

Understanding attitude of individuals considering paying taxes to Government

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ABSTRACT

A tax is “a compulsory charge imposed by the Government without any expectation of direct return in benefit”. In other words, a tax is a compulsory payment or contribution by the people to the Government for which there is no direct return to the taxpayers. Tax imposes a personal obligation on the people to pay if they are liable to pay it. The general public should be taxed according to their ability to pay, i.e., the people in the same financial position should be taxed in the same way without any discrimination. This paper focuses in understanding the attitude of individuals in paying taxes to government, a structured questionnaire was used to collect the data from the respondents. In order to understand the attitude of individuals in paying taxes to government is understood, It is found that people are not fully satisfied in paying taxes, they feel more work towards development of public should be done.

Keywords: Tax, Attitude, respondents & Government.

INTRODUCTION

Taxes are important sources of public revenue. The existence of collective consumption of goods and services necessitates putting some of our income into government hands. Such public goods like roads, power, municipal services, and other public infrastructures have favorable results on many families, business enterprises, industries and the general public. Public goods are normally supplied by public agencies due to their natures of non-rivalry and non-excludability. The nature of consumption of public goods is such that consumption by one does not reduce consumption for others. Besides, consumption of public goods by an agent does not exclude others from doing same. Such nature of public goods therefore makes them impossible for private suppliers to avail them at market prices like other commodities. Government intervention in the supply of public goods is therefore inevitable and can only be done if the public pays taxes for the production and supply of such goods. Despite the fact

that people need to pay taxes based on rationales of vertical and horizontal equities, it is not always the case that tax systems are comprehensible and transparent for tax payers especially for less literate business operators. Tax systems are usually not elaborated after proper consultation with the business community. The business owners complain that the tax assessment method is based on subjective estimation as a result of which they are frequently subjected to over-taxation. Since the business owners do not have simplified access to and clarification on information of the tax laws, they lack awareness on tax rules and regulations and this has an impact on the practicability of the regulations

LITERATURE SURVEY

According to Author Yonas in their paper entitled “Assessment of Tax Payers attitude”, Taxes are important sources of public revenue. The existence of collective consumption of goods and services necessitates putting some of our income into government hands. Such public goods like roads, power, municipal services, and other public infrastructures have favorable results on many families, business enterprises, industries and the general public. Public goods are normally supplied by public agencies due to their natures of non-rivalry and non-excludability. The nature of consumption of public goods is such that consumption by one does not reduce consumption for others. Besides, consumption of public goods by an agent does not exclude others from doing same. Such nature of public goods therefore makes them impossible for private suppliers to avail them at market prices like other commodities. Government intervention in the supply of public goods is therefore inevitable and can only be done if the public pays taxes for the production and supply of such goods. Despite the fact that people need to pay taxes based on rationales of vertical and horizontal equities, it is not always the case that tax systems are comprehensible and transparent for tax payers especially for less literate business operators. Tax systems are usually not elaborated after proper consultation with the business community. The business owners complain that the tax assessment method is based on subjective estimation as a result of which they are frequently subjected to over-taxation. Since the business owners do not have simplified access to and clarification on information of the tax laws, they lack awareness on tax rules and regulations and this has an impact on the practicability of the regulations. (ECC, 2005) [7] Capacity to raise taxes is one of the core foundations of both economic and political development. The tax regime is critical for investment, private sector development and growth. The main role of revenue authorities is to ensure compliance with

the tax laws. Their effectiveness is dependent on variety of factors such as the state of the economy, public support priority of the government, and willingness of tax payers to comply with tax rules and overall perceptions and attitude of taxpayers.

According to Damayanthi Jayawardane in their paper entitled , “How the Taxpayers’ Attitudes influence Tax Compliance Decision among individual Taxpayers in Colombo City in Colombo District” , Based on the results of the analysis and findings of the research conclude followings. As per the attitudes and attitudinal factors, it was found most taxpayers view the Sri Lankan tax Department (IRD) as unfair with weakened tax Administration process. This was most respondents disagreed or differed Ease in compiling with tax process; The tax laws are easy to understand; Ease in getting refunds; Simplicity in procedures in submits to returns; Ease in filling forms; Non-taxpayers’ are detected highly by the IRD; Government spends reasonable amount on welfare; Government does not waste too much money and lastly If detected not reported my exact income, I believe that the tax authority is going to make punishment. Secondly on some of the reasons for tax compliance and non-compliance, some of the factors for noncompliance were found to be: Penalty rates are very low can afford to pay it

According to Author Masoud Pourkiani , in his paper entitled “Studying Factors Influencing the Attitude of the Tax Payers to Pay the Tax in Kerman” - Tax is a part of the people income or property (natural and legal persons) that is collected to pay public spending and implementing the state fiscal policies in order to maintain economic, social and political interests and due to legislation and by administrative levers of government (Alizadeh, 2006). Tax, the social and economic phenomenon, is resulted from the 'state' formulation from the first case to present case. Overview of tax changes over time suggests that its role is broader and more efficient during the time. This role, especially during the last two centuries has been determinant in all facets of social life. And even although in the present day governments' functionality of industrialized societies is reducing in the economic affairs; but it seems government involvement in the interests of financial institutions to finance the office of public affairs is increased. Taxation is one of the important economic issues in any society. Tax laws, are considered as mother laws in economic fields and perhaps it is the most important element of the government's economic policies and everyone would agree on the sensitivity of this issue.

According to Author Ali Merima in their paper entitled – “ Factors affecting tax compliance attitude in Africa: Evidence from Kenya, Tanzania, Uganda and South Africa” – Studying what factors determine tax compliance attitude and behavior in Africa is not only of academic interest; it is also important from a policy perspective. Attempts to broaden the tax base must build on insights into how citizens experience and perceive the tax administration and enforcement, and whether and how their tax behavior is correlated with how they perceive the state. More systematic and coherent information on taxpayer attitudes are therefore required for better analysis and a more informed tax policy design. By empirically establishing which factors affect tax compliance in the selected countries, the paper derives feasible policy recommendations for policy makers and revenue administrations. In the study, we use an indirectly phrased question to capture tax compliance attitude of individuals in order to avoid direct implication of “wrongdoing” by the respondent. In the questionnaire, respondents were asked to state their opinion about other people who do not pay taxes that they owe on their income.

Objectives:

To understand attitude of individuals considering paying taxes to Government

Methodology:

The study is related to the attitude of the tax payer towards tax systems. The study was therefore conducted with the help of primary as well as secondary data. Primary data has been collected with the help of a structured questionnaire which aimed at understanding the attitude of the people towards tax systems and tax administration. The secondary data has been gathered from secondary sources such as articles, empirical studies, web search engines, research articles and research reports. The sample size of the respondents is 700. Non- Parametric tests have been conducted to analyze the data.

RESULTS & DISCUSSION

Table 1: Belief that there exists high rate of Corruption					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	81	11.6	11.6	11.6
	Agree	443	63.3	63.3	74.9
	Uncertain / Not Applicable	10	1.4	1.4	76.3
	Disagree	92	13.1	13.1	89.4
	Strongly Disagree	74	10.6	10.6	100.0
	Total	700	100.0	100.0	

From the above Table 1 it can be observed that the response to the existence of high level of corruption is as follows- Strongly Agree is 11.6%, Agree is 63.3%, Uncertain/ Not Applicable is 1.4%, Disagree is 13.1%, Strongly Disagree is 10.6%.

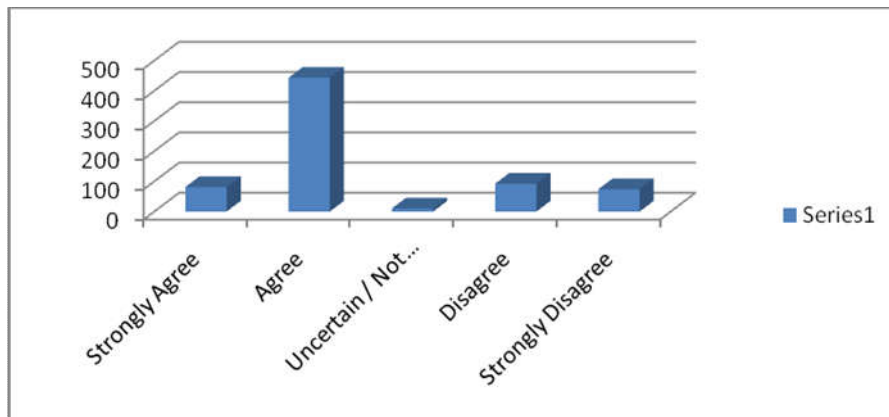


Figure 1: Belief that the exists high rate of Corruption

Thus it can be seen that the majority of the respondents feel that there exists a high level of corruption in the nation and that could be the leading cause of the respondents having a negative attitude towards tax systems

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	196	28.0	28.0	28.0
	Agree	478	68.3	68.3	96.3
	Disagree	24	3.4	3.4	99.7
	Strongly Disagree	2	.3	.3	100.0
	Total	700	100.0	100.0	

From the above Table 2 it can be observed that the respondent’s opinion on the taxes not being well spent is as follows-Strongly Agree is 28.0%, Agree is 68.3%, Disagree is 3.4% and Strongly Disagree is .3%.

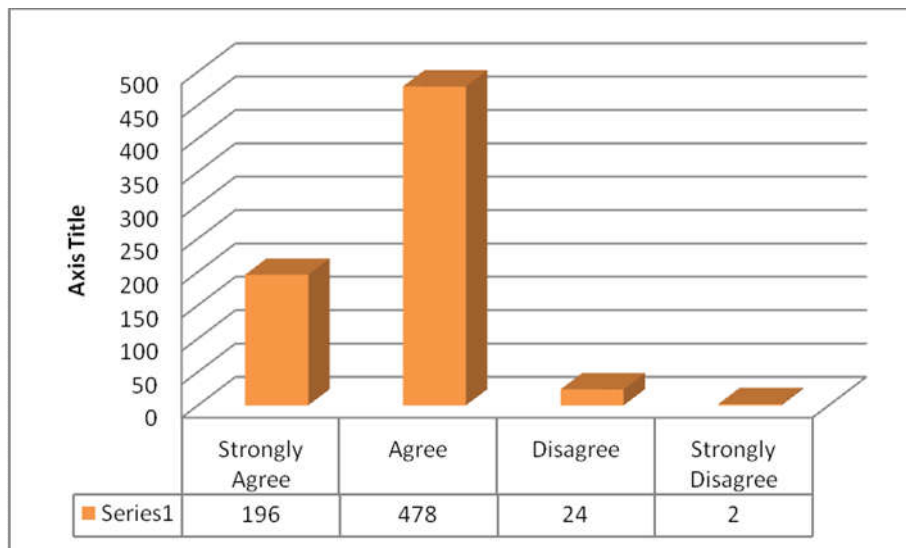
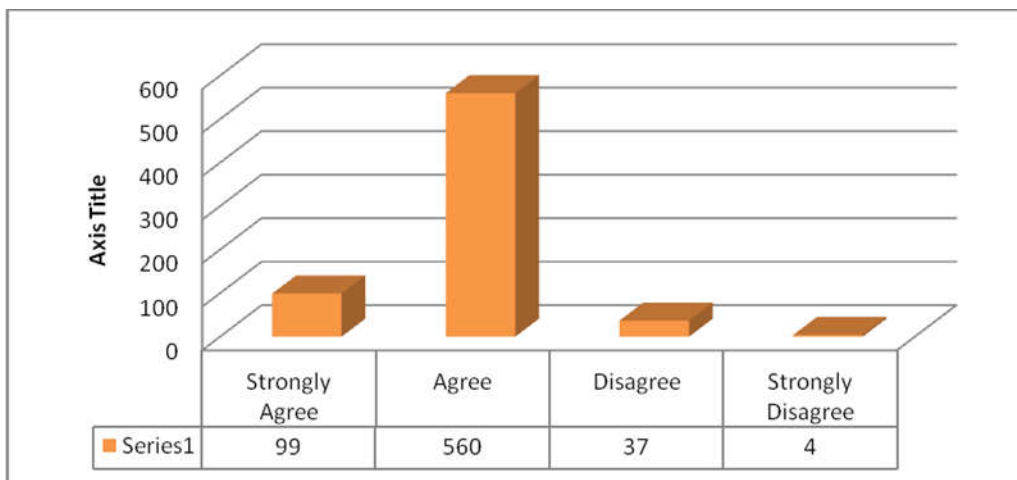


Figure 2: Belief that the collected tax is not well-spent as public service

Majority of the respondents’ are of the opinion that there is lack of accountability and transparency and that the taxes are not well spent by the authorities..

Table 3: Belief that the potential consequences (e.g. fines and penalties, public naming, prosecution) of getting caught are not serious enough to stop people evading paying their taxes					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	99	14.1	14.1	14.1
	Agree	560	80.0	80.0	94.1
	Disagree	37	5.3	5.3	99.4
	Strongly Disagree	4	.6	.6	100.0
	Total	700	100.0	100.0	

From the above Table 3 the attitudes of the respondents on the consequences of non-payment of taxes are as follows: Strongly Agree is 14.1%, Agree is 80.0%, Disagree is 5.3% and Strongly Disagree is .6%.



As it can be observed there exists a belief **that** the potential consequences (e.g. fines and penalties, public naming, prosecution) of getting caught are not serious enough to stop people evading paying their taxes

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	28	4.0	4.0	4.0
	Agree	31	4.4	4.4	8.4
	Uncertain / Not Applicable	9	1.3	1.3	9.7
	Disagree	632	90.3	90.3	100.0
	Total	700	100.0	100.0	

The above table depicts the respondents confidence levels in the government which is as follows-Strongly Agree is 4.0%, Agree is 4.4%, Uncertain/ Not Applicable is 1.3%, Disagree is 90.3%.

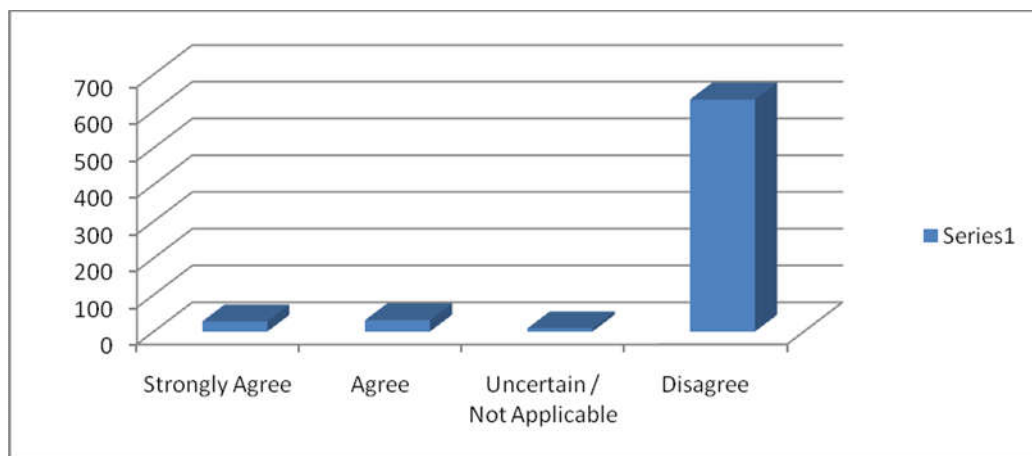


Figure 4: Confidence in the Govt.

It can be seen that the confidence levels of the respondents in the government is considerably low. As the confidence levels are low, there seems to be very little faith on the government.

FINDINGS

The result of the study indicate that taxpayer's attitude towards tax systems and the government is poor

The respondents do not have faith in the government as the corruption levels are significantly high

They are not confident that the taxes paid by them are utilized in justifiable ways and for public good.

Furthermore, the study also reveals that taxpayer's attitude has strong negative moderating impact on the relationship between attitudes towards tax payments

CONCLUSION

The mind-set of tax payers has a significant level influence towards tax compliance in addition to the deterring mechanisms implemented by the tax authorities. Tax system that depends on ad hoc administrative procedures rapidly become discredited and endangers compliance. To encourage compliance it is equally important that tax authorities administer the tax laws fairly. This implies both an absence of arbitrary or corrupt behavior on the part of officials, and “normative standards” to ensure that the same laws are applied and administrative in a standard fashion across the board. Tax compliance theories assume that psychological factors including moral and ethical concerns are important to taxpayers and so taxpayers may comply even where the risk of audit is low. But suspecting being audited, the attitude they have developed about the general tax situation and the manner of dealings of issues with the officials of the authority determine the compliance tendency and interest.

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