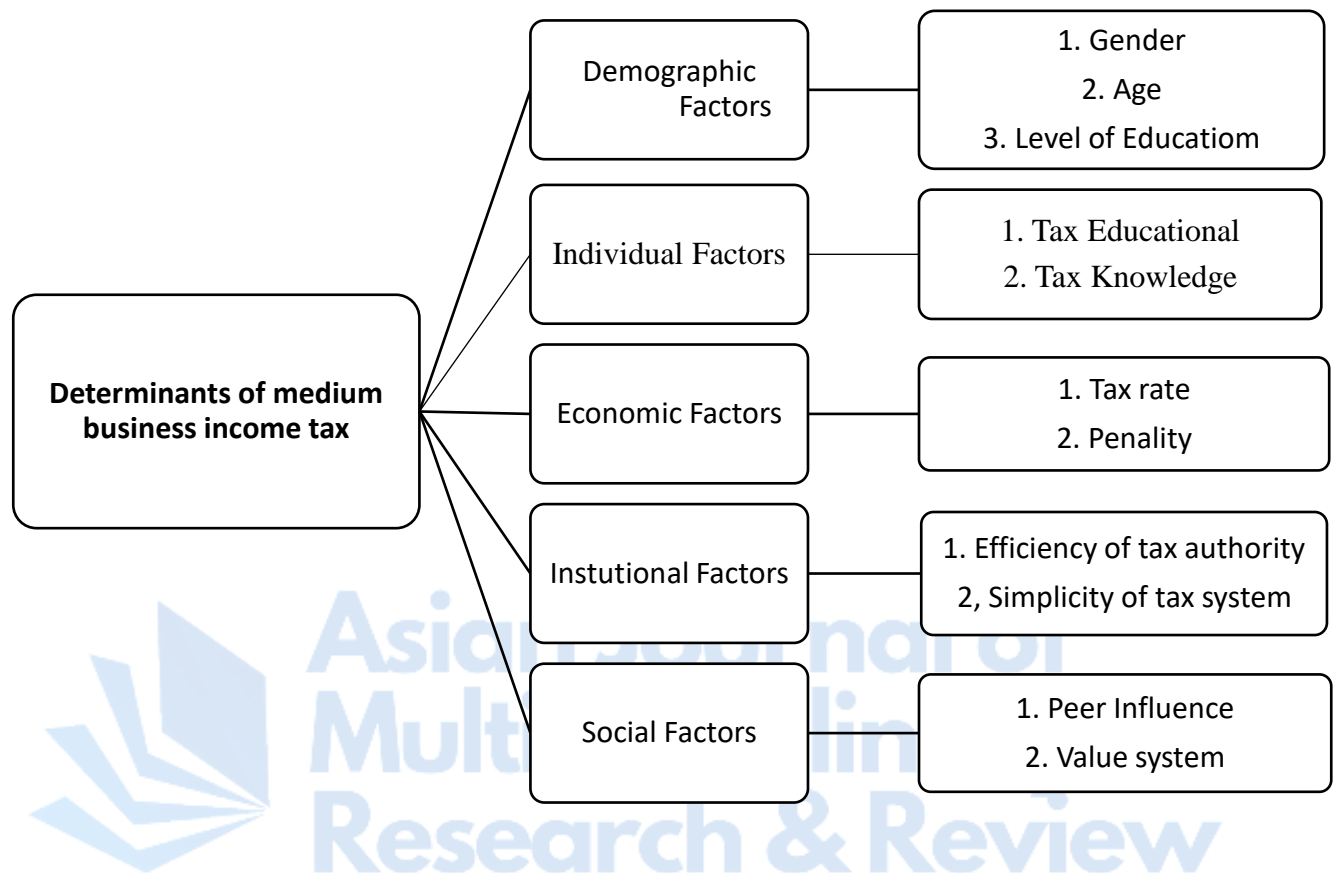


Figure 1: Source: (Deyganto, 2018)

Framework on the process of tax compliance

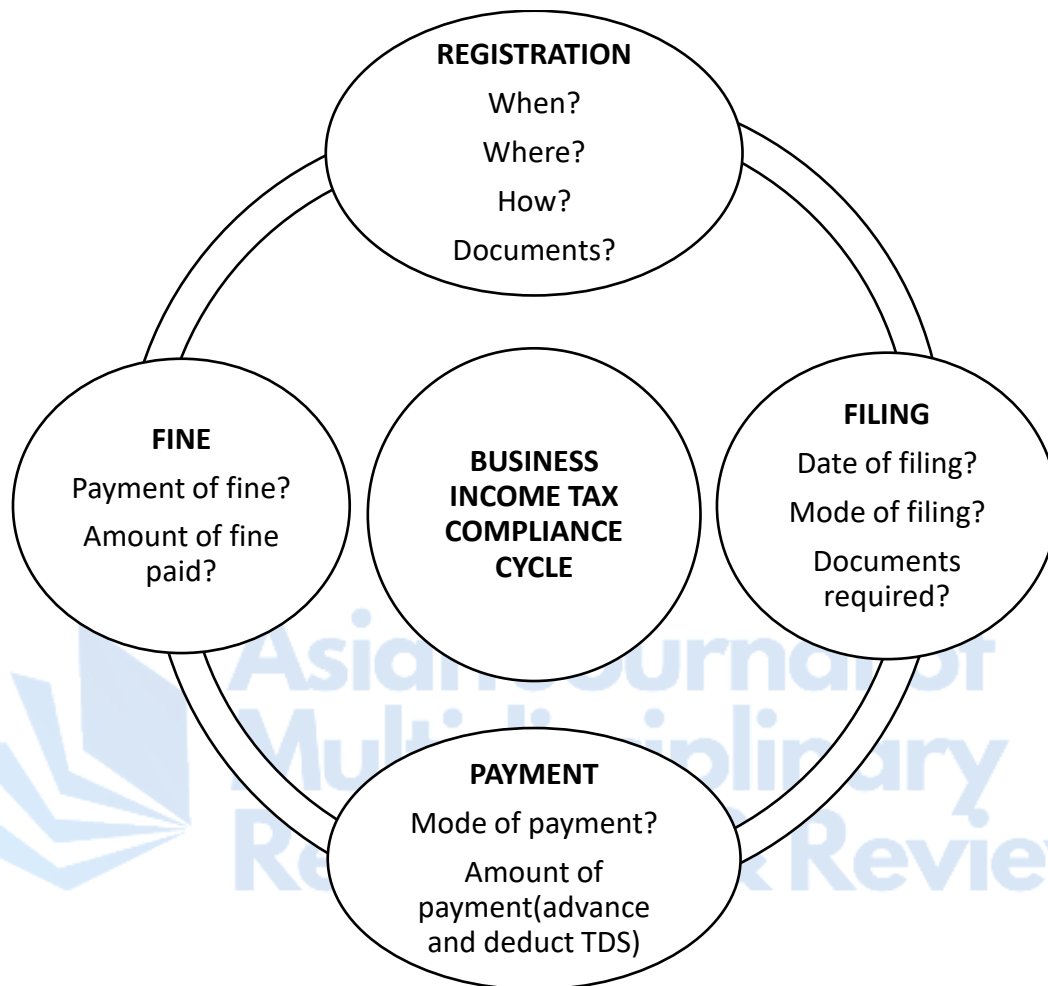


Figure 2: Source: Taxation System [2020]

RESEARCH DESIGN

The study will be based on a descriptive research design to identify the significant determinants of Business Income Tax compliance and examine each determinant concerning Business Income Tax compliance. The study will find out which determinants of Business Income Tax compliance are the most predominant factor that influences the tax compliance behavior among the identified factors.

Sample size

The study focuses on medium enterprises located in Thimphu. There are 179 medium enterprises in Thimphu as per the RRCO report. From 179 medium enterprises, the sample size for the study is 123 that is computed by applying the Yamane formula.

Sampling Technique

The study uses a simple random sampling method. This technique selects the random portion of the entire population to represent the entire data set where each enterprise has an equal probability of being chosen.

Data collection procedure

The study focuses on primary data and collected by direct interview, using a questionnaire, through emails, and telephonic interviews. The measurement scale is ordinal as per the Likert scale ranging from strongly disagree (1) to strongly agree (5) to measure the level of agreement for each item in the questionnaire.

Data analysis

The questionnaire has many items with Likert ordinal scale measurement. The degree of agreement and disagreement is measured by applying Likert scale responses via strongly disagree - disagree - neutral – agree – strongly agree with each of them coded as 1 2 3 4 and 5 respectively. The data were analyzed by using descriptive tools. Further, regression is used to run to find significant factors influencing the Business Income Tax compliance. In addition, the ANOVA test has been used to analyze the factors based on demographic information. All these testing and computations are done with the help of the Statistical Package for the Social Science.

RESULT: ANALYSIS AND FINDINGS

4.1 Reliability test

Table 1: Reliability test

Variables	Cronbach's Alpha	No. of Items
Individual	.764	4
Economic	.732	3
Institutional	.829	5
Social	.744	6

Source: extracted from SPSS (2020)

According to Sekaran, (2000), as cited in (Chuab, Ting, Alsree, & Cheah, 2015), the Cronbach Alpha is a reliability coefficient that indicates how well the items are positively correlated to one another. Based on the guideline given by (Sekarn, 2000) the score of 0.7 is acceptable while over 0.8 is considered good. Cronbach's Alpha has been used to test the reliability of questionnaires set by the researchers. The number of items represents the number of questions under each factor in the study. The test is run for all four factors. Cronbach Alpha's shows the value of reliability.764, .732, .829, and .744 which are accepted in this study (Table 1).

4.2 Analysis of Likert Scale

Table 2: Analysis of Likert scale

Scale	Mean range/interval
Strongly Agree	4.21-5.00
Agree	3.41-4.20
Neutral	2.61-3.40
Disagree	1.81-2.60
Strongly Disagree	1-1.80

Source: extracted from SPSS (2020)

The above table represents the analysis of the Likert scale. With inaccuracy of mean range, continuous scale came into the picture where entire means ranging from 1 to 5 are shown. It means ranges from 4.21-5.00 'Strongly agree', 3.41-4.20 'Agree', 2.61-3.40 shows 'Neutral', 1.81-2.60 shows 'Disagree', and 1-1.80 shows 'Strongly Disagree'.

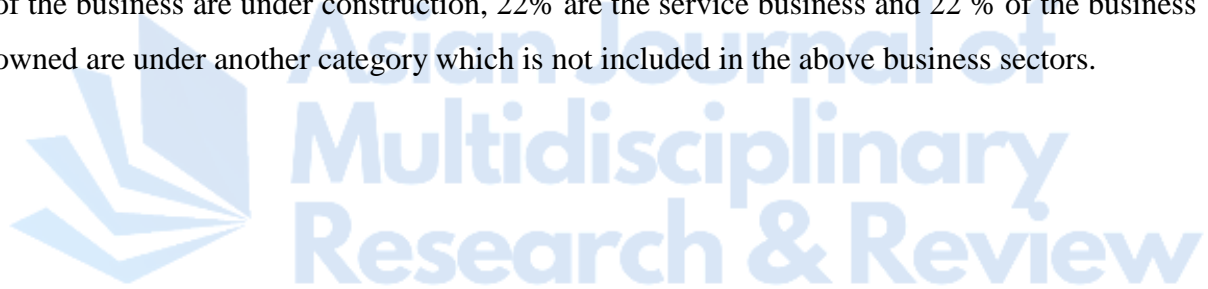
4.3 Demographic result of Respondents

Table 3: Demographic result of Respondents

<i>Demographic Variables</i>	<i>Frequency</i>	<i>Percent</i>
Gender		
Male	68	55.3
Female	55	44.7
Age		
Below 20	2	1.6
20-29	25	20.3
30-39	45	36.6
40-49	34	27.6
50-59	16	13
Above 60	1	0.8
level of education		
None	7	5.7
Primary, Secondary, High School	50	40.7
Diploma	13	10.6
Degree	49	39.8
Others(PhD)	4	3.3
Types of business		
Trading	57	46.3
Construction	12	9.8
Service	27	22
Others	27	22

Source: extracted from SPSS (2020)

Above Table 3 gives the details of the respondents selected for the study. The total number of respondents selected for the study is 123 out of which 68 are male, and 55 are female. The table also includes the age of the respondents where 1.6% is below the age of twenty, 20.3 % are between the age of 20 – 29, 36.6 % are between the age of 30–39, 27.6 % are between the ages of 40 – 49, 13% of the respondents are between the age of 50 – 59 and 0.8% is above the age of 60. Further, the table shows that out of total respondents 5.7% are uneducated, 40.7% of the respondents fall under primary, Secondary, High School level of education, 10.6% have completed their diploma, 39.8% have completed their degree, and 3.3% have completed their Ph.D. which are clubbed under the heading “others. The type of business ownership is also shown in the table above. It shows that the respondents 46.3% of the business are trading, 9.8% of the business are under construction, 22% are the service business and 22 % of the business owned are under another category which is not included in the above business sectors.



4.4 Mean

Table 4: Mean

		Individual Factor education)	Economic (fairness of tax rate)	Institutional factor (simplicity of tax system)	Social (peer influence)
N	Valid	123	123	123	123
	Missing	0	0	0	0
Mean		4	3.1870	3.3821	4
Std. Deviation		.83257	.89144	.65887	.81061
Variance		.693	.795	.434	.657

Source: extracted from SPSS (2020)

Taking all 123 samples together, the mean of the individual factor is 4, showing that most of the respondents have a good knowledge and awareness of taxation with a standard deviation of .83. The average of economic factors is 3.18 which indicates that the respondents are neutral with the option that tax rate and compliance cost influence their compliance behavior with the standard deviation of .89. The institutional factor has an average of 3.3 which shows that most of the respondents are neutral about the influence of efficiency of the tax collector and simplicity of the tax system on their compliance behavior with a standard deviation of .65. In the social factor, the mean is 4 indicating that most of the respondents agree that peer influence and value system affect their tax compliance behavior with the standard deviation of .81.

4.5 Stage wise mean

Table 5: Stage wise mean

		Stage 1	Stage 2	Stage 3	Stage 4
N	Valid	123	123	123	123
	Missing	0	0	0	0
Mean		4	4	2	3
Std. Deviation		.80715	0.48549	0.03721	0.4292
Variance		.651	2.207	1.076	.711

Source: extracted from SPSS (2020)

For registration: (M=4, SD .80715)

For filing: (M=4, SD 0.48549)

For payments: (M=2, SD 0.03721)

For fines and penalty: (M=3, SD 0.4292)

Table 5 shows that out of 4 stages in the tax compliance cycle the 3rd stage (payment) results in more non-compliance behavior of the respondents.

The reason for this may be the respondents are not aware of the E-payment system. They may lack to seek help from the expertise.

4.6 Cross Tabulation

Table 6: Gender * I have paid fines and penalties Cross tabulation

		I have paid fines and penalties					Total
		strongly Disagree	Disagree	Neutral	Agree	strongly Agree	
Gender							
_Male	Count	8	23	8	23	6	68
	% within I have paid fines and penalties	44.40%	60.50%	33.30%	71.90%	54.50%	55.30%
Female	Count	10	15	16	9	5	55
	% within I have paid fines and penalties	55.60%	39.50%	66.70%	28.10%	45.50%	44.70%
Total	Count	18	38	24	32	11	123
	% within I have paid fines and penalties	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: extracted from SPSS (2020)

Almost 72% of male participants agreed that they have paid fines and penalties whereas 28% of participate female has agreed that they have paid fines and penalties. The above table indicates that female respondents are more compliant than males as a higher % of paying fines and penalty indicates a higher rate of non-compliance.

The reasons may be that the female respondents are more conscious about their image and their values and ethics do not allow them to evade tax. Even the study of (Kasipillai & Jabbar, 2006) states that females have been identified with more constraints, moral restraints, and more conservative life patterns.



4.7 Age * I have paid fines and penalties Cross tabulation*Table 7: Age * I have paid fines and penalties Cross tabulation*

		I have paid fines and penalties					
		Strongly Disagree	Disagree	Neutral	Agree	strongly Agree	Total
Age							
below 20	Count	2	0	0	0	0	2
	% within I have paid fines and penalties	11.10%	0.00%	0.00%	0.00%	0.00%	1.60%
20-29	Count	2	9	5	7	2	25
	% within I have paid fines and penalties	11.10%	23.70%	20.80%	21.90%	18.20%	20.30%
30-39	Count	6	14	9	11	5	45
	% within I have paid fines and penalties	33.30%	36.80%	37.50%	34.40%	45.50%	36.6
40-49	Count	7	10	8	9	0	34
	% within I have paid	38.90%	26.30%	33.30%	28.10%	0.00%	27.60%

	finances and penalties						
50-59	Count	1	5	2	4	4	16
	% within I have paid fines and penalties	5.60%	13.20%	8.30%	12.50%	36.40%	13.00%
above 60	Count	0	0	0	1	0	1
	% within I have paid fines and penalties	0.00%	0.00%	0.00%	3.10%	0.00%	0.80%
Total	Count	18	38	24	32	11	123
	% within I have paid fines and penalties	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Extracted from SPSS (2020)

This study has categorized age in two levels that are, Younger and elder taxpayers. Age ranging from 20 to 49 belongs to younger age group and age ranging above 50 belongs to elder group. The above table shows that the maximum % of respondents paying fines and penalties are age ranging from 20 to 49 that is 74% when taking the average (Agree and Strongly Agree) and the minimum % of respondents paying fines are above the age of 50 that is 26%, which indicates that elder is more compliant than younger respondents. The probable reason may be that elder people have a more social attachment that makes them more compliant. The prior

study of (Y & Y, Factors Affecting Tax Attitudes and Tax Compliance: A Survey Study in Yemen, 2014) shows that elder people have a higher commitment to society and younger age have more tendency to take the risk and face sanctions.



Asian Journal of Multidisciplinary Research & Review

[Asian Journal of Multidisciplinary Research & Review \(AJMRR\)](#)

ISSN 2582 8088

Volume 2 Issue 5 [October - November 2021]

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4.8 level of education * I have paid fines and penalties Cross tabulation*Table 8: Level of education * I have paid fines and penalties Cross tabulation*

level of education	I have paid fines and penalties						Total
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree		
None	Count	0	5	1	1	0	7
	% within I have paid fines and penalties	0.00%	13.20%	4.20%	3.10%	0.00%	5.70%
Primary, Secondary and High school	Count	11	12	13	13	1	50
	% within I have paid fines and penalties	61.10%	31.60%	54.20%	40.60%	9.10%	40.70%
Diploma	Count	0	4	4	4	1	13
	% within I have paid fines and penalties	0.0%	10.50%	16.70%	12.50%	9.10%	10.60%
Degree	Count	7	16	6	12	8	49

% within I have paid fines and penalties	38.90%	42.10%	25.00%	37.50%	72.70%	39.80%	
Others(PhD)	Count	0	1	0	2	1	4
		0.00%	2.60%	0.00%	6.30%	9.10%	3.30%
							12
Total		8	38	24	32	11	3
% within I have paid fines and penalties		100.00%	100.0%	100.0%	100.0%	100.0%	100.0%
		%	0%	0%	0%	0%	0%

Source: Extracted from SPSS (2020)

The table shows that the maximum % of respondents paying fines and penalties are from None, primary, Secondary, and Diploma levels are 37.25%. Whereas the education level from Degree and Ph.D. holder is 62.8%. This indicates that higher education level leads to more non-compliance behavior. There is an inverse relationship between the level of education and the level of non-compliance (Antwi, Inusah, & Hamza, 2015).

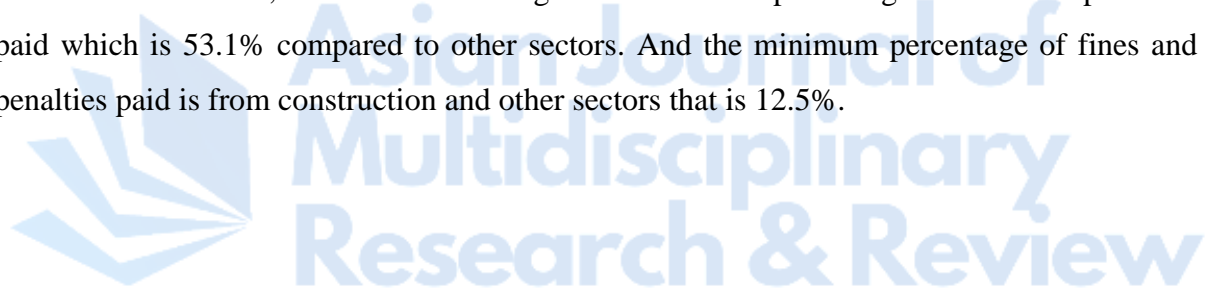
4.9 Types of business * I have paid fines and penalties Cross tabulation*Table 9: Types of business * I have paid fines and penalties Cross tabulation*

		I have paid fines and penalties					
		Strongly Disagree		Neutral	Strongly Agree		
Types of business		Disagree	Disagree	Neutral	Agree	Agree	Total
Trading	Count	10	15	11	17	4	57
	% within I have						
	paid fines	55.6%	39.5%	45.8%	53.1%	36.4%	46.3%
	penalties						
Construction	Count	3	2	2	4	1	12
	% within I have						
	paid fines	16.7%	5.3%	8.3%	12.5%	9.1%	9.8%
	penalties						
Service	Count	3	6	7	7	4	27
	% within I have						
	paid fines	16.7%	15.8%	29.2%	21.9%	36.4%	22.0%
	penalties						
Others	Count	2	15	4	4	2	27
	% within I have						
	paid fines	11.1%	39.5%	16.7%	12.5%	18.2%	22.0%
	penalties						

penalties							
Total	Count	18	38	24	32	11	123
	% within I have						
	paid fines And	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Penalties							

Source: Extracted from SPSS (2020)

From the above table, it shows that trading has a maximum percentage of fines and penalties paid which is 53.1% compared to other sectors. And the minimum percentage of fines and penalties paid is from construction and other sectors that is 12.5%.



4.10 Report*Table 10: Report*

Gender		Stage 1	Stage 2	Stage 3	Stage 4
Male	Mean	4.0315	4.0784	3.2279	3.3824
	N	68	68	68	68
	Std. Deviation	.71995	.73779	1.05955	.80631
Female	Mean	3.7299	3.9212	2.7091	3.1000
	N	55	55	55	55
	Std. Deviation	.88178	2.07271	.94129	.86816
Total	Mean	3.8966	4.0081	2.9959	3.2561
	N	123	123	123	123
	Std. Deviation	.80715	1.48549	1.03721	.84292

Source: Extracted from SPSS (2020)

The above table shows the non-compliance behavior of gender (male, female) in the process (stages) of tax compliance. Where the taxpayer male and female face issues in the S3 (payment) with an average of 3.22 and 2.70 (neutral), (disagree) respectively, which indicates that they are facing difficulty in this stage. Regression Analysis

4.11 Descriptive Statistics

Table 11: Descriptive Statistics

	Mean	Std. Deviation	N
Compliance	3.5392	.72849	123
Individual Factor	3.4451	.83257	123
Economic Factor	3.1870	.89144	123
Institutional Factor	3.3821	.65887	123
Social Factor	3.5339	.81061	123

Source: Extracted from SPSS (2020)

The above table shows that taking all the 123 samples together, the average compliance is 3.539 with a standard deviation of .728, indicating that respondents have a high variation in tax compliance.

4.12 Correlations

Table 12: Correlations

		Compliance	Individual	Economic	Institutional	Social
Pearson	Compliance	1.000	.503	.426	.338	.395
Correlation						
Sig. (1-tailed)	Compliance	.	.000	.000	.000	.000

Source: Extracted from SPSS (2020)

The above table shows the result of different variables. The individual factor and compliance behavior are positively correlated ($r = .503$, $p < .05$) and it is statistically significant as the P-value is less than .05 (.000). A value of ($r = .426$, $p < .05$) shows that economic factor and compliance behavior is positively correlated and it is statistically significant with the significant values (.000). A value of .338 shows that the institutional factor and compliance behavior is positively correlated and it is statistically significant as the P-value is less than .05 (.000). ($r = .338$, $p < .05$) A value of .395 shows that the social factor and compliance behavior is positively correlated and it is statistically significant as the P-value is less than .05 (.000)

MODEL SUMMARY

Table 13: Model Summary

Model	R	R Square	Adjusted R Square	Std. An error of the Estimate
1	.618 ^a	.382	.344	.59008

Model Summary

Predictors: (Constant), Individual factor, Economic factor, Institution factor, Social factor

ANOVA

Table 14: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	24.702	7	3.529	10.135	.000 ^b
	Residual	40.043	115	.348		
	Total	64.745	122			

Source: Extracted from SPSS (2020)

a. Dependent Variable: Compliance

b. Predictors: (Constant),

$R^2 = .344$, $F(7) = 10.135$, $p < .05$ (.000)

The above table (13 & 14) shows Multiple variables that individual, economic, institutional, and social factors together is impacting 34.4% (from the Adjusted R square) of the compliance behavior while the remaining 65.6% could be explained by other influencing factors which is not included in the study. It's statistically significant as the P-value (.000) is less than .05 with the f value of 10.135.

COEFFICIENTS*Table 15: Coefficients*

	Un-standardized Coefficients	Sig.
	B	
(Constant)	1.259	0.01
Individual Factor	0.307	0.000
Economic Factor	0.116	0.118
Institutional Factor	0.092	0.33
Social Factor	0.043	0.613

Source: *Extracted from SPSS (2020)*

Dependent Variable: Compliance

It shows the individual impact of the independent variable on the dependent variable "Compliance". Also if the knowledge and education of the respondents are enhanced, the compliance behavior will be increased by .307 and the result is statistically significant with the P value of .000. Further in the economic factors if the tax rate is fairer then the compliance will be increased by 0.116 and the result is statistically not significant with the P-value of 0.118. Also in the institutional factor if the system is understandable then the level of compliance will increase by .092 which is statistically not significant with the P-value of 0.330. If the value system of the individual is enhanced by a unit then the compliance level will be increased by .043, which is statically not significant with a value of .613. From these factors, the individual factor is affecting more compliance behavior of the taxpayers which is statistically significant with the P value of .000 which is less than .05.

FINDINGS

A total number of 123 questionnaires were organized and distributed to taxpayers of which 68 responded through an online survey and 55 responded through a survey questionnaire (manually). This study employed cross tab and linear regression for data analysis.

And from the cross-tabulation (table 6) shows that male taxpayers are less compliant than the female taxpayer. Since 71.9% of male taxpayers and 28.1% of female taxpayers are paying fines and penalties, it indicates that males are less compliant than females.

From (cross tabular) table 7 shows that ages ranging above 60 years are more compliant as they have paid minimum fines and penalties of 3.1%.

The cross tabular (table 8) shows that taxpayers from primary level to high school level have paid more fines and penalties compared to degree and Ph.D. level. This indicates that the higher the level of education, the higher the compliance behavior.

The individual factor (tax knowledge and tax education) has a positive association with tax compliance having ($r = 0.503$, $p < 0.05$) indicating that more tax knowledge and higher tax education leads to higher tax compliance behavior. When the respondents have tax knowledge and education, it improves their compliance behavior.

The economic factor has a positive relationship with tax compliance with ($r = 0.426$, $p < 0.05$) indicating that a fair tax rate increases their compliance behavior.

The institutional factor is positively correlated with tax compliance with ($r = 0.338$, $p < 0.05$) signifying that simplicity of the tax system leads to tax compliance behavior.

The social factor is positively correlated with tax compliance behavior with ($r = 0.395$, $p < 0.05$) suggesting that peer pressure and value system influence their tax compliance behavior.

In this study, the individual factor has a higher impact on tax compliance compared to other independent factors. From table 9, the Beta value of the individual factor is .307 which indicates that every unit increase in the individual factor increases the compliance behavior by .307 and it is statistically significant with the P value of .000 which is less than .05. The increase in the level of tax education and knowledge increases their compliance behavior. The higher the Beta

value, the stronger will be the effect. From all the independent variables, the individual factor has a higher beta value and stronger effects on the dependent variable.

From table 5 (Aggregate mean on stages of compliance) shows that taxpayers are aware of stages 1 and 2 (registration and filing) respectively, the taxpayers have more tax non-compliance behavior in stages 3 and 4 (payment and fines respectively).

In the 3rd stage (payment of tax) there is a high chance that the taxpayers face issues since they are not able to pay on time when asked by the tax officer and don't have knowledge (E-payment and TDS) about the payment so it leads to the non-compliance behavior.

In stage 4 most of the respondents neither agree nor disagree on the payment of fines and penalties which indicates that they are already involved in non-compliance behavior.

From table 9 (cross-tabulation) it shows that the trading sector has paid maximum fines and penalties of 53.1% compared to other sectors indicating that they are less compliant.

Table 10 shows that both males and females are facing difficulties in the 3rd and 4th stage (payment and fines) respectively. The approximate average is 3 it means that both males and females are neutral about the payment and fines, indicating that they have faced a problem with the payment of tax and already paid some fines and penalties. Non-compliance behavior tends to be more from these two stages of the compliance process.

CONCLUSION

Based on the analysis and discussion of the research, it can be concluded that male taxpayers are less compliant than female taxpayers. Since male taxpayers have a high percentage of paying fines and penalties. The age ranging above 60 years are more compliant as they have paid minimum fines and penalties as well. It can be seen that "higher the level of education, higher the compliance behavior since primary level to high school level taxpayers have paid more fines and penalties compared to degree and Ph.D. level. In this study, compared to other factors such as individual, economic, institutional, and social factors, the individual factor has a higher impact on tax compliance compared to other independent factors which indicate that

with an increase in the level of tax education and knowledge it leads to increase in their tax compliance behavior.

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