

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

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Tax compliance is imperative to any nation since it determine, slackens income tax administration and government tax revenue. This study is about the “Determinants of tax compliance among Small and Medium sized Enterprises (SMEs) in the Colombo district”. Taxation is a system of imposing financial charge or levy on an individual or a legal entity by a state. A sub-national entity could also impose taxes. Taxation is the most important source of revenues for any governments, typically accounting more than 90% of their income. (Central Bank report in Sri Lanka 2017). The remainder of government revenue comes from borrowing and from charging fees for services. Countries differ considerably in the amount of tax they collected. The SMEs are considered as the backbone of the any economy and it provides a significant contribution to the government tax revenue. Hence the main purpose of this research is to analyze the impact of demographic factors, tax payers understanding of the tax laws, government accountability and perception on tax system on the SME tax compliance. The current study has gathered the primary data from 120 SMEs in Colombo district to address the population of SMEs in Sri Lanka by using a questionnaire method. It has used descriptive measures, correlation and regression analysis to analyze the data. It has found that understanding of the tax law, perception on government accountability and perception on tax system are positively influenced to tax compliance in SMEs in Colombo district while gender of tax payers not influenced to the tax compliance. The findings of this study could help the organization to make suitable alteration or to take corrective actions in their tax practices. Furthermore, this study will help to identify the attitude of the SME about taxes. And also opinion from the individuals may lead to more practical solutions for the Department of Inland Revenue.

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