"A SURVEY OF PERCEPTION TOWARDS TAX EVASION AS A CRIME: THE CASE OF YEMEN"

A Research Project (KAR 5026) Submitted to the College of Business of Universiti Utara Malaysia in Partial Fulfillment of the Requirements for the degree Of Master of Science (International Accounting)

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DECLARATION

I certify that the substance of this thesis has not already been submitted for any degree and is not currently being submitted for any other qualifications.

I certify that any assistance received in preparing this thesis and all sources used have been acknowledged and referenced in this thesis.

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ABSTRACT

This paper measures the perception of Yemeni citizens of the severity of tax evasion relative to other crimes and violations. Perception of tax evasion may somewhat explain the degree of non-compliance with the tax laws. Using data from a self-administered survey and personnel unstructured interview, the results of mean and comparative analysis show that tax evasion items are ranked as the three least serious crimes of 30 listed offences. Further, tax evasion is categorized the least serious category out of six categories. Also, the results indicate significant differences in perception exist among male and female, individuals' ages, people with different marital status, source of income and occupation. Regards the education, level of income and tax return preparer, there do not appear to be any significant differences in perception of the seriousness of tax evasion. The results of this study should be useful to policy makers in Yemen and elsewhere, as it is found that there is alarming signals that tax evasion is relatively ranked as the least serious offence, which could lead to an environment where taxpayers may not be afraid of cheating on their tax returns.
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In the name of Allah, the most gracious and most merciful

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# TABLE OF CONTENTS

DECLARATION .................................................. i  
PERMISSION TO USE ........................................ ii  
ABSTRACT .................................................... iii  
ACKNOWLEDGEMENTS .......................................... iv  
TABLE OF CONTENTS .......................................... vi  
LIST OF TABLES ............................................ viii  
LIST OF FIGURES ........................................... ix  
LIST OF ABBREVIATIONS ..................................... x  

CHAPTER ONE ................................................. 1
INTRODUCTION ................................................ 1
1.1 BACKGROUND OF THE STUDY ................................ 1  
1.2 PROBLEM STATEMENT ....................................... 3  
1.3 RESEARCH QUESTIONS ...................................... 5  
1.4 RESEARCH OBJECTIVES ................................... 6  
1.5 SIGNIFICANCE OF THE RESEARCH ......................... 6  
1.6 ORGANIZATION OF THE RESEARCH ....................... 7  

CHAPTER TWO ................................................. 8
LITERATURE REVIEW ........................................... 8
2.0 INTRODUCTION ............................................. 8  
2.1 NON-COMPLIANCE, TAX EVASION AND TAX AVOIDANCE ........ 8  
2.2 TAX EVASION AND CRIME .................................. 12  
2.3 CRIME AND TAX EVASION IN YEMEN ....................... 14  
2.4 DEMOGRAPHIC VARIABLES ................................. 21  
2.4.1 Age .................................................... 21  
2.4.2 Gender .................................................. 22  
2.4.3 Marital Status .......................................... 23  
2.4.4 Education ............................................. 24  
2.4.5 Source of Income ...................................... 25  
2.4.6 Occupation ............................................ 25  
2.4.7 Level of Income ....................................... 26  
2.4.8 Tax Return Preparer .................................... 27  

CHAPTER THREE ............................................ 29
RESEARCH DESIGN AND METHODOLOGY ......................... 29
3.0 INTRODUCTION ............................................. 29  
3.1 THEORETICAL FRAMEWORK ................................ 29  
3.2 HYPOTHESES DEVELOPMENT ................................ 34  
3.2.1 The level of seriousness of tax evasion compared to other offences .............................................. 34  
3.2.2 The significant difference, if any, in the seriousness of tax evasion between victim and victimless of offences .............................................. 34  
3.2.3 The effects of eight demographic variables on factors that influence the perceptions toward tax evasion as a crime .............................................. 35  
3.2.3.1 Dependent Variable .................................. 35  
3.2.3.2 Independent Variables ................................ 36  
3.2.3.2.1 Age .................................................. 36  
3.2.3.2.2 Gender ............................................. 37
3.2.3.2.3 Marital Status .................................................................................. 38
3.2.3.2.4 Education ...................................................................................... 39
3.2.3.2.5 Source of Income .......................................................................... 40
3.2.3.2.6 Occupation .................................................................................... 41
3.2.3.2.7 Level of Income ............................................................................ 42
3.2.3.2.8 Tax Return Preparer .................................................................... 43
3.2.3.3 Variable Measurement ..................................................................... 44
3.2.3.3.1 Dependent Variable ...................................................................... 44
3.2.3.3.2 Hypotheses Variables ................................................................... 45
  3.2.3.3.2.1 Age ......................................................................................... 45
  3.2.3.3.2.2 Gender ..................................................................................... 46
  3.2.3.3.2.3 Marital Status ........................................................................... 46
  3.2.3.3.2.4 Education ................................................................................ 46
  3.2.3.3.2.5 Source of Income ..................................................................... 47
  3.2.3.3.2.6 Occupation .............................................................................. 47
  3.2.3.3.2.7 Level of Income ....................................................................... 48
  3.2.3.3.2.8 Tax Return Preparer ................................................................. 48
3.2.3.3.3 Model Specification and Analysis ................................................ 49
3.3 PILOT STUDY ....................................................................................... 50
3.4 DATA COLLECTION .............................................................................. 51
  3.4.1 Sample Selection ............................................................................... 51
  3.4.2 Procedures ....................................................................................... 52
    3.4.2.1 A survey Method ......................................................................... 52
    3.4.2.2 A personal Unstructured Interview ............................................. 54
CHAPTER FOUR .............................................................................................. 55
RESULTS ........................................................................................................... 55
  4.0 INTRODUCTION .................................................................................... 55
  4.1 PROFILE OF RESPONDENTS ............................................................ 55
  4.2 PERCEPTIONS TOWARDS TAX EVASION COMPARED TO OTHER OFFENCES .................................................................................. 57
  4.3 PERCEPTIONS TOWARDS THE SERIOUSNESS OF TAX EVASION BETWEEN VICTIM AND VICTIMLESS OF OFFENCES .................................................................................. 62
  4.4 THE LEVEL OF THE SIGNIFICANT DIFFERENCE, IF ANY, IN THE SERIOUSNESS OF TAX EVASION BETWEEN EACH OF THE FOLLOWING DEMOGRAPHIC VARIABLES .................................................................................. 66
  4.5 SUMMARY ............................................................................................ 95
CHAPTER FIVE ............................................................................................... 97
DISCUSSIONS AND CONCLUSIONS .......................................................... 97
  5.0 INTRODUCTION .................................................................................... 97
  5.1 DISCUSSION ......................................................................................... 97
  5.2 CONCLUSION ....................................................................................... 105
  5.3 RECOMMENDATIONS ......................................................................... 107
    5.3.1 Academic Perspective ................................................................... 107
    5.3.2 Implication to Practice ................................................................... 108
  5.4 LIMITATIONS AND FUTURE RESEARCH ......................................... 109
REFERENCES ............................................................................................... 112
APPENDIX: QUESTIONNAIRE ...................................................................... 123
LIST OF TABLES

TABLE 2.1: EXAMPLES OF SERIOUS AND NON-SERIOUS CRIMES ......................................................... 15
TABLE 2.2: EXAMPLES OF THE CLASSIFICATION OF VICTIM/VICTIMLESS CRIMES .......... 16
TABLE 2.3: CLASSIFICATION OF CRIMES INTO SIX GROUPS .......................................................... 17
TABLE 2.4: CRIME STATISTICS IN YEMEN ..................................................................................... 18
TABLE 4.1: PROFILE OF RESPONDENTS ......................................................................................... 56
TABLE 4.2: MEAN SCORES AND RANK OF OFFENCES ................................................................. 58
TABLE 4.3: CATEGORY OF OFFENCES AND RANKING ................................................................. 60
TABLE 4.4: COMPARISON OF TAX EVASION TO OTHER CRIMES CATEGORY .................. 61
TABLE 4.5: SERIOUS AND NON-SERIOUS CRIMES BY VICTIM/VICTIMLESS ................ 64
TABLE 4.6: RELIABILITY TEST OF THE THREE SPECIFIC TAX EVASION ITEMS/OVERALL TAX EVASION CATEGORY .............................................................................................................. 67
TABLE 4.7: SHOWS THE DESCRIPTIVE STATISTICS IN VALUES .................................................. 70
TABLE 4.8: SHOWS THE CORRELATIONS BETWEEN THE PERCEPTION TOWARDS TAX EVASION AS A CRIME AND THE DEMOGRAPHIC FACTORS .................................................. 72
TABLE 4.9: THE COEFFICIENTS OR WEIGHTS OF REGRESSION .................................................. 73
TABLE 4.10: THE MULTIPLE CORRELATION COEFFICIENT AND COEFFICIENT OF DETERMINATION ............................................................................................................................... 75
TABLE 4.11: DIFFERENCES IN PERCEPTIONS OF TAX EVASION OFFENCES WITHIN AGE ........................................................................................................................................................................ 79
TABLE 4.12: DIFFERENCES IN PERCEPTIONS OF TAX EVASION OFFENCES WITHIN GENDER ......................................................................................................................................................... 81
TABLE 4.13: DIFFERENCES IN PERCEPTIONS OF TAX EVASION OFFENCES WITHIN MARITAL STATUS .............................................................................................................................................. 83
TABLE 4.14: DIFFERENCES IN PERCEPTIONS OF TAX EVASION OFFENCES WITHIN EDUCATION ............................................................................................................................................ 85
TABLE 4.15: DIFFERENCES IN PERCEPTIONS OF TAX EVASION OFFENCES WITHIN SOURCE OF INCOME ............................................................................................................................................ 87
TABLE 4.16: DIFFERENCES IN PERCEPTIONS OF TAX EVASION OFFENCES WITHIN OCCUPATION ............................................................................................................................................. 89
TABLE 4.17: DIFFERENCES IN PERCEPTIONS OF TAX EVASION OFFENCES WITHIN LEVEL OF INCOME ............................................................................................................................................. 91
TABLE 4.18: DIFFERENCES IN PERCEPTIONS OF TAX EVASION OFFENCES WITHIN TAX RETURN PREPARER .............................................................................................................................. 93
LIST OF FIGURES

FIGURE 3.1: A COMPARISON OF THE LEVEL OF SERIOUSNESS OF TAX EVASION TO THE LEVEL OF SERIOUSNESS OF OTHER OFFENCES................................................................. 31

FIGURE 3.2: A COMPARISON IN THE SIGNIFICANT DIFFERENCE, IF ANY, IN THE SERIOUSNESS OF TAX EVASION BETWEEN VICTIM AND VICTIMLESS OFFENCES...................................................... 31

FIGURE 3.3: THE INFLUENCE OF THE EIGHT DEMOGRAPHIC VARIABLES ON THE PERCEPTIONS TOWARD TAX EVASION AS A CRIME........................................................................................................... 33
LIST OF ABBREVIATIONS

IRS : Internal Revenue Service
OECD : Organization for Economic Co-operation and Development
SAS : Self Assessment System
TCMP : Taxpayer Compliance Measurement Program
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

As a third world country, Yemen suffers, annually, from a large deficit in a way that makes the Government unable to achieve the reasonable social welfare (OECD, 2007). One reason stands beyond this case is that a great number of taxpayers do not fully report their taxable income and/or do not pay taxes on their income. The difference between the amount of tax that is theoretically owed versus the amount of tax actually paid is called the 'tax gap' (Karlinsky, Burton and Blanthorne, 2004). The Yemeni tax authority has estimated that the tax gap is $164 Million annually (Yemen Times, 2005). It is well accepted from the human behavior aspect that most people do not like to pay taxes (Sandomo, 2005). In the US, the estimated size of tax gaps were US$196 billion in 1198, US$280 billion in 1998, and US$312-353 billion in 2001 (Karlinsky et al., 2004). That is to say, Tax evasion is a substantial phenomenon. Understanding the reasons why individuals evade taxes and how to increase compliance is therefore extremely challenging (Goricelli, Joffily and Montmarquette, 2007).

Since 1990 (after unification), several governmental, national and international efforts have been carried out in Yemen to minimize so-called financial crime, tax evasion. Specifically, in almost all the monetary, financial, economical, investment,
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REFERENCES


