

**DETERMINANTS OF TAX COMPLIANCE AMONG SMALL  
AND MEDIUM SIZED ENTERPRISE OWNERS IN THE KANDY  
DISTRICT**



**By**

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## ABSTRACT

Tax is an important stream of revenue for government's development projects and therefore all efforts must be made by governments to ensure that it is accurately and efficiently collected so as to facilitate the government's operations. Tax compliance is imperative to any nation since it determine, slackens income tax administration and government tax revenue. This study sought to identify the factors that influence tax compliance among small and medium sized enterprise owners in the Kandy district. The specific objectives of this study was to assess the effect of the automation of tax filling of SMEs on tax compliance, to establish the impact of fairness of tax system on compliance of SMEs, to determine the effect of tax awareness and education on compliance of SMEs, to establish the impact of tax deterrence sanctions on compliance of SMEs, to determine the effect of perception towards government spending on tax compliance among SMEs in the Kandy district. And also it concluded whether the tax compliance varies with demographic factors of small and medium sized enterprises

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 was analyzed by IBM SPSS. The findings of the research indicated that automation of tax filing, fairness of tax system, tax awareness and education, tax deterrence sanctions and perception towards government spending had a strong positive correlation to tax compliance hence according to regression analysis, those five variable had great positive impact on tax compliance, Further the research indicate that operational years, educational level, income level had significant effect on tax compliance but gender did not significantly affect the tax compliance level of SMEs.

Finally the study recommended to provide online facilities to tax system, educate the taxpayers, conduct awareness creation, and improve thoroughness of audit and providing all necessary social services to the public to enhance compliance level.

**Keyword:** *Tax Compliance, Small and Medium Sized Enterprises*

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