

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

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Requirements for the degree

Of

Master of Science (International Accounting)

By

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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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## **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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