Determinants of Tax Compliance among Small and Medium Sized Enterprises in Colombo District

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Abstract

In this study the researcher sought to explore the different factors that determine tax payers’ compliance in Colombo District. Using a linear regression probity model the researcher found some similarities and differences in factors that are correlated to tax compliance in the locality under study. An increase in the tax payers understanding of the tax laws and the tax system as well as an increase in government accountability with regards to provision of public good and services results into higher compliance levels, thus more of funds through revenue collection. The results of this research will help the government in making policies as they will gain insight on the extent of tax payer’s knowledge and the ways it’s affecting tax compliance. It will also help the revenue authorities on administration especially with designing tax payers’ education programs, simplicity of the taxation system and developing a better understanding of the tax compliance behavior. It will also contribute to the current literature on the factors that define tax payers’ compliance and discuss the strategies of increasing compliance.

Key Words: Tax Payer Compliance, Medium and Small Sized Enterprises, Accountability