EXAMINING THE INFLUENCE OF TAX FAIRNESS ON TAX COMPLIANCE IN LIBYA

By:

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The purpose of this study is to investigate the influence of tax fairness on tax compliance in Libya. Mansour, Mitra, Sdarevich and Jewell (2015) mentioned that the tax system in Libya is not fair and there is a need to design a tax system based on the principle of fairness. Therefore, this study puts emphasis on determining the impact of tax fairness dimension, such as general fairness, tax rate, exchange with government, attitude towards taxes of the wealthy and self-interest on tax compliance in Libya. This study will add to the body of knowledge related to tax compliance behaviour of taxpayers in Libya, especially since very little is known about this in the context of Libya. This study can help policy-makers to device a fair tax system that can help taxpayers as well as tax collection agency to make the system more efficient. The sample of the study comprises of taxpayers in Tripoli city. Data was analysed using SPSS. The findings of the present study show a significant relationship between tax fairness dimensions and tax compliance. This finding means that fairness of the tax system can enhance the level of tax compliance by a significant level. The government should hence device a fairer tax system to increase the level of tax compliance.

Keyword: tax fairness, tax compliance, Libya.
ABSTRACT


Kata Kunci: keadilan cukai, pematuhan cukai, Libya.
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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHAPTER ONE INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>1.1 Background of the Study</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Problem Statement</td>
<td>4</td>
</tr>
<tr>
<td>1.3 Research Questions</td>
<td>7</td>
</tr>
<tr>
<td>1.4 Research Objectives</td>
<td>8</td>
</tr>
<tr>
<td>1.5 Significance of the Study</td>
<td>8</td>
</tr>
<tr>
<td>1.5.1 Theoretical Significance</td>
<td>8</td>
</tr>
<tr>
<td>1.5.2 Practical Significance</td>
<td>9</td>
</tr>
<tr>
<td>1.6 Scope of the Study</td>
<td>10</td>
</tr>
<tr>
<td>1.7 Organization of the study</td>
<td>11</td>
</tr>
<tr>
<td>1.8 Chapter summary</td>
<td>11</td>
</tr>
<tr>
<td>CHAPTER TWO LITERATURE REVIEW</td>
<td>12</td>
</tr>
<tr>
<td>2.1 Introduction</td>
<td>12</td>
</tr>
<tr>
<td>2.2 Review of Literature</td>
<td>12</td>
</tr>
<tr>
<td>2.2.1 Tax Compliance</td>
<td>12</td>
</tr>
<tr>
<td>2.2.2 Tax Fairness</td>
<td>14</td>
</tr>
<tr>
<td>2.2.2.1 General Fairness and Tax Compliance</td>
<td>15</td>
</tr>
<tr>
<td>2.2.2 Tax Rate and Tax Compliance</td>
<td>18</td>
</tr>
<tr>
<td>2.2.3 Exchange with Government and Tax Compliance</td>
<td>19</td>
</tr>
<tr>
<td>2.2.4 Attitude towards Taxes of the Wealthy and Tax Compliance</td>
<td>20</td>
</tr>
<tr>
<td>2.2.5 Self-Interest and Tax Compliance</td>
<td>22</td>
</tr>
<tr>
<td>CHAPTER THREE RESEARCH METHODOLOGY</td>
<td>23</td>
</tr>
<tr>
<td>3.1 Introduction</td>
<td>23</td>
</tr>
<tr>
<td>3.2 Research Framework</td>
<td>23</td>
</tr>
</tbody>
</table>
3.3 Hypotheses Development 24
  3.3.1 Dependent Variable 24
  3.3.2. Tax Fairness 25
    3.3.2.1 General Fairness 25
    3.3.2.2 Tax Rate 26
    3.3.2.3 Exchange with Government 26
    3.3.2.4 Attitude Towards Taxes of the Wealthy 27
    3.3.2.5 Self-Interest 28
  3.4 Summary of Hypotheses 29
  3.5 Research Design 29
  3.6 A survey Method 30
    3.6.1 First Section: Profile of Respondents 30
    3.6.2 Second Section: 30
      3.6.2.1 Tax Fairness Dimensions 30
      3.6.2.2 Tax Compliance 30
  3.7 Source of Data 31
  3.8 Population and Sample Size 31
  3.9 Sampling Technique 31
  3.10 Data Collection Method 31
  3.11 Variables Measurement 32
  3.12 Reliability and Validity 37
  3.13 Method of Data Analysis 38
  3.14 Chapter Summary 38

CHAPTER FOUR RESULTS 39
  4.1 Introduction 39
  4.2 Response Rate 39
**List of Tables**

1.2 Tax revenue collected during years 2009 – 2014 5
3.1 The independent variables and the hypotheses 28
3.2 Demographic Profile of Respondents 32
3.3 Independent variables 33
3.4 Dependent variable - tax compliance 35
4.1 Response Rate 38
4.2 Respondents’ Profile 39
4.3 Reliability Test of the Study 41
4.4 Descriptive Statistics 42
4.5 Correlation analysis 43
4.6 Model Summary 45
4.7 Regression Analysis Results 46
4.8 Summary of the Hypothesis 47
4.9 Summary of Hypothesized relationships 49
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Tax compliance can be described as the level to which taxpayers obey or fail to obey the rules of taxation of their country. This is an admitted fact that the aim of an effective administration of tax is to enhance the voluntary compliance of tax with the use of all possible approaches that may include penalties as well (Sakarnor, Marziana and Norkhazimah, 2012).

The attitude of the taxpayers on tax compliance is affected by several factors, leading to an effect on the behaviour of the taxpayers. The factors affecting compliance or non-compliance of taxation rules and regulations vary from country to country and individual to individual as well (Kirchler, 2007). These factors include, but are not limited to, perception of the taxpayers about the Revenue Authority and tax system (Atawodi, and Ojeka, 2012); attitudes of peers and subjective norms, understanding of taxpayers regarding taxation laws and system of taxation (Keen, M., 2014); reward system for motivation (Feld, Frey and Targler, 2006); penalties as punishment for non-compliance (Martínez-Vázquez, and Moreno-Dodson, 2012); compliance cost (Laffer, A. B, 2014); efforts to enforce tax laws, audit, detection possibility, cultural differences and perceived behavioural control (Benk, Budak, and Cakmak, 2012); and morality and ethical values of the tax collectors and taxpayers, tax system equity and some demographic determinants, such as age, sex, income and level of education (Murphy, 2004).

Tax compliance is a global phenomenon, hassling both developed and developing countries, though the level of noncompliance on average is much more in developing and
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References


