AN INVESTIGASTION OF FACTORS AFFECTING SALARIED AND WAGED TAXPAYER COMPLIANCE BEHAVIOR: EVIDENCE FROM LIBYA

By:

ALHASSAN BELKASEM MO ALHAJ

**Thesis Submitted to**
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
in Fulfillment of the Requirement for the Degree of Master of Science (International Accounting)
May, 2016

PERMISSION TO USE

In presenting this dissertation in partial fulfillment of the requirements for a Post Graduate degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this dissertation in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor or in their absence, by the Dean of Othman Yeop Abdullah Graduate School of Business where I did my dissertation. It is understood that any copying or publication or use of this dissertation parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the UUM in any scholarly use which may be made of any material in my dissertation. Request for permission to copy or to make other use of materials in this dissertation in whole or in part should be addressed to:
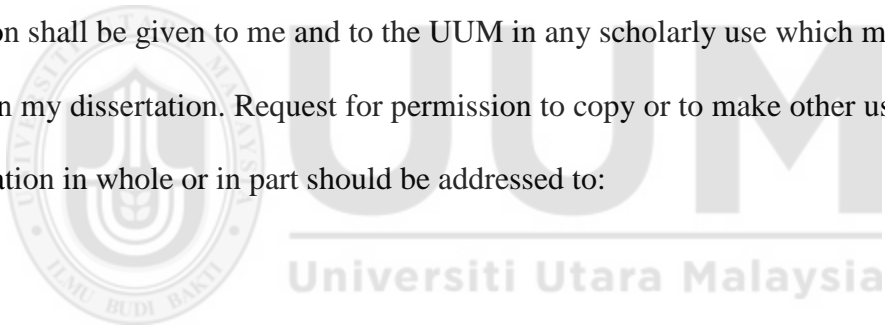
Dean of Othman Yeop Abdullah Graduate School of Business

Universiti Utara Malaysia

06010 UUM Sintok

Kedah Darul Aman

i

ABSTRACT

Convincing taxpayers to comply with the tax regulations has been the main challenge of Libyan tax authority. Even though tax is one of the important revenue sources after oil in Libya, over the last five years, tax collection has been on decrease trend. The main purpose of this study is to examine the effect of tax knowledge, tax complexity, public governance quality and perception of government spending on salaried and waged taxpayer compliance behavior in Libya. The study was guided by cognitive theory and social exchange theory which explain the effect of non-economic factors. Using survey method, a total of 400 questionnaires were distributed among Libyan students in Malaysia since they are considered part of individual taxpayers in Libya. The findings indicate positive and significant relationship between tax knowledge, public governance quality, perception of government spending and taxpayer compliance behavior, except tax complexity that shows a significant negative relationship with taxpayer compliance behavior. The study recommends that the tax legislations should be reviewed and simplified besides promoting tax knowledge among taxpayers. In addition, Libyan government should also place attention on public governance quality and government spending in order to increase taxpayer compliance behavior.

Key words: taxation, taxpayer compliance behavior, tax knowledge, government, Libya.

ABSTRAK

Meyakinkan pembayar cukai untuk mematuhi peraturan cukai telah menjadi cabaran utama kepada pihak berkuasa percukaian Libya. Walaupun cukai adalah salah satu sumber hasil yang penting selepas minyak di Libya, dalam tempoh lima tahun yang lalu, kutipan cukai mengalami tren penurunan. Tujuan utama kajian ini adalah untuk mengkaji kesan pengetahuan cukai, kerumitan cukai, kualiti tadbir urus awam dan persepsi perbelanjaan kerajaan ke atas gelagat kepatuhan pembayar cukai di Libya. Kajian ini didokong oleh teori kognitif dan teori pertukaran sosial yang menerangkan kesan faktor-faktor bukan ekonomi. Menggunakan kaedah tinjauan, sebanyak 400 soal selidik telah diedarkan di kalangan pelajar Libya di Malaysia kerana mereka adalah sebahagian daripada pembayar cukai individu di Libya. Dapatan menunjukkan hubungan yang positif dan signifikan di antara pengetahuan cukai, kualiti tadbir urus awam, persepsi perbelanjaan kerajaan dan gelagat kepatuhan cukai kecuali kerumitan cukai yang menunjukkan hubungan negatif yang signifikan dengan gelagat kepatuhan pembayar cukai. Kajian ini mencadangkan undang-undang cukai perlu dikaji semula dan dipermudahkan di samping mempromosi pengetahuan cukai di kalangan pembayar cukai. Selain daripada itu, Kerajaan Libya juga perlu memberi perhatian terhadap kualiti tadbir urus awam dan perbelanjaan kerajaan untuk meningkatkan gelagat kepatuhan pembayar cukai.

Kata kunci: percukaian, gelagat kepatuhan pembayar cukai, pengetahuan cukai, kerajaan, Libya.

ACKNOWLEDGEMENTS

In the name of ALLAH, the most gracious, the most merciful. Praise be to ALLAH, the creator and custodian of the universe. Salawat and Salam to our Prophet Muhammad, peace and blessings of ALLAH are upon him and to his family members, companions and followers.

First and foremost, I would like to express my heartfelt thanks and gratitude to Allah S.W.T for His blessing and allowing me to complete this research also with the support, encouragement and inspiration of so many people directly and indirectly.

I would like to express my special appreciation and thanks to my supervisor Dr. Noraza Bt Mat Udin for being a tremendous mentor for me. She had provided continuous guidance, encouragement, support and advice in assisting me to complete this research paper. Without her support, I would not be here today. May Allah reward her abundantly and continue guiding her for future endeavors.

Mostly, I would like to thank and dedicate this accomplishment to my father, mother, brothers, sisters and all my family members, thank you so much for your support and prayers. Finally, special thanks to my friends here in Universiti Utara Malaysia for the valuable supports throughout my study. My life in Malaysia would not be completed without love and support from them. Thank you so much for sharing happiness and tears throughout these years.

Alhassan Belkasem Alhaj

Master of Science (International Accounting)

Universiti Utara Malaysia

Table of Contents

LIST OF TABLES **Page**

LIST OF FIGURES **Page**

LIST OF ABBREVIATIONS

TCB   Tax Compliance Behavior

TK   Tax Knowledge

TC   Tax Complexity

PGQ   Public Governance Quality

PGS   Perception of Government Spending

SPSS   Statistical Package for the Social Science

CHAPTER ONE
INTRODUCTION

This chapter highlighted and clarifies the basis and outline of the study by presenting an overview of the research, with the introduction of the study background, problem statement, the research questions as well as the objectives and subsequently the scope of study, the significance and lastly contribution of the study.

1.1 Background of Study

Taxation is one of the major resources of government revenue for both developing and developed countries. The term tax clearly means an essential fee imposed by the government as a public authority to run the affairs of the state. This tax is being collected by the government and nothing is directly received in return, except for the provision of a safe society and necessary basic necessities being provided by the government directly to its citizenry as a direct governance responsibility (James & Nobes, 1992). Nightingale, (2001) defined tax as obligatory contribution which is directly imposed by the public authorities. The taxpayers receive nothing detectable in return, except the benefit of a good living standard and provision of the basic amenities like the education, healthcare and security in the society. Furthermore, taxation is considered the price to be paid as an organized society. Six motives as an organized society have been highlighted for the need of the taxation system in the society, these include: the provision of good roads by the government for the citizenry, redistribution of wealth and income through various channels, promotion of social and economic welfare to the people, provision of government regulation in the society for economic stability and harmonization (Nightingale, 2001).

The contents of the thesis is for internal user only

References

Abdalaziz, M. (2012). Measuring taxable capacity in Libya. (PhD thesis), University of Gloucestershire.

Abdul-Jabbar, H., & Pope, J. (2008). Exploring the relationship between tax compliance costs and compliance issues in Malaysia. *Journal of Applied Law and Policy, 1-20(2008), 1.*

Adbul, M. (2001). Personal income tax non-compliance in Malaysia. (Doctoral dissertation), Victoria University of Technology.

Ali, S. A. (2015). Determinants of Tax Evasion: Evidence from Libya. (Master thesis), Universiti Utara Malaysia.

Akpo, U. (2009). The people as government: The importance of tax payment. Akwa Ibom State Revenue Summit. Akwa Ibom State Internal Revenue Service.

Alabede, James. O. (2012). An investigation of factors influencing taxpayers' compliance behaviour: Evidence from Nigeria. (PhD thesis), Universiti Utara Malaysia.

Alabede, J. O., Ariffin, ZZ, & Kamil, I. (2011). Public governance quality and tax compliance behavior in Nigeria: The moderating role of financial condition and risk preference. *Issues in Social and Environmental Accounting, 5(1/2), 3-24.*

Ahangar, R. G., Bandpey, H. K., & Rokny, H. A. (2011). An investigation into the determinant of effective factors on tax evasion (empirical study of Iran tax affairs organization). *American Journal of Scientific Research, 20*, 99-113.

Allingham, M. G., & Sandmo, A. (1972). Income Tax Evasion: A theoretical analysis Journal of Public Budgeting, *Accounting & Financial Management, 1 (323-338).*

95

Alm, J. (1991). A perspective on the experimental analysis of taxpayer reporting. *Accounting Review, 577-593.*

Alm, J., G. H. McClelland & W. D. Schulze 1992. Why do people pay taxes? *Journal of Public Economics,* 48**,** 21-38.

Atawodi, O. W, & Ojeka, S A. (2012). Factors that affect tax compliance among small and medium enterprises (SMEs) in North Central Nigeria. *International Journal of Business and Management, 7(12), 87.*

Australian Tax Office (ATO). 2009. Teaching tax with the Tax Files. Available at http://www.ato.gov.au/corporate/content. asp?doc=/content/00107941.htm.

Berhane, Z. (2011). The Influence of Tax Education on Tax Compliance Attitude. (Master Thesis of Science in Accounting and Finance), Addis Ababa University.

Bibsso, N. (2014). Assessment of Tax Audit Practice: The case of Hawassa City Administration. (Master thesis), Ethiopia, East Africa, Haawssa University.

Brainyyah, M. Q., & Rusydi, M. K. (2013). The Effect of Tax Fairness, Tax Knowledge, and Tax Complexity on Tax Compliance: The Case of Sme Entrepreneurs' Taxpayer in Malang. *Journal Ilmiah Mahasiswa FEB, 1(2).*

Bărbuţă-Mişu, N. (2011). A review of factors for tax compliance. *Economics an Applied Informatics*, *1*, 69-76.

Brown, R. E, & Mazur, M. (2003). IRS's comprehensive approach to compliance measurement. *National Tax Journal, 689-700.*

Bosco, L. & Mittone, L. (1997). Tax evasion and moral constraints: some experimental evidence. *Kyklos*, *50*(3), 297-324.

Cummings, R. G., Martinez-Vazquez, J., McKee, M., & Torgler, B. (2006). Effects of tax morale on tax compliance: experimental and survey evidence. *Berkeley Program in Law and Economics*.

Chan, C. W, Troutman, S., & O'Bryan, David. (2000). An expanded model of taxpayer compliance: Empirical evidence from the United States and Hong Kong. *Journal of International Accounting, Auditing and Taxation, 9(2), 83-103.*

Cowell, F. A. & J. P. F. Gordon. (1988). Unwillingness to pay: Tax evasion and public good provision. *Journal of Public Economics* 36**,** 305-321.

Chow, C. (2004). Gearing up for the self-assessment tax regime for individuals. *Tax National, 2, 20-23.*

Coakes, S. J., & Steed, L. (2009). *SPSS: Analysis without anguish using SPSS version 14.0 for Windows*: John Wiley & Sons, Inc.

Cox, S. P, & Eger III, R. J. (2006). Procedural complexity of tax administration: The road fund case. *Journal of Public Budgeting, Accounting & Financial Management, 18(3), 259.*

Engida, T. G., & Baisa, G A. (2014). Factors influencing taxpayers' compliance with the tax system: An empirical study in Mekelle City, Ethiopia. *Journal of Tax Research, 12(2), 433-452.*

Eriksen, K, & Fallan, L. (1996). Tax knowledge and attitudes towards taxation; A report on a quasi-experiment. *Journal of economic psychology, 17(3), 387-402.*

97

Evans, C., & Tran-Nam, B. (2013). Towards the development of a tax system complexity index. *UNSW Australian School of Business Research Paper (2013).*

Everest-Phillips, M., & Sandall, R. (2009). Linking Business Tax Reform with Governance: How to Measure Success.

Fishbein, M. (1963). An investigation of the relationship between beliefs about an object and attitude towards that object. *Human Relation*, 16, 233-240.

Fenochietto, R. & Pessino, C. (2013). Understanding countries' tax effort. Fiscal Affairs Department. (International Monetary Fund (IMF).

Fjeldstad, O. H. (2001). *Taxation, coercion and donors. Local government tax enforcement in Tanzania. The Journal of Modern African Studies, 39, 289-306.*

Gambo, E, Mas' ud, Abdulasalam, N, M, & Oyewole, O S. (2014). Tax complexity and tax compliance in African self-assessment environment. *International Journal of Management Research and Reviews, 4(5), 575.*

Hansford, A. Loo. E. C, & McKerchar, M. (2005). An international comparative analysis of self-assessment: what lessons are there for administrators? Paper presented at the Australian Tax Forum.

Ho J. K., Loo E. C., & Lim K. P. (2006). Perspective of non-taxpayers' perceptions on issues of ethics and equity in tax compliance. *Malaysian Accounting Review*, *5*(2), 47-59.

Hogg, M. A., & Vaughan, G. M. (2005). *Social Psychology, 4th ed.* Harlow: Pearson Education Ltd.

James, S. & Alley, C. (2002). Tax compliance, self-assessment and tax administration. *Journal of Finance and Management in Public Services, 2(2), 27-42.*

James, S. & Alley, C. (2004). Tax compliance, self-assessment and tax administration. *Journal of Finance and Management in Public Services, 2(2), 27-42.*

James, S. & Nobes, C. (1992). *Taxation: Theory and practice*. London, Prentice Hall.

Jewell, A. & Sdralevich, C. (2015). Fair Taxation in the Middle East and North Africa: Staff Discussion Note 15/16 (Washington, DC: International Monetary Fund).

Jackson, B. R. & Milliron, V. C. (1986). Tax compliance research: Findings, problems, and prospects. *Journal of Accounting Literature* 5: 12565.

Kim, S., Kim, H., Her, M., & Kim, H. (2006). Does political intention affect tax evasion?. *Journal of Policy Modeling*, *30*(3), 401-415.

Kasipillai, J. & Mohd Hanefah, M. (2000). Tax professionals' views on self-assessment system. *Analisis*, *7*(1&2), 107-122.

Kamil, I. (2015). The Effect of Taxpayer Awareness, Knowledge, Tax Penalties and Tax Authorities Services on the Tax Compliance (Survey on the Individual Taxpayer at Jabodetabek & Bandung). *Research Journal of Finance and Accounting, 6(2), 104-111.*

Kasipillai, J., Aripin, N., & Amran, Noor Afza. (2003). The influence of education on tax avoidance and tax evasion. *Journal of Tax Research, 1(2), 134-146.*

Kaufmann, D., Kraay, A., & Zoido-Lobation, P. (2002). *Governance matters II: Updated indicators for 2000/1*. Research working paper, World Bank.

Kaufmann, K., Kraay, A., & Mastruzzi, M. (2007). Governance matters vi:Aggregate and individual governance indicators for 1996-2006. Washington D.C.: World Bank Institute, World Bank

Kirchgässner, G. (2010). Tax morale, tax evasion, and the shadow economy. *Department of Economics, University of St. Gallen*.

Kennedy, P. M., & Anyaduba, J. (2014). Impact of Tax Audit on Tax Compliance in Nigeria. *International Journal of Business and Social Science, 5(9)*.

Kirchler, E. N., & Wearing, A. (2006). Shared subjective views, intent to cooperate and tax compliance: Similarities between Australian taxpayers and tax officers. *Journal of economic psychology, 27(4), 502-517*.

Libyan Audit Bureau, report (2014). Available at:

file:///C:/Users/Hp/Desktop/New%20folder%20(2)/final%20project/Annual%20report%202014%20libyan%20audit%20bureau%20(summary).pdf.

Libyan Tax Authority, (1971). Implementing Regulations for Libyan taxes. Available at http://www.almohasben.com.

Libyan Tax Authority, (2004). Implementing Regulations for Libyan taxes. Available at:

file:///C:/Users/Hp/Desktop/New%20folder%20(2)/research%20methodoloy/20%التنفيذية20%اللوائح للضرائب% 20 2004.pdf.

Libyan Tax Authority, (2010). Implementing Regulations for Libyan taxes. Available at:

file:///C:/Users/Hp/Desktop/New%20folder%20(2)/research%20methodoloy/20%النتفيذية20%اللوائح للضريبة%202010.pdf.

Long, S. B., & Swingen, J A. (1987). An approach to the measurement of tax law complexity. *Journal of the American Taxation Association, 8(2), 22-36.*

Loo, E. C., McKerchar, M., & Hansford, A. (2009). Understanding the compliance behavior of Malaysian individual taxpayers using a mixed method approach. *Journal of the Australasian Tax Teachers Association, 4(1), 181-202.*

Loo, E. C. (2006, September). Determinants of individual taxpayers' compliance behavior: Experience of the transition from pre to post self-assessment in Malaysia. *Paper presented at the 7th International Tax Administration Conference, Sydney, Australia.*

Internal Revenues Services (IRS). 2009. Update on reducing the federal tax gap and improving voluntary compliance. Available at http://www.irs.gov/pub/newsroom/tax_gap_ report_-final_version.pdf.

Mayer, K. J. (1999). *Exploring the role service process and its effect on guest encounter satisfaction (Doctoral Dissertation* Graduate college, University of Nevada, Las Vegas, (1999). Ann Arbor, MI: UMI Dissertation Services.

Manaf, N. A. (2004). *Land tax administration and compliance attitude in Malaysia* (Unpublished doctoral thesis). University of Nottingham, United Kingdom.

Mat Udin, N, Wahab, A, & Shaipah, N. (2013). Self-assessment system and taxpayer internal states. *Paper presented at the 3rd International Conference on Management, Penang, Malaysia.*

McKerchar, M. (2001). The study of income tax complexity and unintentional non-compliance: research method and preliminary findings. *A tax Discussion Paper No. 6*

McKerchar, M. (2003). Impact of complexity upon tax compliance: a study of Australian personal taxpayers. *The Australian Tax Research Foundation Research Studies, 225.*

Mesiku, G. (2012). Tax administration, procedural justice, tax payers' attitude and tax compliance among small business income earners in Arua district. (Master of Science in Accounting and Finance), Makerere University.

Ming Ling, L. N. S, & Meera, A. (2005). Towards electronic tax filing: Technology readiness and responses of Malaysian tax practitioners. Tax Nasional, 16-23.

Mogeni, E. D. (2014). The Effects of Compliance Cost on Tax Compliance of Companies Listed At The Nairobi Securities Exchange. University of Nairobi.

Moore, M. (2004). Revenues, state formation, and the quality of governance in developing countries. *International Political Science Review, 25***,** 297-319.

Mohd, Isa, K. (2012). Corporate taxpayers' compliance variables under the self-assessment system in Malaysia: a mixed methods approach.

Mustafa, M. H. (2007). *Tax system, taxpayer compliance and specific tax issues.* Sintok: Universiti Utara Malaysia Press.

Mustafa, H. H. (1996). An evaluation of the Malaysian tax administrative system and taxpayers' perceptions towards self-assessment system, tax law fairness and tax law complexity. A Phd Thesis, Universiti Utara Malaysia.

Mughal, M. M, & Akram, M. (2012). Reasons of Tax Avoidance and Tax Evasion: Reflections from Pakistan. *Journal of Economic and Behavioral Studies, 4.*

Mukabi, D. N. (2014). Factors influencing turnover tax compliance in the Kenya revenue authority domestic taxes department in Nairobi county. (The Degree of Master). The University of Nairobi.

Nzioki, P., & Peter, O. R. (2014). Analysis of Factors Affecting Tax Compliance in Real Estate Sector: A Case of Real Estate Owners in Nakuru Town, Kenya. *Research Journal of Finance and Accounting, 5(11), 1-11.*

Nightingale, K. *(2001). Taxation: Theory and practice. London, Prentice Hall*.

Ocheni, S. (2015). A Causality Analysis between Tax Compliance Behavior and Nigerian Economic Growth. *Mediterranean Journal of Social Sciences, 6(1 S1), 577.*

Osebe, R. P. (2013). An analysis of factors affecting tax compliance in the real estate sector in Kenya: a case study of real estate owners in Nakuru town. (Master Thesis), Kabarak University.

Pallant, Julie. (2007). SPSS survival manual, 3rd. Edition. McGrath Hill.

Pallant, J. (2013). SPSS Survival Manual, 5th Edition. New York: McGraw-Hill.

Palil, M. R. (2010). Tax knowledge and tax compliance determinants in self-assessment system in Malaysia. (PhD Thesis), University of Birmingham.

Palil, M. R, Hamid, M., & Hanafiah, M H. (2013). Taxpayers Compliance Behaviour: Economic Factors Approach. *Jurnal Pengurusan, 38.*

Palil, M. R., & Mustapha, A. (2011). Determinants of tax compliance in Asia. *European Journal of Social Sciences, 24(1), 7-32.*

103

Richardson, G. (2006). The impact of tax fairness dimensions on tax compliance behavior in an Asian jurisdiction: The case of Hong Kong. *The International Tax Journal*, 32(1). Pg 29–42.

Ross, A. M., & McGee, R. W. (2011). Attitudes toward tax evasion: A demographic study of Malaysia. *Asian Journal of Law and Economics*, *2*(3), No. 5.

Roshidi, M., & Asri, M. (2007). The Effects of Knowledge on Tax Compliance Behaviors among Malaysian Taxpayers. Business and Information, 4.

Ruhoma, A. (2015). Examining the Influence of Tax Fairness on Tax Compliance in Libya. (Master Thesis), Universiti Utara Malaysia.

Saad, Natrah. (2010). Fairness Perceptions and Compliance Behaviour: The Case of Salaried Taxpayers in Malaysia after Implementation of the Self-Assessment System. *Journal of Tax Research, 8(1), 32*.

Saad, N, Mat Udin, N. M, & Derashid, C. (2014). Complexity of the Malaysian Income Tax Act 1967: Readability Assessment. *Procardia-Social and Behavioral Sciences, 164, 606-612*.

Sekaran, U. (2003). Research Methods for Business – A Skill Building Approach. Carbondale, IL: John Wiley and Sons, Inc., p. 63.

Sekaran, U., & Bougie, R. (2010). Research Methods for Business: A Skill Building Approach: John Wiley & Sons.

Sekaran, U., & Roger B. (2013) Research Methodology for Business: A Skill-Building Approach Sixth edition. Willey.

Ser, P. C. (2013). Determinants of tax non-compliance in Malaysia. (Master Thesis). University Tunku Abdul Rahnan.

Sutinen, J. G., & Kuperan, K. (1999). A socio-economic theory of regulatory compliance. *International Journal of Social Economics*, 26(1/2/3), 174-193.

Tan, L., & Sawyer, AJ. (2003). A synopsis of taxpayer compliance studies: Overseas vis-a-vis New Zealand. New Zealand. *Journal of Taxation Law and Policy, 9(4), 431-454.*

Tehulu, T. A. (2014). Determinants of Tax Compliance Behavior in Ethiopia: The Case of Bahir Dar City Taxpayers. *Journal of Economics and Sustainable Development, 5(15), 268-273.*

Tran Nam, B., & Evans, C. (2014). Towards the development of a tax system complexity index. Fiscal Studies, 35(3), 341-370.

Torgler, B. (2007). *Tax compliance and tax morale.* Cheltenham: Edward Elgar Publishing Ltd.

Transparency International's Quarterly Newsletter, 2014. Available http:// www.trnsparency.org.nz/Transparenccy - Times- December-2014.

Vadde, Suresh, & Gundarapu, Srinivas. (2012). Factors that influence rental tax payers' compliance with tax system: *an empirical study of mekelle city, Ethiopia. Researchers World: Journal of Arts, Science & Commerce, 3.*

Yahaya, L. (2015).The Perception of Corporate Taxpayers' Compliance Behaviour under Self-assessment System in Nigeria. *Journal of Management Research, 7(2), 343.*

Zeng, T. (2014). What Affects Tax Compliance Behaviour: A Survey Study. *International Proceedings of Economics Development and Research, 69, 25.*

APPENDICES

Appendix A: Questionnaire

Colleges of Business

University Utara Malaysia

Dear respondent

I am a final year student of Master of Science (International Accounting) at University Utara Malaysia (UUM). I am currently conducting a research project. Which is one of the requirement of my study program. I am undertaking a survey to seek opinions and views on factors affecting taxpayer compliance behavior among individual taxpayers in Libya. I would be very grateful if you could kindly spare a few minutes to answer the questionnaire. All the information gathered will be kept strictly confidential and used solely for academic purpose. Your contribution is highly appreciated.

This questionnaire is divided into four sections. Please answer carefully all the questions.

If you require further information please do not hesitate to contact me.

Thank you for your time and cooperation in answering this questionnaire.

Yours sincerely

                                                    (Supervisor)

ALHASSAN BELKASEM. BELHAJ   DR. NORAZA BT MAT UDIN

Master of Science (International Accounting)

School of Accountancy   UUM   School of Accountancy UUM

SECTION A

The following questions refer to the demographic profile of the respondents. Please provide the appropriate information by placing a (√) in the square provided to represent your answer.

1. Gender

   A. Male   [ ]   **B.** Female   [ ]

2. Age

   A. 18 – 24 [ ]   **B.** 25 – 31 [ ]   **C.** 32 – 38 [ ]   **D.** 39 – 45 [ ]   **E.** 46 – 52 [ ]

   F. 53 and above [ ]

3- Marital status

   A. Single   [ ]   **B.** Married   [ ]   **C.** Divorced   [ ]   **D.** Widow [ ]

4 - Education level

   A. Before secondary school certificate   [ ]

   B. Up to secondary school certificate   [ ]

   C. Diploma   [ ]

   D. Bachelor degree   [ ]

   E. Postgraduate (Master/PhD)   [ ]

5 - Annual gross income

   A. L.D 10000-15000 [ ] **B**. L.D 15001 – 20000 [ ] **C**. L.D 20001-25000 [ ]

   D. L.D 25001 and above [ ]

6. Years of being a taxpayer

  A. 1 – 5 [ ]   **B.** 6 – 10 [ ]   **C.** 11 – 15 [ ]   **D.** 16 – 20 [ ]   **E.** 21 and above [ ]

  F. Never [   ]

Please tick (√) your answer to each statement using 5 Likert scale (1) = Strongly Disagree; (2) = Disagree; (3) = Neutral; (4) = Agree and (5) = Strongly Agree.

SECTION B: القسم الثاني

Part 1

Taxpayer Compliance Behavior (Dependent Variable)

No	The Statements	The Scale				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I use to trade or exchange goods and services with a friend or neighbor and not report in my tax returns.	1	2	3	4	5
2	I fully declare my principal income, but not including my part-time income.	1	2	3	4	5
3	I do not report my earning from interest or investment that is not registered with government.	1	2	3	4	5
4	I would understate income (employment income, rental income and so on) if the amount is relatively small.	1	2	3	4	5
5	It is wrong if a taxpayer does not report all of his or her income in order to pay less income tax.	1	2	3	4	5

Factors Influencing Taxpayer Compliance (Independent Variables)

Part 2

Tax Knowledge

No	The Statements	The Scale				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I know how to declare actual income received from all sources to the tax authority.	1	2	3	4	5
2	I encounter significant confusion whilst filling tax forms.	1	2	3	4	5
3	I need to consult tax professionals in completing my tax forms.	1	2	3	4	5
4	I know which income should be included or excluded in determining the taxable income.	1	2	3	4	5
5	I do not have problem with completing and filing the tax return form (s), if they are required.	1	2	3	4	5

Part 3

Tax Complexity

No	The Statements	The Scale				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The sentences and wording in the individual income tax return guide are lengthy and not user-friendly.	1	2	3	4	5
2	The rules related to individual income tax are clear.	1	2	3	4	5
3	I find it hard to comply with the tax laws as they are complicated.	1	2	3	4	5
4	I do not have to make a lot of effort to understand the explanations given in Inland Revenue Department guide books and other similar explanatory material.	1	2	3	4	5
5	Simplification of tax law will assist me on tax compliance.	1	2	3	4	5

Part 4

Public Government Quality

No	The Statements	The Scale				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I think corruption in Libya is high.	1	2	3	4	5
2	I think government wastes a lot of money.	1	2	3	4	5
3	I do not feel like paying taxes as long as the government cannot be trusted.	1	2	3	4	5
4	It is not wrong to declare less on taxable income since the government spends too much on extravagant projects.	1	2	3	4	5
5	I think people are not enlightened on how tax revenues are being utilized by government.	1	2	3	4	5

Part 5

Perceptions of Government Spending

No	The Statements	The Scale				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	A large portion of the money collected is not used efficiently by the government.	1	2	3	4	5
2	A large portion of the money collected is spent on projects that do not benefit me.	1	2	3	4	5
3	A significant portion of the money collected winds up in the pockets of corrupt politicians or their families and friends.	1	2	3	4	5
4	A significant portion of money collected is used for government administration (rather than education, health, etc.).	1	2	3	4	5
5	The government does not provide enough information about how they use taxpayers' money.	1	2	3	4	5

SECTION C القسم الثالت

Recommendation and views towards tax compliance behavior among individual taxpayers in Libya.

Thank you for your cooperation

Appendix B: Pilot Test Results

RELIABILITY

Pilot Test-Reliability Statistics for Taxpayer Compliance Behavior

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded[a]	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.707	.699	5

Item Statistics

	Mean	Std. Deviation	N
TCB1	3.73	1.358	40
TCB2	3.78	1.230	40
TCB3	3.88	1.202	40
TCB4	3.95	.959	40
TCB5	4.38	.838	40

Pilot Test-Reliability Statistics for Tax Knowledge

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded[a]	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.600	.590	5

Item Statistics

	Mean	Std. Deviation	N
TK1	3.73	1.358	40
TK2	4.38	.838	40
TK3	3.95	.959	40
TK4	3.78	1.230	40
TK5	3.93	1.071	40

Pilot Test-Reliability Statistics for Tax Complexity

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded[a]	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.835	.839	5

Item Statistics

	Mean	Std. Deviation	N
TC1	4.58	.747	40
TC2	4.48	.877	40
TC3	4.65	.736	40
TC4	4.53	.679	40
TC5	4.43	.675	40

Pilot Test-Reliability Statistics for Public Governance Quality

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded[a]	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.829	.835	5

Item Statistics

	Mean	Std. Deviation	N
PGQ1	4.40	.744	40
PGQ2	4.58	.747	40
PGQ3	4.65	.736	40
PGQ4	4.43	.813	40
PGQ5	4.63	.667	40

Pilot Test-Reliability Statistics for Perception of Government Spending

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded[a]	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.778	.801	5

Item Statistics

	Mean	Std. Deviation	N
PGS1	4.50	.961	40
PGS2	4.48	.877	40
PGS3	4.13	1.067	40
PGS4	4.53	.679	40
PGS5	4.53	.679	40

Appendix C: Regression SPSS Output

Descriptive Statistics

	Mean	Std. Deviation	N
TCB	20.6957	3.17378	230
TK	18.7609	3.45643	230
TC	19.6000	3.65021	230
PGQ	22.5304	2.16693	230
PGS	22.6304	2.27151	230

Correlations

		TCB	TK	TC	PGQ	PGS
Pearson Correlation	TCB	1.000	.460	.018	.140	.158
	TK	.460	1.000	.386	.178	-.090
	TC	.018	.386	1.000	.341	.034
	PGQ	.140	.178	.341	1.000	.049
	PGS	.158	-.090	.034	.049	1.000
Sig. (1-tailed)	TCB	.	.000	.392	.017	.008
	TK	.000	.	.000	.003	.086
	TC	.392	.000	.	.000	.303
	PGQ	.017	.003	.000	.	.230
	PGS	.008	.086	.303	.230	.
N	TCB	230	230	230	230	230
	TK	230	230	230	230	230
	TC	230	230	230	230	230
	PGQ	230	230	230	230	230
	PGS	230	230	230	230	230

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	PGS, TC, PGQ, TK^b	.	Enter

a. Dependent Variable: TCB

b. All requested variables entered.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.547^a	.299	.287	2.68066	.299	24.000	4	225	.000	2.303

a. Predictors: (Constant), PGS, TC, PGQ, TK

b. Dependent Variable: TCB

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	689.858	4	172.465	24.000	.000^b
	Residual	1616.837	225	7.186		
	Total	2306.696	229			

a. Dependent Variable: TCB

b. Predictors: (Constant), PGS, TC, PGQ, TK

Coefficients^a

Model		B	Std. Error	Beta	T	Sig.	Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
1	(Constant)	4.867	2.627		1.852	.065	-.311	10.044					
	TK	.507	.056	.552	9.051	.000	.397	.617	.460	.517	.505	.837	1.194
	TC	-.210	.055	-.241	-3.795	.000	-.318	-.101	.018	-.245	-.212	.772	1.296
	PGQ	.167	.087	.114	1.917	.056	-.005	.339	.140	.127	.107	.879	1.137
	PGS	.294	.079	.211	3.745	.000	.139	.449	.158	.242	.209	.984	1.016

a. Dependent Variable: TCB

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
TCB	230	9.00	25.00	20.6957	3.17378
TK	230	8.00	25.00	18.7609	3.45643
TC	230	8.00	25.00	19.6000	3.65021
PGQ	230	8.00	25.00	22.5304	2.16693
PGS	230	8.00	25.00	22.6304	2.27151
Valid N (listwise)	230				

120

Residuals Statistic

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	14.5460	24.7122	20.6957	1.73565	230
Residual	-11.62610	6.53170	.00000	2.65715	230
Std. Predicted Value	-3.543	2.314	.000	1.000	230
Std. Residual	-4.337	2.437	.000	.991	230

a. Dependent Variable: TCB

Histogram
Dependent Variable: TCB

Mean = 3.56E-16
Std. Dev. = 0.991
N = 230
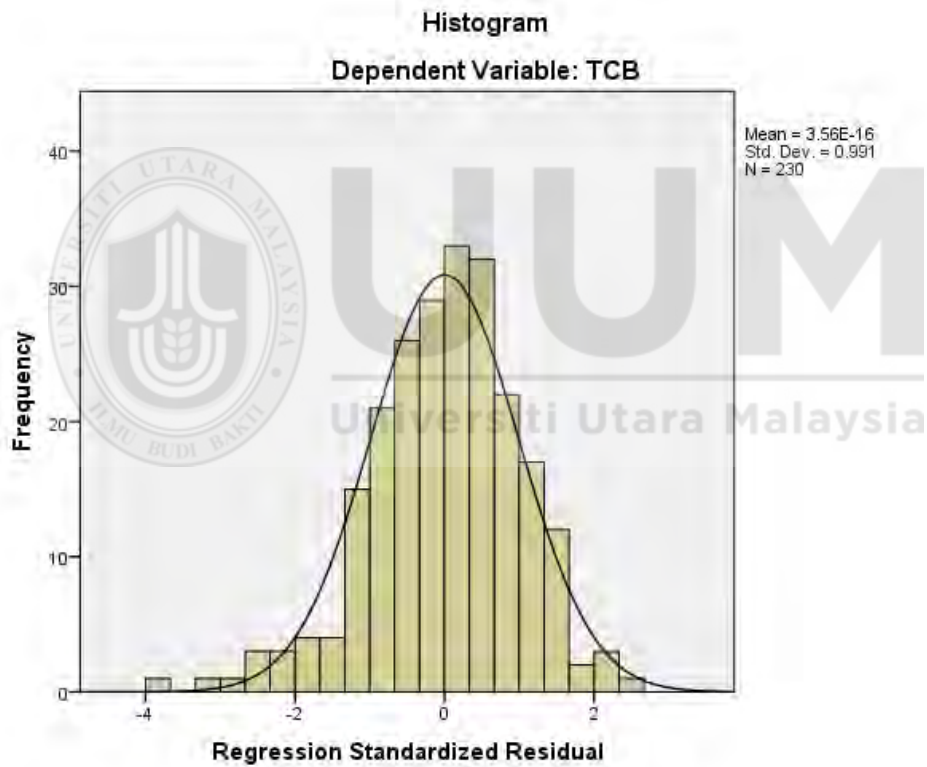
Normal P-P Plot of Regression Standardized Residual

Dependent Variable: TCB
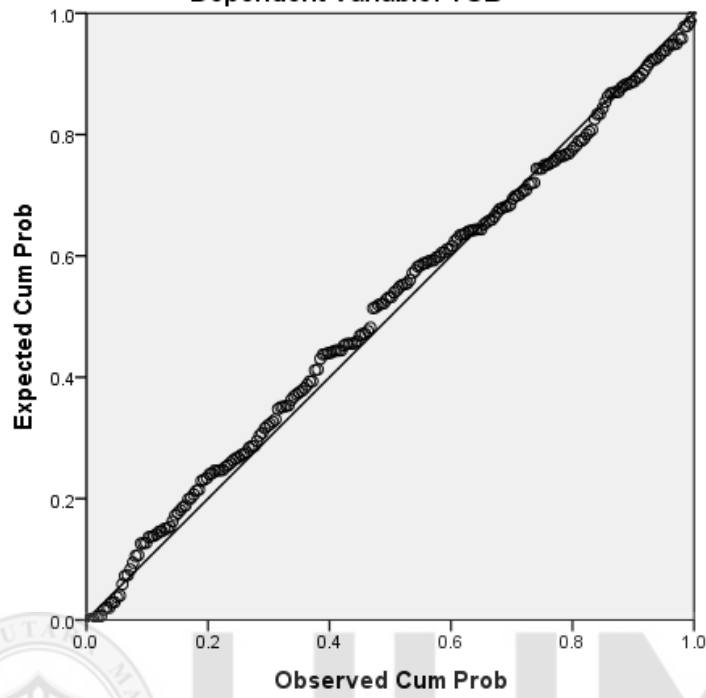
Scatterplot

Dependent Variable: TCB
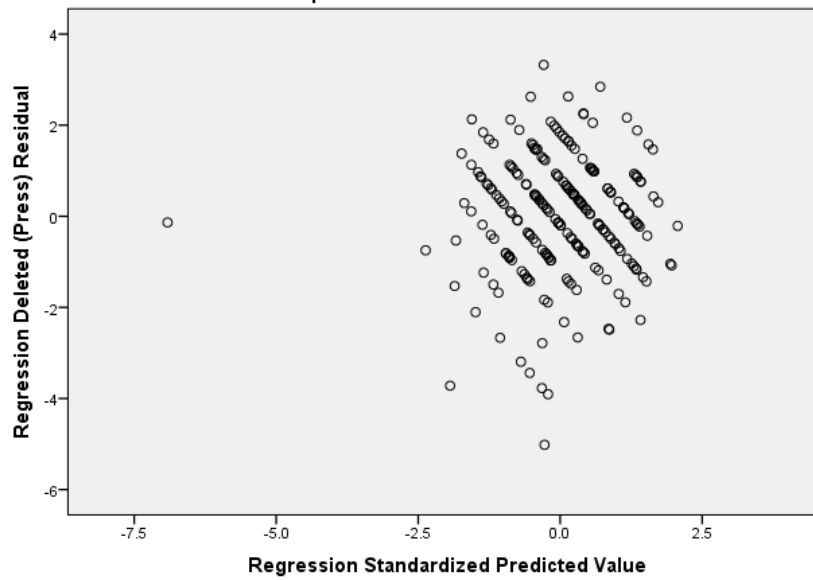
Appendix D: Correlations

<div align="center">Correlations</div>

		TCB	TK	TC	PGQ	PGS
TCB	Pearson Correlation	1	.460**	.018	.140*	.158*
	Sig. (2-tailed)		.000	.785	.033	.016
	N	230	230	230	230	230
TK	Pearson Correlation	.460**	1	.386**	.178**	-.090
	Sig. (2-tailed)	.000		.000	.007	.172
	N	230	230	230	230	230
TC	Pearson Correlation	.018	.386**	1	.341**	.034
	Sig. (2-tailed)	.785	.000		.000	.606
	N	230	230	230	230	230
PGQ	Pearson Correlation	.140*	.178**	.341**	1	.049
	Sig. (2-tailed)	.033	.007	.000		.461
	N	230	230	230	230	230
PGS	Pearson Correlation	.158*	-.090	.034	.049	1
	Sig. (2-tailed)	.016	.172	.606	.461	
	N	230	230	230	230	230

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Appendix E: Reliability Test

1. **Scale: Taxpayer Compliance Behavior**

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.645	.609	5

Item Statistics

	Mean	Std. Deviation	N
TCB	4.11	1.175	230
TCB	3.81	1.155	230
TCB	4.17	1.023	230
TCB	4.11	.889	230
TCB	4.50	.567	230

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
TCB	16.59	5.099	.677	.543	.420
TCB	16.89	7.157	.256	.126	.674
TCB	16.53	6.460	.493	.322	.543
TCB	16.58	6.663	.570	.461	.516
TCB	16.20	9.713	.011	.003	.708

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
20.70	10.073	3.174	5

2. Scale: Tax Knowledge

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.639	.635	5

Item Statistics

	Mean	**Std. Deviation**	**N**
TK	3.64	1.241	230
TK	3.86	.985	230
TK	3.95	.905	230
TK	3.77	1.008	230
TK	3.54	1.224	230

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
TK	15.12	6.541	.609	.496	.456
TK	14.90	9.519	.240	.140	.651
TK	14.81	9.602	.272	.116	.635
TK	14.99	7.607	.598	.508	.487
TK	15.22	8.415	.286	.187	.645

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
18.76	11.947	3.456	5

3. **Scale: Tax Complexity**

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.648	.592	5

Item Statistics

	Mean	Std. Deviation	N
TC	4.63	.631	230
TC	3.03	1.577	230
TC	4.00	1.145	230
TC	3.50	1.337	230
TC	4.44	.656	230

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
TC	14.97	12.566	.080	.088	.695
TC	16.57	6.307	.572	.469	.503
TC	15.60	8.128	.596	.363	.496
TC	16.10	6.990	.643	.491	.451
TC	15.16	12.398	.107	.061	.690

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
19.60	13.324	3.650	5

4. Scale: Public Governance Quality

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.684	.693	5

Item Statistics

	Mean	Std. Deviation	N
PGQ	4.52	.611	230
PGQ	4.56	.643	230
PGQ	4.53	.658	230
PGQ	4.41	.741	230
PGQ	4.52	.596	230

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
PGQ	18.01	3.402	.409	.203	.647
PGQ	17.97	3.082	.531	.304	.593
PGQ	18.00	3.083	.510	.281	.602
PGQ	18.12	3.365	.288	.088	.709
PGQ	18.01	3.279	.491	.275	.614

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
22.53	4.696	2.167	5

5. Scale: Perception of Government Spending

Reliability Statistics

| Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.709	.723	5

Item Statistics

	Mean	Std. Deviation	N
PGS	4.64	.677	230
PGS	4.59	.646	230
PGS	4.35	.836	230
PGS	4.55	.579	230
PGS	4.50	.567	230

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
PGS	17.99	3.528	.461	.227	.663
PGS	18.04	3.444	.542	.313	.631
PGS	18.28	3.252	.401	.172	.705
PGS	18.08	3.732	.488	.270	.656
PGS	18.13	3.756	.493	.259	.655

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
22.63	5.160	2.272	5
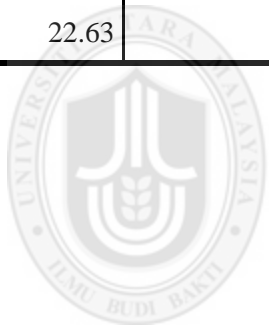
Appendix F: Table of Sample Size

Sekaran, (2013)

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	26	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	53	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384
Note: N= population size and S= sample size					

Appendix G: Letter from the Embassy of Libya

Embassy of Libya
Kuala Lumpur
Malaysia

سفارة ليبيا
كوالالمبور
ماليزيا

Our Ref:1401/1826

26ᵗʰ November,2015

To/Whom It may Concern,

The Embassy of Libya in Kuala Lumpur hereby writes to make reference to the total number of Libyan students studying in Malaysia.

Please, be informed that the total number of Libyan students holding a scholarship from the Libyan Ministry of Higher education and Scientific Research who are currently studying in Malaysia are 1213 (991 Males and 512 Females).Whereas, we have a total of 625 non-scholarship students who are awaiting for final approval of their scholarship from the Ministry of higher education and scientific research .

Thank you.

Yours faithfully,

Dr. Samir Karshman
Academic Attaché
Libyan Embassy

No. 6, Jalan Madge, Off Jalan Uthant, 55000 Kuala Lumpur, Malaysia. Tel: +603-21612908/21810016 Fax: +603-21413549
Email: libatam@yahoo.com