

THE DETERMINANTS OF TAX EVASION INTENTION AMONG SMALL AND MEDIUM SIZE-ENTERPRISES(SMEs) IN THE GAMPAHA DISTRICT OF SRILANKA: THEORY OF PLANNED BEHAVIOR PERSPECTIVE

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1. Introduction

Tax evasion remains a significant challenge in Sri Lanka, and understanding the factors influencing tax evasion is crucial for developing strategies to improve tax compliance and enhance the efficiency of the tax system. This study, guided by the Theory of Planned Behavior, investigates the factors influencing tax evasion intentions among SMEs in the Gampaha district of Sri Lanka.

2. Research Methodology

A quantitative research approach was employed, utilizing a structured questionnaire distributed to 99 SME owners in the Gampaha district selected using a convenience sampling method. Data were analyzed using SPSS and multiple regression analysis was applied to test the hypotheses regarding the relationships between Tax Morale, Tax Knowledge, Tax System Fairness, Tax Complexity, Tax Corruption, Tax Power of the Authority, and tax evasion intentions.

3. Findings and Discussion

The correlation analysis shows significant relationships between identified independent factors and Tax Evasion Intentions by SMEs. The multiple regression analysis revealed that the model accounted for a remarkable 99.2% of the variance in TEI ($R^2 = 0.992$). Tax Morale Tax Knowledge and Tax Fineness proved to have a significant negative relationship with evasion intention. On the other hand, Tax Complexity, Tax Corruption, and Tax Power of the Authority showed a significant positive influence on evasion intentions.

4. Conclusion and Implications

This study concludes that enhancing tax compliance among SMEs requires addressing public perceptions of the tax system, simplifying tax processes, and promoting tax knowledge. The findings provide theoretical and practical implications for tax policymakers, emphasizing the need for tax reforms that foster a culture of compliance.

Keywords: Tax complexity, Tax corruption, Tax evasion intention, Tax knowledge, Tax moral, Tax power of the authority, Sri Lanka