

Determinants of Tax Compliance among Small and Medium-Sized Enterprise Owners in Kandy District

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ABSTRACT

Purpose: The main objective of the study was to identify the factors that influence tax compliance among small and medium-sized enterprise owners in Kandy District

Design/Methodology/Approach: The current study has gathered the primary data from 100 SME owners in the Kandy district by using a questionnaire. The study used descriptive statistics, Pearson correlation, and regression analysis for each of the specific objectives, and data were analyzed by IBM SPSS.

Findings: The findings of the research indicated that automation of tax filing, fairness of the tax system, tax awareness, and education had a strong positive correlation to tax compliance. Hence according to regression analysis, those three variables had a great positive impact on tax compliance. Further, the analysis indicates that the operational years, educational level, and income level had a significant effect on tax compliance however, gender did not significantly affect the tax compliance level of SMEs.

Originality: While tax evasion leads to budget deficits for the government, tax compliance generates significant cash for the government to fund its projects. In this case, the SMEs, businesses, and individuals will adapt to the constantly evolving tax systems and will get a better understanding of the variables and their interactions with one another in the context of tax compliance.

Keywords: *Tax Compliance, Small and Medium Sized Enterprise, Income Level, Tax System, Tax Awareness*