DETERMINANTS OF TAX EVASION: EVIDENCE FROM LIBYA

SALH AGRERAH ALI MASOUD MOHAMED

MASTER OF SCIENCE (INTERNATIONAL ACCOUNTING)
UNIVERSITI UTARA MALAYSIA
NOVEMBER, 2015
DETERMINANTS OF TAX EVASION: EVIDENCE FROM LIBYA

By:

SALH AGRERAH ALI MASOUD MOHAMED

A thesis submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
In Partial Fulfillment of the Requirement for the Master of Sciences
(International Accounting)

SEPTEMBER, 2015
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ABSTRACT

Governments around the world are continually looking for ways and means to improve the level of tax compliance by their citizens. Tax revenue is the major source of income for many countries. The purpose of this study is to investigate the factors influencing tax evasion among taxpayers from the Libyan perspective. This study is based on five variables that are used to determine the factors that affect tax evasion in Libya. The five variables that are measured in this current study are: education level, tax rate, corruption, penalty rate and the Islamic religious perspective. The data were collected through the distribution of questionnaires to 277 respondents in Libya and processed using Statistical Package for Social Science (SPSS) software for the purpose of this study.

By using correlation and regression analysis, the findings of the study show that there is a positively significant relationship between tax rate, corruption and penalty rate and tax evasion. On the other hand, education level indicates a negative but insignificant correlation with tax evasion. There is no significant correlation between Islamic religion and tax evasion but the relationship is positive.

Key words: tax evasion, education level, tax rate, corruption, penalty rate, Islamic religion.
ABSTRAK


Dengan menggunakan analisa korelasi dan regresi, dapatan kajian ini menunjukkan bahawa terdapat hubungan yang signifikan dan positif di antara kadar cukai, rasuah dan kadar penalti dan pengelakan cukai. Sebaliknya, tahap pendidikan menunjukkan hubungan yang negative, namun tidak signifikan dengan pengelakan cukai. Didapati juga bahawa hubungan di antara agama Islam dan pengelakan cukai adalah tidak signifikan tetapi positif.

Kata kunci: pengelakan cukai, tahap pendidikan, kadar cukai, rasuah, hukuman, agama Islam.
First of all, I would like to express my appreciation to Allah, the Most Merciful and the Most Compassionate who has granted me the ability and willing to start and complete this study. I do pray to His Greatness to inspire and enable me to finish this study on the required time. Without his permission, for sure I cannot make it possible.

I would like to extend my heartfelt appreciation and deep gratitude to my research supervisor, Dr. Muzainah Binti Mansor, who had provided continuous guidance, encouragement, support and advice in assisting me to complete this research paper. Her remarkable ways and professionalism in explaining and guiding me throughout the completion of this research has allowed me to see things in a more rational and critical view.

I am also grateful for the encouragement that I received from my family, especially my Dad, Mom, Brothers and Sisters. Their outstanding patience and unconditional love in supporting my quest and love for education has been extraordinary. Another thankful to my dearest friends Khalid, Khairy, Abdurrahman, Zakariya, Mohamed and Sonussi for all their supports and helps.

Lastly, I would love to thank all MSc (International Accounting) lectures at University Utara Malaysia for outstanding accounting knowledge and for all the assistants.

SALHA AGERAH ALI MASOUDA
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<th>Description</th>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>LD</td>
<td>Libyan Dinar</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>TE</td>
<td>Tax Evasion</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>VIF</td>
<td>Variance Inflation Factor</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Historically, every nation imposes tax on its citizens in order to regulate, control and create revenue for covering state expenses. The primary responsibility of every government is to provide social amenities for its citizens, based on the amount of taxes generated. Thus, the amount of money collected in a given period is utilized to finance education programs, health care, electricity, water, law enforcement as well as other projects beneficial to society (Worlu & Emeka, 2012).

Many efforts have been taken by various countries in tackling tax evasion and tax avoidance, but these have proven to be ineffective (Oyedele, 2012). Taxes provide high revenue for governments and those who pay taxes are interested to know if the monies collected are wisely spent or otherwise. Tax revenue is an essential element for economic and social growth. Therefore, there is no doubt about the need for tax revenue and its benefits to society.

Fuest and Riedel (2009) pointed out that providing public infrastructure and facilities is a significant part of economic development. However, in developing countries, there is a lack of public services, which adversely affects and undermines the standard of living of the people. There are many reasons attributable for the failure of many governments in
The contents of the thesis is for internal user only.
References:


Libyan Audit Bureau (2014).


Libyan Tax Authority (2003)


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