



# Determinants of Potential Tax Payers's Perception Towards of Income Tax Evasion in Sri Lanka

P.D.H. Liyanage\* and H.V.D.I. Abeywickrama

*Department of Accounting and Finance, Faculty of Management and Finance, University of  
Ruhuna*

## Abstract

Tax evasion has become one of the critical issues faced by the governments in majority of developing countries all over the world. Importantly, not many of these countries have made sufficient efforts to identify the ethical reasons for tax evasion instead of analyzing it in public finance and economics perspectives. This research investigates the factors that affect the perception of potential Sri Lankan taxpayers' towards income tax evasion. Data was collected via distributing self-administered questionnaires among undergraduates in three different faculties; Management (B.B.A.), Arts (specialized in Economics) and Law (L.L.B.) of University of Colombo assuming that they might become future taxpayers as well as future political leaders in Sri Lanka. The questionnaire includes ten statements to be graded using 5-point Likert scale. The responses to each statement were analyzed to determine under which circumstances tax evasion might be ethically justifiable. Descriptive statistics and regression analysis were applied to analyze the data. The findings revealed that there was a positive relationship between tax rates, corruption and bribery, and government wastage towards the perception of tax evasion whereas fairness of tax system, affordability, probability of detection reflected negative relationship towards tax evasion. Further, own welfare and common practice found to be no significant impact on the perception of undergraduates towards tax evasion. Accordingly, it can be concluded that the ethical beliefs of citizenry could have a strong influence on the perception of income tax evasion

**Keywords:** *Ethical, Income Tax Evasion, Perception of taxpayers*

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\* [pubodha@gmail.com](mailto:pubodha@gmail.com)