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THE RELATIONSHIP BETWEEN EFFORTS FOR TAX LEARNING,
AWARENESS OF TAX LAWS, UNDERSTANDING OF TAX LAWS
AND TAX COMPLIANCE BEHAVIOUR AMONG SALARIED
TAXPAYERS IN MOGADISHU-SOMALIA.



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UNIVERSITI UTARA MALAYSIA
May 2017

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TAX LAWS, UNDERSTANDING OF TAX LAWS AND TAX COMPLIANCE BEHAVIOUR
AMONG SALARIED TAXPAYERS IN MOGADISHU-SOMALIA.



Thesis Submitted to Othman Yeop Abdullah Graduate School of Business, Universiti Utara
Malaysia, in Partial Fulfilment of the Requirement for the Award of Master of Science
(International Accounting)



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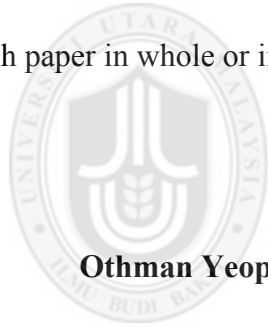
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ABSTRACT

This study investigates the relationship between tax education dimensions and tax compliance behaviour among salaried taxpayers in Mogadishu, Somalia. This study is motivated by low tax compliance and low tax education in Somalia. Specifically, the objectives of this study were to examine the relationships between efforts for tax learning, awareness of tax laws and understanding of tax laws; and tax compliance behaviour among salaried taxpayers in Mogadishu, Somalia. To achieve the research objectives, primary data were collected through administering survey questionnaires to salaried taxpayers in Mogadishu, Somalia. The data were analysed using multiple regression analysis. The findings of the study indicate that efforts for tax learning had a negative and significant relationship with tax compliance behaviour. on the other hand, the awareness of tax laws and understanding of tax laws had a positive and insignificant relationship with tax compliance behaviour. efforts for tax learning contributes the most towards tax compliance behaviour. therefore, the policy makers in somalia should focus more on the most important contributing factor, i.e. efforts for tax learning, to enhance tax compliance and ultimately mitigate the problem of noncompliance in Somalia.

Keywords: Tax Compliance Behaviour, Education, Efforts for Learning, Awareness of Tax Laws and Understanding of Tax Laws, Somalia.

ABSTRAK

Kajian ini mengkaji hubungan antara dimensi pendidikan cukai dan gelagat kepatuhan cukai di kalangan pembayar cukai bergaji di Mogadishu, Somalia. Kajian ini dimotivasi oleh kadar kepatuhan cukai dan pendidikan cukai yang rendah di Somalia. Secara khususnya, objektif kajian ini adalah untuk mengkaji hubungan antara usaha untuk pembelajaran percukaian, kesedaran terhadap peraturan percukaian, kefahaman undang-undang percukaian; dan gelagat kepatuhan cukai di kalangan pembayar cukai bergaji di Mogadishu, Somalia. Bagi mencapai objektif kajian, data primer dikumpul melalui kajian soal selidik yang diedarkan kepada pembayar cukai bergaji di Mogadishu, Somalia. Data dianalisis dengan menggunakan analisis regresi berganda. Dapatan kajian menunjukkan bahawa usaha untuk pembelajaran percukaian mempunyai hubungan yang negatif dan signifikan dengan gelagat kepatuhan cukai. Sebaliknya, kesedaran terhadap peraturan percukaian dan kefahaman undang-undang percukaian mempunyai hubungan yang positif dan tidak signifikan dengan gelagat kepatuhan cukai. Usaha untuk pembelajaran percukaian merupakan faktor yang paling penting menyumbang ke arah gelagat kepatuhan cukai. Oleh itu, pembuat dasar di Somalia perlu memberi tumpuan lebih kepada faktor ini, iaitu usaha untuk pembelajaran percukaian untuk meningkatkan pematuhan cukai dan akhirnya mengurangkan masalah ketidakpatuhan di Somalia.

Kata kunci: Cukai Gelagat Kepatuhan Cukai, Pendidikan Cukai, Usaha untuk Pembelajaran, Kesedaran terhadap Peraturan dan Kefahaman Undang-Undang, Somalia.

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GLOSSARY OF TERMS

ATO	Australian Taxation Office
MOF	Ministry of Finance- Somalia
MOPIC	Ministry of Planning and International Cooperation- Somalia
NAT	National Tax Authority- Japan
OECD	Organization for Economic Cooperation and Development
UNFPA	United Nation Fund for Population Activities
VAT	Value-Added Tax



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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Tax education is considered as one of the variables that can influence on tax compliance behaviour (Murphy, 2004). Tax education has been seen as a way to increase a citizen's capability to grasp taxation laws and to increase their readiness to follow those laws (Kasipillai et al., 2003). Different researchers have studied the impact of tax education on tax compliance behaviour globally. For instance, Berhane (2011), observed that tax education enhances the tax compliance behaviour of the citizens, as they would be aware of their obligations and punishments for not following tax laws in Ethiopia. In Somalia, however, no studies have been conducted about tax education and tax compliance behaviour.

For many countries, taxes are the major source of income to finance the countries expenses such as providing the basic services for the country like building roads, railways, airports, and seaports and promoting the general welfare (Wonders, 2014). In the case of Somalia, the government is highly dependent on external grants as a source of income in addition to tax revenue because international grants represent 43% of the revenue of Somalia, which makes the government of Somalia highly vulnerable to foreign intervention (MOF, 2015).

The main sources of tax revenue are derived from the Mogadishu port and airport and the Bakara market, which is the biggest market in Somalia (Ulus, 2015). Taxes are

imposed on: 1) imports and exports such as food, fuel, pharmaceutical products, petroleum products, livestock and agricultural products; 2) companies, for example Telecommunication and Remittance companies; and 3) the income of individuals (FGS-Act 0005, 2014). Reports have indicated that the level of compliance among taxpayers is very low, and the actual amounts of taxes due have not been collected completely (MOF, 2015). In 2015, The Ministry of Finance of Somalia, MOF reported that the tax gap was 58.4% of the total estimated tax revenues, which indicates the level of compliance is very low. Although many factors that can affect compliance behaviour, tax education is probably the most significant in Somalia (Hussien, 2014).

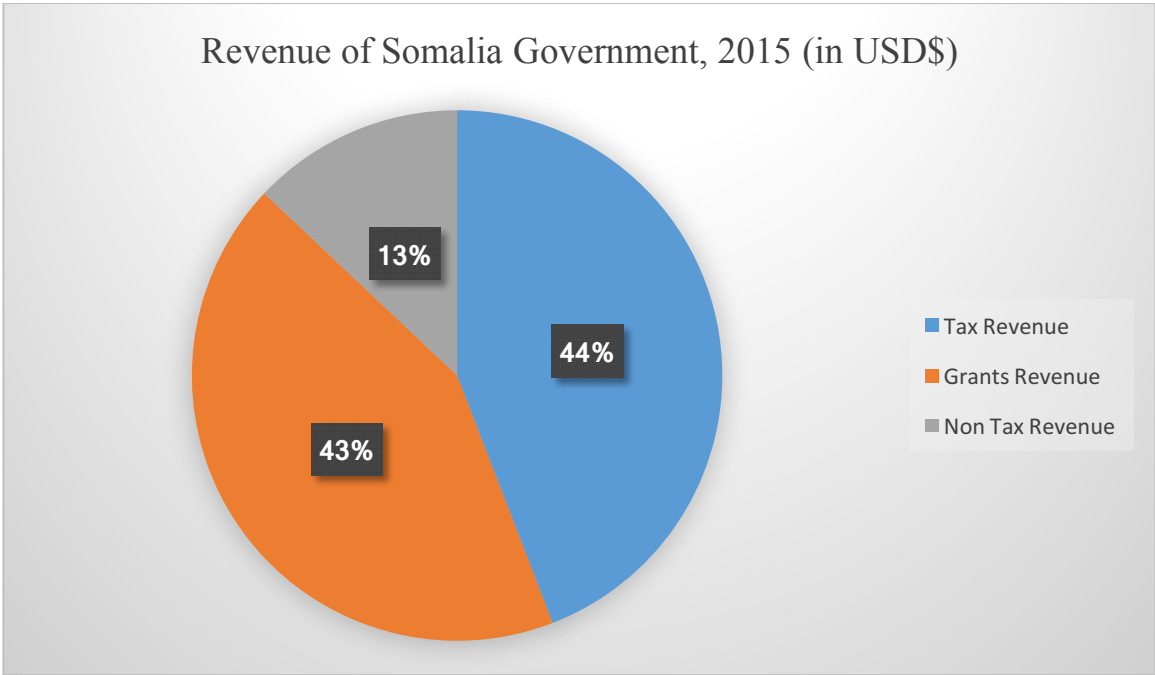


Figure 1.1
Revenue of Somalia Government, 2015.
Source: Ministry of Finance, 2015.

Figure 1.1 shows the sources of revenue for the Government of Somalia in 2015, which are revenue from taxes, revenue from grants and non-tax revenue. The main source of revenue for the government is tax revenues, which represents 44% of overall revenue.

The second main source of revenue is grants, which represents 43% of the revenue of the Somalia Government, while the remaining 13% comes from non-tax revenues.

Depending on foreign grants damages developing countries (Reci, 2014). Foreign aid has helped make the economic and political policies of some countries economically unproductive. Less economically developed countries (LEDCs) may become increasingly dependent on donor countries and become heavily indebted. As a result, the donor countries might interfere in the political affairs of the less developed countries and force them to take some unfavourable decisions (Reci, 2014). Although the tax revenue represents a huge percentage of the Somalia revenue, the amounts of tax revenue are small compared with those of other African countries (MOF, 2015).

Table 1.1 shows a comparison of tax revenue, per capita income and the GDP of Somalia, Kenya, and Nigeria respectively. From the table, huge gaps can be seen among Somalia, Kenya, and Nigeria. From an economic viewpoint, the GDP and per capita income of Somalia is less than 1% of Kenya's GDP and miniscule compared to Nigeria. The tax revenue collected in Somalia was just USD57 Million, while in Kenya it was USD 10,877.14 Million, and in Nigeria it was USD 3.742 Billion in 2015.

Table 1.1
Comparison of Somalia with Kenya and Nigeria, 2015 (in USD)

	Somalia	Kenya	Nigeria
GDP	6 Billion	152.735 Billion	1.66 Trillion
Per Capita Income	600	3,360	6,351
Tax Revenue	57,864,793	10,877.14 Million	374,180 Million

Sources: Ministry of Finance, Somalia, Department of Taxation 2015; World Bank, 2015; Kenya Revenue Analysis 2010-2015; Federal Inland Revenue Service, Tax Revenue Statistics.

From the above discussion, the tax revenue gap in Somalia could be the result of tax non-compliance, which low tax education among taxpayers in Somalia has caused (need reference here. See comment from DR Muzainah). To solve the problem of tax non-compliance, an emphasis should be placed on the relationship between tax education of individual taxpayers and tax compliance behaviour in developing countries like Somalia.

Other countries have done much better in collecting taxes due. For example, the compliance level of Japan is more than 90%. The National Tax Authorities (NAT) of Japan has been successful in promoting voluntary compliance through the four pillars of tax compliance, and one of those pillars is the tax education (Yok, 2009). Other reports by the World Bank also have indicated that taxpayer education has provided a good foundation for tax collection in Tanzania (World Bank, 2017). The observation has been made that taxation education improves tax compliance behaviour of the taxpayers, as they become mindful of their responsibility and penalties for not complying with the taxation laws (Berhane, 2011). Moreover, tax education is considered as one compliance instrument that gives citizens the capacity to grasp taxation laws, which, in turn, increases their readiness to follow these laws (Kasipillai et al., 2003).

1.2 Problem Statement

This section is divided into two subsections, which are: 1) the practical problem statement and 2) the theoretical problem statement.

1.2.1 Practical Problem Statement

Since the fall of Somalia's Central Government in 1991 that General Mohamed Siad Barre ruled, two decades of civil war, enormous interior relocations, frequent droughts, and frequently inflation have tormented Somalia, transforming the nation into one of the world's most humanitarian crises areas. In 2012, the government of Somalia has been re-established with a federal system that comprises the central government and several regional administrations. However, the Federal Government is weak, highly corrupt, and dysfunctional and cannot provide basic public services to the people, like building infrastructure and providing public schools (Khalif & Barnes, 2011).

The official report of the Somalia government has indicated that a tax gap exists between the actual figures and the expected figures for the recent years (MOF, 2015). For instance, in the fiscal tax report 2015, the estimated tax revenue was USD 139,221,120 but the actual amount collected was only USD 57,864,793, producing a tax gap of USD 81,356,327. Figure 1.2 shows the details of the tax gap in Somalia.

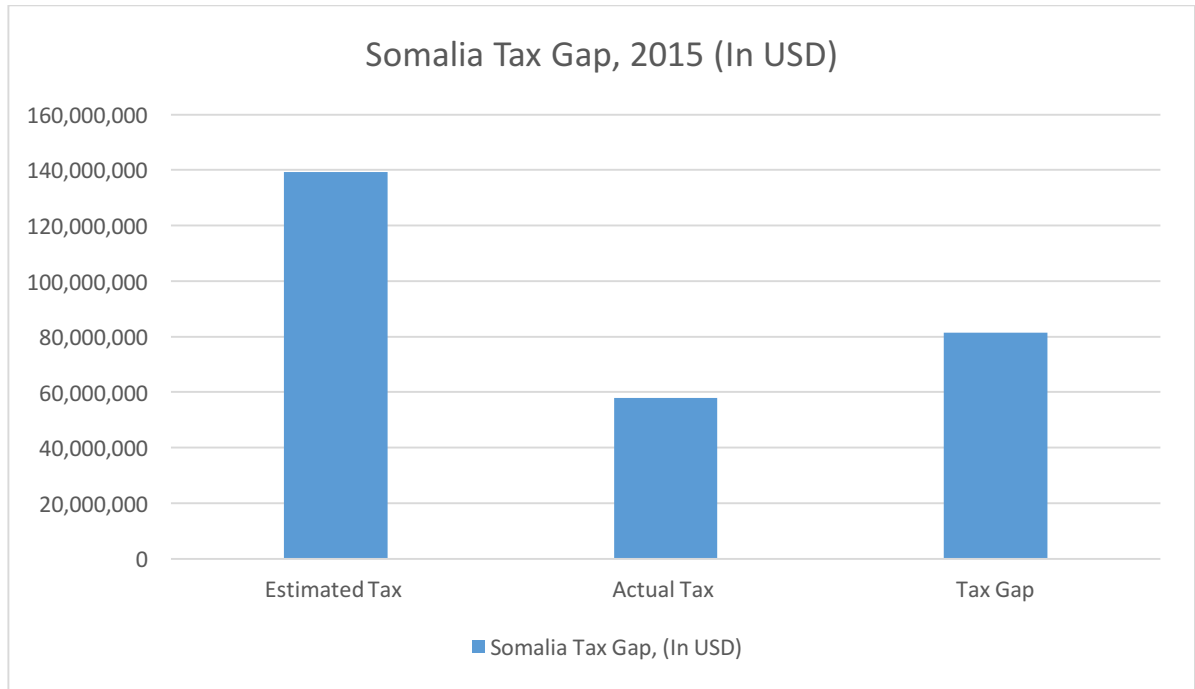


Figure 1.2
Gap in Somalia Revenue.
 Source: Ministry of Finance, 2015.

Non-compliance is identified as one of the main reasons causing the tax gap in Somalia (Hussein, 2014). Taxpayer compliance behaviour can be influenced by many factors, and these factors differ from one country to another and from one individual to another (Kirchler, Hoelzl & Wahl, 2007). In the case of Somalia, education is one of these factors, being among the most important due to the low level of tax education in Somalia (Hussien, 2014).

Informing the taxpayers regarding tax laws is a critical element in creating an effective tax framework (Ugwu, 2014). Accomplishing an acceptable amount of compliance may be achieved if citizens can finish an income tax return effectively and pay the suitable amount of tax. To grasp the target of voluntary compliance, citizens must be educated, (especially in tax matters), and their tax proficiency level should be improved relentlessly to keep their data relevant.

Given these facts, this current study investigated the relationship between tax education constructs, namely, efforts for tax learning, awareness of tax laws and understanding of tax laws and tax compliance behaviour among salaried taxpayers in Mogadishu, Somalia.

1.2.2 Theoretical Problem Statement

As far as the author's knowledge, no published accurate figures of the non-compliance level exist for Somalia, and this deficiency is probably due to the lack of research. Therefore, at the current stage, the actual level of compliance/non-compliance in Somalia is unclear. Low tax education is among the reasons for tax non-compliance, which is a critical issue. Somalia's tax authority has stated that there is gross under-reporting and that tax performance across the board is much less than what it should be (MOF, 2015).

No studies have yet focused specifically on tax compliance behaviour and education constructs in Somalia. The lack of study in Somalia justifies why this study is important, and comprehensive and up-to-date research on the relationship between tax education and tax compliance behaviour is much needed. Less attention has been given to the case of tax compliance in general and tax education in specific, which makes it imperative to undertake a study on taxation in Somalia. Therefore, this study investigated the relationship between tax education and tax compliance among salaried taxpayers in Mogadishu, Somalia.

1.3 Research Questions

The following are the research questions for this study.

1. What is the relationship between efforts for tax learning and tax compliance behaviour?
2. What is the relationship between awareness of tax laws and tax compliance behaviour?
3. What is the relationship between understanding of tax laws and tax compliance behaviour?

1.4 Research Objectives

This study seeks the answers to the following research objectives. They are:

1. To examine the relationship between efforts for tax learning and tax compliance behaviour;
2. To examine the relationship between awareness of tax laws and tax compliance behaviour; and
3. To examine the relationship between understanding of tax laws and tax compliance behaviour.

1.5 Significance of the Study

The significance of the study can be viewed from two points of view – the theoretical viewpoint and the practical viewpoint. From the theoretical viewpoint, this research will fill the gaps left unfilled by other researchers. Specifically, in Somalia, this study will form a basis for other researchers who need to do further investigations in related areas

of taxation and will serve as a reference. Furthermore, this work is among the first to be undertaken in the context of Somalia to understand the relationship between tax education dimensions and tax compliance behaviour. Hence, this study adds to existing literature of tax compliance.

This study is concerned with the relationship between tax education and tax compliance behaviour among salaried taxpayers in Mogadishu, Somalia. This topic is highly important as tax education influences the compliance level, which, in turn, can hamper the government's ability to provide public amenities for its citizens. Therefore, when the problem is checked and monitored, this may help increase revenue. In turn, the provision of social amenities and other infrastructure becomes possible and the dependency on the international grants will be reduced. If the evasive activities continue to be unchecked, sooner or later, the government will collapse.

From the practical viewpoint, the findings of the present study are expected to be useful to relevant stakeholders and key decision makers in the tax system of the country in ensuring the development of appropriate measures for policies related to tax education as a method for diminishing tax non-compliance. In addition, the research findings can be beneficial to researchers, standard-setters and students of accounting and other related fields, such as finance and commerce. Hence, this research makes an important contribution to the body of knowledge for Somalia, in particular, and other similar countries, in general.

1.6 Scope and Limitations of the Study

The research is designed to determine the relationship between tax education variables and tax compliance behaviour among salaried taxpayers in Mogadishu, Somalia. To consider the country as a whole is not easy due to time constraints, difficulty for reaching people, cost and other determining factors.

The study is limited to the salaried taxpayers of Mogadishu because Mogadishu is the capital city of Somalia and is the largest city in the country. In the pilot test, 30 Somali postgraduate? students of University Utara Malaysia who have experiences in paying Somalian taxes were used. When the study was run, 400 salaried taxpayers participated in the survey of this study. This study was conducted during the period of February – June 2017 using survey questionnaires, no interviews were conducted to verify the results.

1.7 Definition of Key Terms

The following terms presented in Table 1.2 are the key terms of the study, and they are defined as follows:

Table 1.2

Definition of terms

Term	Definition
Tax Compliance	Tax Compliance is the ability to fill and report all the current income taxable items correctly, and paying the taxable amount with the specified period without waiting for the tax authorities to follow up.

Table 1.2 (continued)

Term	Definition
Tax Education	The introduction of theories of tax collection, the efforts made to show how taxes are being paid, clarify why taxes should be paid and to enable the residents to take part in the dialogs on the utilization of tax revenue.
Efforts for Tax Learning	Efforts for tax learning are the efforts contributed to increase the educational level of the taxpayers.
Awareness of Tax Laws	Awareness of tax laws is the recognition of the existence of tax laws and regulation and understanding how to calculate, pay and report the taxes voluntarily and accurately.
Understanding of Tax Laws	Understanding of tax laws are the reasons that make people pay taxes, why are they paying the taxes.

1.8 Structure of the Thesis

This study investigates the relationship between tax education variables and tax compliance behaviour among salaried taxpayers in Mogadishu, Somalia. This research is divided into five chapters. Chapter one contains the background of the topic, the problem statement, the research questions and objectives, the significance, and the scope of the study.

Chapter two focuses on the relevant literature reviews in the areas of tax compliance and its relationship with other variables in this study. Also, this chapter presents previous empirical studies and related theories.

Chapter three presents the research methodology used, which includes the research design, population, and sampling of the study, measurement of variables used in this study and data analysis techniques.

Chapter four provides the analysis on findings and interpretation of the data to answer the objectives of the study.

Finally, chapter five presents the discussion, recommendations and finally the need for future studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the related literature important to understanding the theme of the study by reviewing current literature regarding the relationship between tax education dimensions and tax compliance behaviour. This chapter comprises six sections and is organized as follows. The first section gives a brief description of the tax system in Somalia, and this is followed by presenting tax compliance theoretical reviews. Section three presents determinants of tax compliance, section four presents tax education, section five presents previous studies on tax education and tax compliance, section six presents the underpinning model of the study, and the last section concludes the chapter.

2.2 Overview of the Tax System in Somalia

Technically, taxation is defined as the process of collecting revenue for the state to enable it to dispense its responsibilities towards its citizens as well as, sometimes, to protect local production from foreign competition (James & Nobes, 1997). To conduct and legitimize taxation, the state promulgates tax laws, which specify rules and regulations that define charges to be levied on property, estates, transactions, income, licensees, and duties on imports and exports. Various levels of governance structures enforce taxation by law. These range from local governments, federal states, national governments, to broader regional entities.

In Somalia, Chapter II, Article 17 of the Financial and Accounting Regulations of 1961 defines revenue as: “all sums that the state has a right to collect, by law, decree, regulation or otherwise. All revenue received shall be receipted and deposited into an appropriate bank account determined by the State” (MOF, 1961, p.29). Government revenue means funds collected by government authorities according to laws and regulations. The Ministry of Finance is the principle revenue collector for the government, mainly in the form of taxes.

In accordance with the article, the main types of revenue include tax payable and personal income tax. Under the tax payable concept, several types of taxes exist, and the first one is the company tax, which is based on compound tax profit as follows for resident companies 10% and for non-resident companies 16.3%.

The second tax is custom duties, and this tax is divided into taxes imposed on imports and taxes imposed on exports. The rate of taxes imposed on imports range from 0% to 55%, with an average of 14%, which is usually product-type dependent. High rates are applied for imported luxury goods such as Khat, cigarettes and perfumes, and lower rates are applied for essential goods. Export duties are generally imposed on the country’s main commodities (agricultural products and livestock). The export tax rates range from 0% to 12%, with an average of 6%, These taxes depend on the classification of the goods.

Third is the capital gains tax. All capital gain taxes are subject to tax at the rate of 10% of the net gain. Fourth is the branch profit tax that a foreign entity pays, which is the same as the tax imposed on non-resident companies (16.3%). Fifth, is the salaried employment income, which is taxed at 6% of the gross annual income.

Sixth are the local taxes that comprise the vehicle road tax, which is 0.5% of the value of the vehicle, the rental income tax which is 10% of the rental income and single business permit that depends on the type of business, and this permit costs a minimum of USD 200 to a maximum of USD 600.

According to the Taxation Guide of Somalia (MOF, 2015), the personal income tax is “a direct tax imposed on accruable income from within and/or outside Somalia in a particular taxable year” (p. 7). Tax is charged at the rate of 6% on the gross income.

Table 2.1

Summary of the tax forms and tax rates for the government of Somalia.

#	Tax Type	Tax Rate
1	Tax Payable	
	a. Company tax	
	- Resident company	10.0%
	- Non-resident company	16.3%
	b. Custom duties:	
	- Import tax	14.0%*
	- Export tax	6.0%*
	c. Capital tax gain	10.0%
	d. Branch profit tax	16.3%
	e. Employment tax	6.0%
	f. Local taxes	
	- Vehicle road tax	0.5%
	- Rental income tax	10.0%
	- Single business permit	200-600 USD
2.	Personal Income Tax	6.0%

Source: MOF, 2015.

Note: * rates are on an average basis, but usually depend on the type of item.

2.3 Tax Compliance

Tax compliance can be simply defined as how well taxpayers obey the tax laws without any authority forcing them (Alm, 1991). However, like several such concepts, the meaning of compliance is seen practically as a continuum of definition. This varies from the slender law implementation approach, through additional intensive Monterey definitions and on to additional significant versions concerning citizens' decisions to adhere to the foremost destinations of society as reflected in tax policy (Brand, 1996).

Taking the restricted end of the continuum first, one suggestion is that the extent of non-compliance may be measured concerning the terms of "Tax Gap" (James & Alley, 2002). This represents the distinction between the revenue gathered and the amount that might be gathered if there were 100% compliance. Tax non-compliance might be found in terms of tax evasion or avoidance. These two activities are usually differentiated in terms of lawfulness, with ranging from lawful measures to diminish tax liability to evasion via outlawed measures. Some observers see non-compliance as an evasion problem; however, this doesn't seem to capture the complete meaning of the problem. Without a doubt, however, tax evasion is a form of non-compliance. In any case, if citizens go to inordinate lengths to lower their liabilities, these actions could hardly consider "compliance" either. These activities, for example, may incorporate fake transactions to reduce tax liabilities, utilizing postponing strategies or false claims to diminish the stream of tax payments, among others (James & Alley, 2002).

There is also "Tax Exiles" who are people with high income who live in a country with low tax rates, so this group of people appears to want to emigrate to reduce their obligations as a taxpayer (Andreoni, Erard, & Feinstein, 1998). Even if tax exile and tax

avoidance are practiced without contravening any law, they are not ethically good. Compliance may be defined in this manner as complying with both ethical and regulatory principles of taxation.

Tax compliance is a varied behavioural issue, and an examination of this issue requires employing a variety of methods and the knowledge of various sources as each instrument has both benefits and shortcomings. Alm (1991) defined tax compliance as the coverage of all income and paying all taxes by fulfilling the provisions of laws, rules, and court judgments. Drawing from this definition, taxpayers must reveal all the pertinent information about their revenue, and, therefore, the form should report actual liabilities in accordance with laws, rules, and court judgments. Abandonment of tax laws deliberately is considered non-compliance.

As Brand (1996) indicated, gathering taxes through voluntary compliance is less expensive than through the use of enforcements. Tax compliance is an ambivalent concept to characterize. In general, no standard accepted definition for compliance exists, but rather the meaning of compliance can be seen as a continuum of definitions (James & Alley, 2002). As indicated by the authors, the scope of compliances stretches from the restricted law authorization approach to extensive economic definitions and onwards to much more exhaustive renditions of the characteristics related to the decisions of citizens to comply with the tax law. James and Alley (2002) considered tax compliance as being related to the tax gap. The tax gap may be defined as the difference between that which is owed and that which is reported and voluntarily paid on a timely basis (Andreoni, Erard, & Feinstein, 1998).

Tax agencies have used different methods to determine the degree of compliance. However, some compliance typically occurs subject to the status of mind and activity elements of citizens (Hasseldine, 2002). Additionally, the degree of non-resistance of a singular citizen relies upon individual components such as trust in government and an assessment by taxpayers of the taxes paid versus the public benefits received, the perceived fairness of the tax system, and ease of complying as well as on a mix of conditions (Andreoni, Erard, & Feinstein, 1998).

Whether deliberate or unintentional non-compliance represents the most comprehensive conceptualization concerning the inability to fulfil tax obligations. Kasipillai et al. (2003) stated that tax non-compliance comprises components of both intentional evasion and unintentional non-compliance, which is due to calculation errors or a misunderstanding of the law. Intentional evasion occurs when a citizen purposely hides revenue from a tax authority to pay less than the amount that is actually owed. From the above discussion non-compliance can take several forms, and they include (Kassipilai? Include reference here as requested by Dr Muzainah):

1. Fail to submit the tax form within the required period;
2. Increasing deductions;
3. Reporting less than the actual income; and
4. Fail to pay the assigned taxes by the due date.

Drawing from the above discussion, this study defines tax compliance as the ability to fill and report all the current income taxable items correctly and paying the correct taxable amount within the specified period without waiting for the tax authorities follow up. In the next section the determinants of tax compliance will be discussed.

2.4 Determinants of Tax Compliance

The readiness of a taxpayer to comply with his or her taxation obligation is explicated in studies conducted on tax compliance (Ugwu, 2014). These factors have been identified to explain why some taxpayers comply with the laws and others do not comply with the same tax laws. Each factor has an influence on a taxpayer's behaviour towards paying his or her fair share of tax liability when it is due. Kirchler (2007) provided a description of the determinants of tax compliance, dividing them into three categories, namely, 1) economic determinants, 2) socio-psychological determinants, and 3) political determinants. Kirchler (2007) stated that economic determinants included the rational decision-making process and the effects of audits, fines, and tax rates. The socio-psychological determinants comprised attitude, different types of norms, fairness perception, as well as motivational features relating to tax compliance. Political compliance was related to the complexity of laws, tax system or fiscal policy. The Socio-psychological determinants factors pertain to demographic factors, such as gender, age, marital status and education level which relate to individual characteristic also attribute to chances in evading tax, the next section discuss more about tax education.

2.5 Tax Education

Ugwu (2014) said that understanding individual income tax laws is the most troublesome thing for the citizens universally. In light of this, education of the younger generation about tax is a method through which income tax laws can be simplified (Misra, 2004). This education will empower citizens to grasp the tax laws, have a positive view about taxation and thereby comply with their obligations (Kasipillai et al.,

2003). Tax education plays an essential part in making tax compliance a morale issue by persuading citizens that when they pay taxes, they are paying themselves (Likhovski, 2007). Because of an awareness of how taxation education impacts compliance behaviour, taxation is currently a course in schools in Japan, and not just at the college level (NTA, 2016). Making it a compulsory course of study will provide the younger generation with the basic tax knowledge (Sarker, 2003).

The leading role of tax education is to reveal the fundamental tax collection laws, and the significance of taxation income for economic development to citizens (Berhane, 2011). This includes information about the fines and punishments for non-compliance, which has been distinguished as a deterrence to tax avoidance and evasion. Citizens' education is a strategy for giving learning about tax laws and why tax payment is basic. Taxpayer education will help citizens in meeting their tax commitments to the government. Educating an individual taxpayer is a method through which the outlook of people can be reoriented toward taxation (Lai et al., 2013). Lai et al. (2013) also stated that the best period in life to learn about tax collection instruction is at the undergraduate level. Given that college students are the future taxpayers, outfitting them with tax learning through education should be effective in diminishing tax non-compliance. Moreover, giving them instructions at the undergraduate level will improve their tax learning.

Taxpayer education is broadly defined as including efforts to show how to pay taxes and to explain why taxes should be paid and the empowerment of citizens to engage in discussions about the use of tax revenue (OECD, 2013). Such education covers a variety of actions, including government income authority programs to improve tax compliance

conduct, endeavours by business associations to speak to the interests of their members on tax issues, and common society activities to advance the cooperation via dialogues concerning how taxes are gathered and redistributed (OECD, 2013). Taxation education needs to focus not just on information about taxable incomes, punishments, deductions, relief, and morals. It should also incorporate discussion on the use of tax payments by the administration. Such uses incorporate subsidizing security strengths, building streets, creating development, setting up government-funded schools and medical facilities, among others (Likhovski, 2007).

A white paper of The International Tax Compact (2010) entitled *Addressing tax evasion and avoidance in developing countries* noted that the end goal was to accomplish compliance with respect to tax collection, and, to do so, general society must have a decent education about the purposes of taxation. Thus, the general population who are required to pay their taxes and comply with their commitments must comprehend the operation of the tax framework and value it before they go along with it completely. Citizens need a decent comprehension of tax assessment laws. A citizen who is tax educated to a higher level will have a higher regard for a tax framework inside his/her zone of residence, and, in this way, the taxpayer will comply with the assessment commitment. By receiving tax assessment education, an individual will be more knowledgeable about tax assessment and how to arrange their instalments (Bahari & Ling, 2009).

Tax education has a relationship with deliberate tax compliance. Obed and Sheikh (2007), said that an expansion of tax education information through training will empower citizens to register their obligations precisely. Thus, with some level of tax

education through training, the citizen can record and make correct payments of his/her tax liability.

Tax education has been utilized as an instrument by several nations to assure tax compliance among future taxpayers. An example is Australia, in which the Australian Tax Office created a program called “Teaching Tax with Tax Files” in 1998 to teach 9 to 12-year-old school children (ATO, 2009). The program features a creative sight-and-sound tax education pack, which contains varying media that provides current data on tax collection. The program is relied upon to instruct the school children on the diverse wellsprings of funds of the government and the obligations of a citizen and to build their comprehension of the part that tax assessment plays in a society, including for example, the association between taxation and the provision of public amenities.

More prominent education is a possible method to build compliance, with that hope that educated citizens might be more mindful of their responsibilities as well as the penalties that might be enforced if they are not in compliance with assessment laws (Misra, 2004). Education levels turn out to be imperative in expanding tax payment consistency across nations. One measure to expand intentional compliance is by guaranteeing that a citizen has a specific level of capabilities, capacities, and certainty in meeting their tax obligations (Abdul, 2001).

In this current study, three variables have been derived from tax education, which were based on the definition of tax education given by OECD (2013) as discussed earlier in this section. These variables are the 1) efforts for tax learning, 2) awareness of tax laws, and 3) understanding of tax laws. These are discussed in the next sections.

2.5.1 Efforts for Tax learning

Efforts for tax learning are those efforts made to increase the educational level of the taxpayer. Learning has been seen to have a positive impact on personal behaviour. The basic goal of most educational programs is directed towards behavioural change (Machogu & Amayi, 2013), and learning about taxes has been indicated as one of the most important factors influencing an individual's tax attitudes.

Per this researchers' knowledge, no previous studies about efforts for tax learning exist, but previous studies have indicated that tax knowledge will increase the level of compliance (Eriksen & Fallan, 1996). This means that whenever people attend tax educational programs their level of knowledge about taxation will increase and, in return, their level of compliance will increase. Eriksen and Fallan (1996) reported a significantly positive change in the attitudes of subjects towards taxations and tax behaviours due to the increased level of tax knowledge. Others have found that tax compliance levels will improve significantly if the respondents are exposed to tax knowledge (Raymond & Wai-yee, 2015). As far as the researcher's knowledge no available studies exist about efforts contributed to tax learning. However, in general, learning gained from schools or learning centres to gain knowledge provides people with knowledge, which, in turn, can influence their attitudes toward doing things.

2.5.2 Awareness of tax laws

Awareness is an element in human beings to understand reality and how they act or behave towards reality. Jatmiko (2006) explained that awareness is a state of knowing or understanding. Awareness of tax laws is the recognition of the existence of tax laws and regulations and understanding how to calculate, pay and report the tax voluntarily and

accurately. Countries have developed a myriad of ways to raise the public's awareness of new tax laws and methods of filing, to answer the public's inquiries, and to make life easier for taxpayers. For example, Lebanon has established a unique desktop tax calendar to remind VAT taxpayers of filing dates; Korea holds classes for individuals and small businesses to explain how the tax system works. Singapore's new no-filing service is cheaper for taxpayers and administration alike, is more ecological and has increased compliance. Meanwhile, recognising that it cannot be taken for granted that taxpayers know how to comply, South Africa has created a stronger presence in rural areas through mobile vehicles that bring tax information to the people. Zambia's weekly radio programme, *Tax Chat*, allows taxpayers to call in live and ask questions (OECD, 2013).

Sumartaya and Hafidiah (2014) outlined three forms of awareness that encourage taxpayers to pay taxes. First is the realization that tax is a form of participation in supporting a country's development. Knowing this, taxpayers will want to pay taxes because they are not harmed from tax collection process. Second is the awareness that the postponement of tax payments and the reduction of the tax burden is detrimental to the country. Taxpayers should want to pay taxes because delay in the payment of taxes and the reduction of tax burden negatively impacts financial resources, which can lead to delay in the development of the country. Third is the realization that taxes are set by law and can be enforced. Taxpayers will pay their taxes because they are aware of the strong legal foundation and that tax payments are the absolute duty of every citizen.

Others have classified awareness in different ways. Cullis and Jones (1992) stated that there are two kinds of awareness among citizens. These are "optimistic awareness",

which sees the taxes taken from the citizens as small amounts or even as an offset to the services provided by the government. While the other groups of citizens are “pessimistic awareness”, who view taxes as a heavy burden and view the gains from the public services provided as less than the value of the imposed taxes. Sometimes this view is drawn from a false awareness of what public services are actually provided. For example, Csontos, Kornai, and Torth (1998) found that the second type of awareness (pessimistic awareness) occurs among Hungarian citizens.

Low public awareness of taxation often is one of the causes of tax avoidance, which prevents the proper collection of taxes (Sumartaya & Hafidiah, 2014). It has been suggested that low awareness of taxation is often a constraint in collecting taxes from the citizens. Additionally, it has been demonstrated empirically that higher taxpayer awareness will lead to a higher level of tax compliance (Jatmiko, 2006).

Lack of tax awareness causes many potential taxpayers to not fulfil their tax obligations. According to Rahayu (2010), a taxpayer is recognized as having awareness if he: 1) recognizes the existence of tax laws and regulations, 2) knows that the function of tax is to finance state, 3) understands that taxes must be paid in accordance with the applicable rules, and 4) calculates, pays and reports their taxes voluntarily and accurately. This viewpoint is consistent with Kamaluddin and Mahdi (2010) who said that people are aware when they are knowledgeable of the existence of tax laws, know the tax functions and understand why taxes are paid. In addition, Kamaluddin and Mahdi (2010) found that taxpayers with a higher educational level are more aware than those of a lower educational level. The next section discusses understanding of tax laws.

2.5.3 Understanding of the Tax laws

Understanding of the tax laws is one reason why people pay taxes and why are they paying taxes. In recent years, economists have devoted increasing attention to the study of individual tax evasion. Despite these efforts, the understanding of the reasons behind individual tax compliance behaviour remains limited. In fact, the puzzle of tax compliance is one reason that most people continue paying their taxes.

The standard economic model of income tax evasion frames the tax compliance problem as a decision under conditions of uncertainty (Allingham & Sandmo, 1972; Srinivasan, 1973). Taxpayers are assumed to maximize income by weighing the pros and cons of evading taxes, which can be done when the taxpayers understand the tax laws. Fjeldstad and Semboja (2001) found that the ability to pay, opportunities for tax evasion, the probability of being detected and the number of tax evaders known personally by the respondent had positive and significant relationships with tax compliance behaviour. Furthermore, Fjeldstad, Katera, and Erasto (2009) found that most Tanzanians pay taxes to avoid disturbances, proving that the compliance level and reasons for paying taxes have a positive relationship. The studies by Fjeldstad and Semboja (2001 and Fjeldstad, Katera, and Erasto (2009) above indicate that understanding tax laws is an important element in enhancing tax compliance behaviour.

2.6 Studies on Tax Education and Tax Compliance

The impact of tax knowledge on tax compliance behaviour has been evaluated in different studies. Improvements in tax knowledge can enhance the attitude of tax compliance. At the point at which a citizen has a good state of mind towards charge, this will decrease his/her inclination to dodge the amount of tax (Eriksen & Fallan, 1996).

Harris (1989), partitioned tax knowledge into two concepts, specifically, 1) information gained through a basic or formal education of what is normally done and 2) learning directed at a conceivable chance to avoid taxes. In the first instance, the amount of education received by citizens could be a vital variable that adds to the general comprehension concerning tax assessment particularly about the laws and controls of tax collection. Past studies have verified that general tax knowledge encompasses a close association with the capability of citizens to grasp the laws and directions of tax collection and their capability to comply with them (Singh, 2003).

Eriksen and Fallan (1996) claimed that knowledge about tax law is thought to be critical for inclinations and dispositions towards tax collection. Eriksen and Fallan examined the significance of tax knowledge in a tax system, particularly in a Self-Assessment System (SAS). They proposed that fiscal knowledge corresponding with states of mind towards tax collection and assessment conduct can be enhanced by a superior comprehension of tax laws. Eriksen and Fallan's study is centred around citizen's information. Furthermore, the exploration tries to cover the general effect of assessment information on tax compliance in the conduct of singular citizens because in SAS, tax agents are thought to be more involved in preparing, declaring, and calculating tax liabilities in the interests of citizens.

The study said that tax knowledge has a positive connection with impressions of reasonableness, assessment morals, and mentalities to the tax evasion of others. The results of the study bolster the conclusion that better tax knowledge influences states of mind and demonstrates that these tax attitudes influence on reinforce inclinations towards tax evasion and tax compliance. Their view was that the perception of the

decency of the tax system increased as learning moved forward. This outcome is in accordance with Cullies and Lewis (1982) who found that low tax learning was related with negative attitudes toward taxation. Eriksen and Fallan (1996) believed that attitude can be enhanced through better tax learning and, in turn, this will increase compliance and decrease the inclination to sidestep taxes.

Others have studied the relationship between tax learning and tax compliance. For example, Collins, Milliron, and Toy (1992) studied this issue in the United States. They found that tax knowledge and the level of education were connected with compliant conduct. As these researchers indicated, learning about tax law is thought to be of significance for the inclination to pay and attitudes towards tax collection. Lewis (1982) sought to determine if an association existed between particular tax knowledge and compliance attitude in the period of filing tax forms. He concluded that any adjustments in the dispositions towards tax assessment were an outcome from expanded learning about tax collection, which may significantly affect tax compliance.

Lewis contended that inadequate information existed about tax directions, and this circumstance prompted negative economic impacts present in an expansion in the tax gap. Differences in the level of information acquired were present among taxpayers even though the level of training remained the same. As Alm (1991) pointed out, tax compliance is a complex issue. Few better ways for researching tax compliance exist than examining tax learning that concentrates on how attitudes are improved with respect to the payment of tax assessments as Alm (1991) suggested in a review of compliance research.

Tax knowledge as one of the variables in compliance that is identified with the citizens' capacity to comprehend tax collection regulations and their readiness to abide with them. The part of learning that identifies with compliance is the general comprehension of tax collection controls and data relating to the chance to sidestep taxes (Eriksen & Fallan, 1996). More critically, it is important that present and future citizens are presented with the part that they could play in building the nation. This introduction could be given through classes, exchange sessions, or coordinated efforts with the Ministry of Education in presenting the subject of taxation at schools and colleges (Abdul, 2003).

Many have studied what impacts non-compliance (Rose & McGee, 2011; Radtke, 2005). As the Fischer Model indicates, attitudes and perceptions can influence tax compliance. Chan, Troutman, O'Bryan (2000), examined the impacts of two factors related to non-compliance, namely, educational and income level. Previous studies have underpinned the immediate, negative relationship between educational level and citizen compliance, but a direct relationship between income level and tax compliance remains unclear.

Others have studied the relationship between education and compliance as well. Chan et. al. (2000) hypothesized that more prominent training is specifically connected to the probability of compliance. They contended that informed citizens might know about non-compliance chances. Their better comprehension of the expense rules/laws? and the amount of improvements related to tax payments would possibly elicit a more positive citizen mentality and, in this manner, achieve greater compliance. Chan et. al. (2000) likewise said that those with an advanced education are likely to have elevated attitudes

toward compliance and thus will tend to go along with tax payments. Richardson (2006), uncovered a negative relationship between education and compliance, whereby an increased level of education led to decrease in tax compliance.

Demissie (2008) demonstrated that a citizen's poor education about tax principles and directions were the most important components of non-compliance. Moreover, Kasipillai et al. (2003) stated that tax education has an impact on tax compliance. Their findings affirmed the predominance of a relationship between tax education and tax compliance, and they said that tax education contributes to better tax compliance. However, their study used undergraduate students, and the responses of these students may not precisely reflect the taxpaying public in general and speculation on the adjustment in attitude among the "genuine" citizens may not be proper. In this study, the words "tax education" and "tax knowledge" will be used interchangeable.

2.6 Theoretical Model on Tax Education

Previous studies on tax education and tax compliance have used theories such as deterrence theory and the theory of planned behaviour in explaining the behaviour of taxpayers. This current study utilizes the knowledge- and understanding-based model that Mustafa (1997) developed in a Malaysian study. The model tries to explain the relationship between knowledge and the taxpayer compliance through variables such as demographic variables, non-compliance opportunities, attitude and perceptions, structure of taxpayer.

One variable that has been associated with performance by tax preparers and professionals is knowledge or understanding of the tax system and the tax laws. In the United States, more attention is given to the impact and extent of knowledge on the

performance of taxpayers towards compliance?. Cognitive psychology has given tax researchers in the United States the opportunity to study the level of knowledge and understanding possessed by the tax preparers. Most of these studies have focused on three primary areas of interest: 1) the relationship between knowledge and performance; 2) the relationship among knowledge, incentives and performance; and 3) the reasoning processes (Shields, Solomon, & Jackson, 1995).

One early study in knowledge and performance was that of Kaplan, Reckers, and Boyd (1988). This study investigated how professional tax experience interacts with the ambiguity of a tax issue in affecting the judgements of tax professionals. They speculated that, when confronting unambiguous issues, the suggestions of tax experts would not be identified with either year of or particular experience. When confronting uncertain issues, it was hypothesized that experience would communicate with the likelihood of a tax review and various derivations. The discoveries of the study were predictable with the hypotheses.

Bonner, Davis, and Jackson (1992) studied the relationship between knowledge and performance. Their findings revealed that a positive relationship existed between technical tax knowledge and the quantity and the combined quantity-quality measures of performance, and a positive relationship existed between the quality measure of performance and the interaction of technical tax knowledge, functional business knowledge and the combined quality-quantity measure of performance. However, the results did not support a relationship between functional business knowledge and the quantity measure of performance or between general problem-solving ability and performance. The results were also not significant for procedural knowledge to the

quantity measure of performance, but both the declarative and procedural knowledge were significantly related to the quality and combined quantity-quality measure of performance.

All the above studies considered the relationship between knowledge and performance. All the studies adopted the experimental method. Tax knowledge may reflect on the attitudes and the perceptions of the taxpayers, which in turn, may have positive effects on tax compliance behaviour (Jackson and Milliron, 1986). Thus, this reflects a model developed by Mustafa (1997), which was proposed and used in a Malaysian study. The model is showed in Figure 2.1 below.

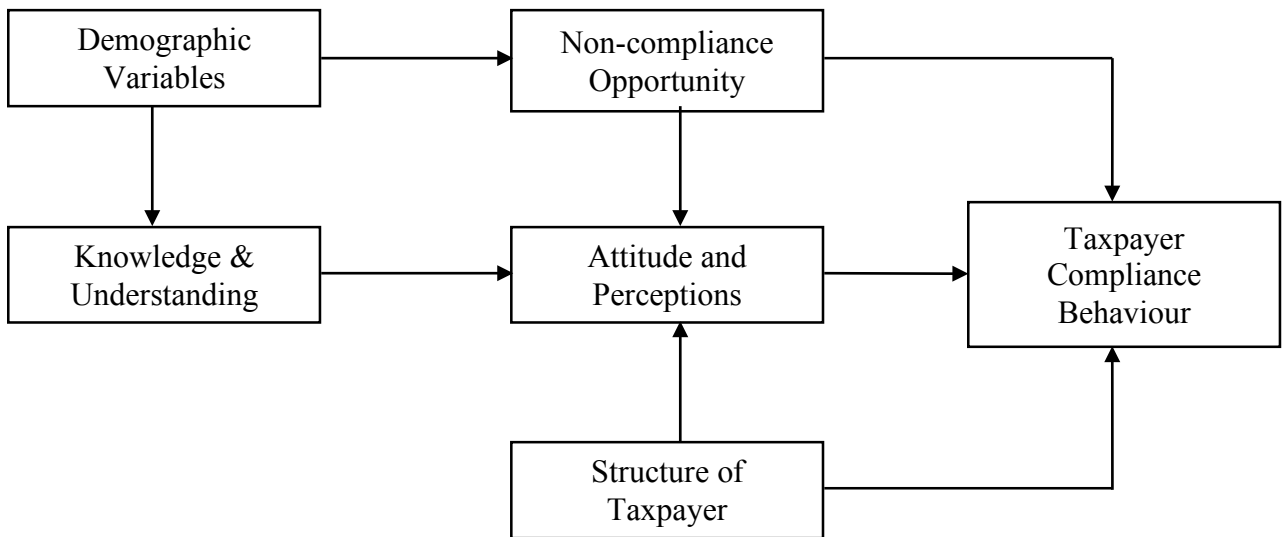


Figure 2.1
Taxpayer Compliance (Knowledge-Based model).
Source: M. H. Mustafa (1997).

In the model depicted above, variable knowledge is hypothesized to impact taxpayer compliance behaviour. If the taxpayer were knowledgeable of tax laws and the tax

system or even has some understanding about tax matters, then taxpayer would comply better with the tax law compared to those who do not possess such knowledge. If a taxpayer understands the tax computations or tax payable and the tax system and can compute his/her payable, then that taxpayer is said to possess the necessary knowledge of taxation. Time set aside for reading tax-related materials would also improve the understanding of tax matters. A better understanding of the tax system will lead to a better compliance with the tax laws. This, in turn, would improve taxpayers' attitudes and perceptions that would ultimately impact their tax compliance behaviour.

This current study is underpinned by the understanding- and knowledge-based model. This model has been used to test the relationship between knowledge and tax compliance behaviour through several intermediate variables, but, in this current study, tax education can be used interchangeable with tax knowledge. This allows this research to examine the direct relationship between the tax education of taxpayers and their behaviour towards tax compliance. That is why some intermediate variables were dropped from the model, and why some new constructs were added to the model.

2.7 Summary of the Chapter

This chapter briefly discussed the theoretical reviews of tax compliance and tax education, and the literature review provides a good background of previous studies of tax compliance and tax education. The next chapter discusses the methodology that was adopted for the collection and the analysis of the data in this study.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter focuses on the research techniques that were used to meet the objectives of the study. The chapter specifically comprises the research design, the research framework, hypotheses development, the operational definitions and measurement variables, the population of the study, the sampling techniques, the data collection procedure and the data analysis techniques.

3.2 Research Framework

This study investigates the relationship between tax education variables (efforts for tax learning, awareness of tax laws and understanding of tax laws) and tax compliance behaviour among salaried taxpayers. The framework for this study was developed based on the Taxpayer Compliance (knowledge-based model) by Mustafa (1997). The model tested the direct relationship between the tax education constructs and tax compliance behaviour. Figure 3.1 illustrates the framework of this study.

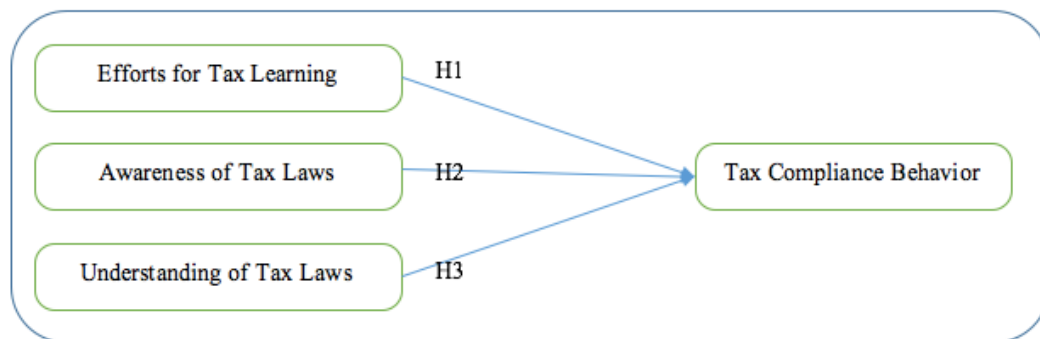


Figure 3.1
Research Framework for the Study.

3.3 Hypothesis Development

The hypotheses of the study were based on the research questions set up in chapter one and were developed in accordance with the literature reviewed. In this study, efforts for tax learning, awareness of tax laws and understanding of tax laws are the independent variables while tax compliance behaviour is the dependent variable.

3.3.1 Efforts for Tax Learning and Tax Compliance Behaviour

Efforts for tax learning are the efforts contributed to increase the educational level of the taxpayer. The basic goal of most educational programs is directed towards behavioural change (Machogu & Amayi, 2013). Learning was indicated as one of the most crucial factors influencing the attitudes on an individual. This means that whenever people attend tax educational programs their level of knowledge will increase, and, in return, their level of compliance toward the rules will increase (Li & Naeem, 2011).

To the researcher's knowledge, no previous studies have been conducted about efforts related to tax learning, but previous studies have indicated that tax knowledge will increase the level of compliance. Eriksen and Fallan (1996) reported a significant and positive change in the attitudes of taxpayers towards tax and tax behaviours due to an increased level of tax knowledge. The tax compliance level will develop significantly if payers are exposed to tax knowledge (Raymond & Wai-yee, 2015), and tax knowledge level will demonstrate that a taxpayer made an effort in learning about taxes.

No available studies exist about efforts contributed for tax learning; however, studies exist about efforts contributed for learning in general like going to schools or learning centres to gain knowledge (Nur, 2013). These efforts provide people with knowledge,

which, in turn, can influence their attitudes toward doing things. Thus, the hypothesis of for this variable is as follows:

H₁: There is a significant relationship between efforts for tax learning and tax compliance behaviour.

3.3.2 Awareness of Tax Laws and Tax Compliance Behaviour

Awareness of tax laws is the recognition of the existence of tax laws and regulations and understanding how to calculate, pay and report the tax voluntarily and accurately. The influence of awareness on compliance behaviour has been proven by various researchers. Sumartaya and Hafidiah (2014) found a significant and negative relationship between tax awareness and tax evasion, and Alstadsaeter and Jacob (2013) found that tax awareness decreases the likelihood of misreporting, meaning that when people are aware of tax laws they will not fall into unintentional non-compliance activities. Propheter (2012) also found that making citizens aware of their legal obligation to remit tax increases the probability of compliance. Thus, the hypothesis of this variable is as follows:

H₂: There is a positive relationship between awareness of tax laws and tax compliance behaviour.

3.3.3 Understanding of Tax laws and Tax Compliance Behaviour

The standard economic model of income tax evasion frames the tax compliance problem as a decision under conditions of uncertainty (Allingham & Sandmo, 1972; Srinivasan, 1973). Taxpayers are assumed to maximize income by weighing the pros and cons of evading taxes. Fjeldstad and Semboja (2001) found that the ability to pay, opportunities

for tax evasion, the probability of being detected and the number of tax evaders known personally by the respondent had positive and significant relationships with tax compliance behaviour. Furthermore, Fjeldstad, Katera, and Erasto (2009) found that most Tanzanians pay taxes to avoid disturbances, proving that the compliance level and reasons for paying taxes have a positive relationship. Therefore, this study formulates the following hypothesis:

H₃: There is a positive relationship between understanding of tax laws and tax compliance behaviour.

3.4 Operational Definitions and Measurement of Variables.

An operational definition describes a variable as far as the operations used to deliver it or methods used to quantify it. This study has two main variables, tax compliance, which is the dependent variable, and tax education, which is the independent variable. The study has the following constructs: efforts for tax learning, Understanding of tax laws, and awareness of tax laws.

3.4.1 Tax Compliance Behaviour

Tax compliance is the level at which taxpayers will obey the rules and regulations of taxation in the given period without using the force of the law. Filing tax forms and reporting all taxable income properly and accurately, paying the taxes due within the specified period without fearing of punishments or without forcing the law are measures of tax compliance. This definition has been adopted by many previous studies such as Berhane (2011), Brown and Mazur (2003), and Roth, Scholz, and Witte (1989). In this study, tax compliance was measured using a 5-point Likert scale with answers ranging

from 1 = Strongly Disagree to 5 = Strongly Agree. In this study, tax compliance was measured utilizing five items adapted from Ser (2013). The details of the statements used for measurement are presented in Table 3.1.

Table 3.1
Measurement items for Tax Compliance Behaviour

Variable	Measurable items
Tax Compliance behaviour	I would pay taxes if my income is higher. I fully declare my principal income, but not including my part-time income. If the job is paid on a cash basis, then it is alright not to report it in tax return. I would understate my income if the amount is relatively small. I wouldn't pay taxes because tax authorities are very weak.

Source: Ser (2013).

3.4.2 Efforts for Tax Learning

In this study, efforts for tax learning means the efforts contributed by the taxpayer to increase his/her level of knowledge on how to calculate tax, how to fill out the tax return forms and why taxes are paid. In this study, efforts for tax learning was measured using a 5-point Likert scale with answers ranging from 1 = Strongly Disagree to 5 = Strongly Agree. In this study, efforts for tax compliance was measured with five items adapted from OECD (2012). The details of the statements used for measurement are presented in Table 3.2.

Table 3.2
Measurement of Efforts for Tax Learning

Variable	Measurable items
Efforts for tax learning	I always attend courses/workshops on any tax related topics. I always attend tax conferences or seminars held by the government. I will engage in collaborative research on tax topic with others to exchange tax learning. I usually participate in tax workshops held by the private institutions I rarely engage in tax educational programs.

Source: OECD (2013).

3.4.3 Awareness of Tax Laws

In this study, awareness of tax laws is the recognition of the existence of tax laws and regulations and understanding the rules on how to calculate, pay and report the taxes voluntarily and accurately. In this study, awareness of tax laws was measured using a 5-point Likert scale with answers ranging from 1 = Strongly Disagree to 5 = Strongly Agree. In this study, awareness of tax laws was measured with five items even though, Kamaludidin & Madi (2010) measured the concept with twelve items. This current study adapted only five items, which were applicable to Somalia. The details of the statements used for measurement are presented in Table 3.3.

Table 3.3
Measurement of Awareness of tax laws

Variable	Measurable items
Awareness of tax laws	I am aware of the responsibility of completing tax forms and providing information. I am aware of the penalties for failing to fill return form. I am aware of the penalties for incorrect information. I am aware of the penalties for not reporting all income. Increasing the awareness of tax laws will increase the level of compliance.

Source: Kamaluddin & Madi (2010).

3.4.4 Understanding of Tax laws

In this study, understanding of tax laws means understanding the reasons why people pay taxes and why taxes are being paid. In this study, understanding of tax laws was measured using a 5-point Likert scale with answers ranging from 1 = Strongly Disagree to 5 = Strongly agree. In this study understanding of tax laws was measured with five items that were adapted from Fjeldstad & Semboja (2001). The details of the statements used for measurement are presented in Table 3.4.

Table 3.4
Measurement of Understanding of Tax Laws

Variable	Measurable items
Understanding of tax laws.	I pay tax because I don't have any opportunity to evade. I pay tax because I anticipate public service. I pay tax because I feel obligation towards the government. I pay tax because I am avoiding disturbances. I pay tax because the likelihood of detecting and the penalty rate are very high.

Source: Fjeldstad & Semboja (2001).

3.5 Research Design

A research design is a method or process that guides the researcher in providing answers to research questions and meeting the desired objectives (Zikmund, Babin, Carr, & Griffin, 2013). The present study used a quantitative research approach due to the nature and objectives of this study. The quantitative research design is the most appropriate method for a study that intends to analyze many variables (Creswell, 2009). Besides, Mckerchar (2010) noted that a quantitative research technique is the most proper method to test patterns of a framework that was based on existing studies of relationship and causal impacts.

Quantitative methods emphasize objective measurements and the statistical, mathematical, or numerical analysis of data collected through polls, questionnaires, and surveys, or by manipulating pre-existing statistical data and generalizing it across a group of people (Babbie, 2010; Mujis, 2010). Quantitative methods were used in this study, and these quantitative methods were used due to the nature of the data required by the study. The process approach is used, which is where a researcher has one or more hypotheses about possible relationships between the variables. This study uses a survey research design, and a survey design is one of the most common types of quantitative

research. Survey studies are suitable for the portrayal, correlation, and examining the relationships between subject factors (Visser, Krosnick, & Lavrakas, 1997).

3.6 Population of the Study

The population is the entire number or the group of possible units for observation (Zikmund et al., 2013). The population of this study comprises taxpayers in Mogadishu, the capital city of Somalia. According to the population estimation survey for Somalia (PESS, 2014), the population of Mogadishu is 1.6 million (UNFPA/PESS, 2014). The Ministry of Planning and International Cooperation (MOPIC, 2015) stated in its national development plan that 65% of the population of Mogadishu are taxpayers. Therefore, the target population size for the study is 1,040,000.

3.7 Samples and Sampling Techniques

The study used probability sampling. The target population of this study is the taxpayers in Mogadishu, Somali, and every individual who pays tax had the same probability of being part of the sample. The sample was selected by using random sampling, and Yaro Yamani's (1964) formula was used in determining the sample size.

$$n = N \div [(1 + N^2)]$$

Where n = Sample Size

N = Population

E = Error limit (0.05 based on 95% confidence level)

Therefore,
$$n = 1040000 \div [1 + (1040000 \times 0.05^2)]$$

$$= 1040000 \div (1 + 2600) = 400$$

Using a target population of 1,040,000 with an error of 5%, a sample size of 400 is considered adequate as computed above. Therefore, the appropriate sample size chosen for this study was 400 taxpayers.

3.8 Method of Data Collection

The data collection method refers to the technique that was used in gathering data for analysing and making an informed judgment. This study used a survey method to collect the taxpayer's opinions about the topic under study. This is because a taxpayer's opinion survey is one of the recommended methods for studying tax compliance behaviour (Torgler, 2007). Another reason for using survey method is because the method assists the researcher in obtaining the relevant information relating to socio-economic and physiological variables (Torgler, 2007). According to Mckerchar (2010), this is the most widely used method of data collection in behavioural research. Therefore, the data were gathered for this current study by administering a questionnaire to the taxpayers included in the sample.

3.8.1 Data Collection Procedures

The questionnaire was used in collecting the data for the survey conducted in this study. A well-planned procedure was followed to obtain the required information from the respondents. This procedure includes designing of the questionnaire and subjecting the items in the questionnaire to validity and reliability tests.

The validity test was carried out with the help of two tax experts in Mogadishu, Somalia. Also, a pilot study was conducted with the aim of justifying the construct and face validity. The feedback received assisted in improving the research instrument.

At the stage of developing the questionnaire, the questions were evaluated to see how well potential respondents could understand the instrument. This was done by sending a copy of the questionnaire to two tax experts in Mogadishu, Somalia to review the questions and their comments were incorporated to make the questionnaire more concise and precise for respondents.

Finally, the questionnaire was distributed to the respondents with the help of research assistants during a period of four weeks, from 22nd March to 12th April 2017. Of the 400 questionnaires distributed 221 were returned for a response rate of about 55.3%.

3.8.2 Questionnaire Design

Questionnaire design involves the construction of an instrument that involves choosing the appropriate layout and formats, the appropriate scales of measurement, precise and concise wording and, finally, the orderly presentation of the questionnaire (Salant & Dillman, 1994).

This study used a questionnaire as a primary tool for collecting data from the respondents. It adopted constructs and measurements of the previous studies on tax compliance. In this study, the questionnaire comprised both closed-ended and open-ended questions, which were adopted from the previous studies and modified to suit the present study.

The questionnaire comprises three sections, namely, Section A that contained the demographic information of the respondents, Section B that contained the information concerning the dependent and independent variables, and Section C that provided a suitable place for any comments by a respondent regarding tax education and tax compliance in Somalia.

Also, the questionnaire contained 20 statements relative to tax compliance. These items were constructed with 5-point Likert-type scales. This was because previous studies indicated that a 5-point scale is about as good as any other scale and that an increase to 7 or 9 points does not necessarily improve the reliability of the ratings (Elmore & Beggs, 1975).

3.8.3 Pilot Test

Prior to data collection, a pilot study was conducted in this study to test the reliability of the instrument. A total of 30 sample questionnaires were distributed to previously identified salaried Somalis who reside at Universiti Utara Malaysia and have experiences in paying Somalian income tax. The result of the pilot's study showed that Cronbach's alpha of all variables fell in the range of .70 to .88. This indicates that the questions were consistent and reliable in capturing the information from the respondents because the Cronbach's alpha for the variables was more than .6. This conclusion was reached based on the recommendation of Sekaran and Bougie (2010) who stated that reliabilities with a Cronbach's alpha less than 0.6 are considered to be poor, those in the range of 0.6 to 0.7 are acceptable and those more than 0.8 are considered to be good. Table 3.5 below provides detailed information on the Cronbach's alpha of each variable.

Table 3.5
Pilot Study Reliability Test Results

Variables	No. of Items	Cronbach's alpha
Tax Compliance Behaviour	5	0.78
Efforts for Tax Learning	5	0.71
Awareness of Tax Laws	5	0.81
Understanding of Tax Laws	5	0.88

3.9 Techniques of Data Analysis

The collected data were analysed by using the Statistical Packages for the Social Science (SPSS), and the statistical techniques that were used included descriptive statistics, reliability analysis, correlational and regression analysis. Prior to the analysis of the data, the negative statements of the questionnaire have been decoded, and pre-analysis tests has been done to test the normality of the data, i.e., Factor analysis, reliability analysis, multicollinearity test and normality test.

Descriptive statistics were utilized as a part of this research to reduce the information to a sensible size and provide information about the respondents, and, in addition, to better analyse the information gathered. The descriptive statistics techniques that were used in this research included the mean and standard deviations. Diverse methods exist for testing the reliability of measures, but, in this study, the reliability of the measures was determined by testing the internal consistency of the measurement items. This was undertaken by using Cronbach's alpha because Cronbach's alpha is utilized broadly for social science research (Hair et. al., 2010; Sekaran & Bougie, 2010).

Correlation analysis was utilized for the determination of the relationship between the factors. It was additionally used to decide the direction of the relationship between the

dependent variable and the independent variable because the relationship can be either positive or negative (Ogbonnaya & Osiki, 2007).

Regression analysis was used to comprehend the relationship that exist between the independent variable and the dependent variable (Pallant, 2007). Regression analysis will demonstrate the quality of the relationship and the rate of variance that is explained by independent variable.

3.10 Summary of the Chapter

This chapter presented the methodology employed in this study. The chapter specifically comprises the research design, the research framework and hypothesis development, collection of data, population and sample selection, variables measurement in the study and finally, a technique for data analysis. The next chapter discusses data analysis and research findings.

CHAPTER FOUR

RESEARCH FINDINGS

4.1 Introduction

This chapter interprets the findings of the research. The data analysis was conducted with using SPSS version 24.0, and the demographic data of the respondents was analysed using descriptive statistics. This chapter comprises sub-sections that include the response rate, pre-analysis tests; demographic information of the respondents, descriptive statistics, correlational analysis, multiple regression analysis and the chapter summary.

4.2 Response Rate

The response rate is the rate at which the questionnaire received by the respondents were completed and returned. According to Hair, Black, Babin, Anderson, and Tatham, (2010), the minimum sample required is at least five observations per independent variable. However, 15 to 20 observations are required per independent variable to have a desirable sample size (Hair et al. 2010). This study has three independent variables and one dependent variable, so in line with Hair et al. (2010), a sample size of 60 to 80 observation would have been sufficient for this study. Thus, the 213 usable responses were sufficient to conduct this study. Table 4.1 below shows the detailed analysis of the response rate of the questionnaire administered.

Table 4.1
Analysis of Response Rate

Description	Number	Rate (%)
Questionnaires Administered	400	100.0
Questionnaires Not Received	179	44.7
Responses Received	221	55.2
Invalid Responses	8*	2.0
Valid/Usable Responses	213	53.2

Note: * some questionnaires were considered invalid due to the omission of too many items and/or because they chose two options for an item.

4.3 Pre-Analysis Test

A pre-analysis test was conducted to ensure that the data was normally distributed. The factor analysis, reliability test and test for normality assumption are shown in the following sub headings.

4.3.1 Factor Analysis

The primary data collected were further screened using factor analysis to confirm that they were uni-dimensional. Factor analysis is one measure used in multivariate data analysis. Its main objective is to identify any factor that has caused co-variations among the independent variables. This is usually used to reduce the number of items in variables that used to explain a relationship. According to Walker and Maddan (2009), the Kaiser-Meyer-Olkin (KMO) statistic, which measures share variances, must be greater than 0.5 while the Bartlett’s test of sphericity p -Value must be less than 0.001 (Beavers, Lounsbury, Richards, Huck, Skolits, & Esquivel, 2013). In this study, the conclusion can be made that the data collected were uni-dimensional because the KMO was greater than 0.5 and Bartlett’s test of sphericity p -value was less than 0.001. The details of KMO and Bartlett’s test of sphericity are provided in Table 4.2

Table 4.2

KMO and Bartlett's Test of Sphericity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.784
Bartlett's Test of Sphericity	Approximate Chi-Square	2124.951
	df	171
	Sig.	.000

4.3.2 Reliability Analysis

To test the internal consistency of the instruments that was used in the study, a reliability test was utilized to determine the Cronbach's alpha of each variable. According to Hair et al. (2010), a Cronbach's alpha coefficient of 0.10 to 0.40 is considered to have a poor reliability value, 0.50 to 0.94 is regarded as having a good reliability value while 0.95 to 0.99 considered as having an excellent reliability value. Also, Sekaran and Bougie (2013) stated that reliabilities with a Cronbach's alpha of less than 0.6 are considered to be poor, those ranging from 0.6 to 0.7 are considered to be acceptable and those above 0.8 are considered to be good. According to Beavers et al. (2013), having a high Cronbach's alpha does not mean that the measurement is uni-dimensional. So, to further test the internal consistency of the instrument, factor analysis was also utilized, which is explained in the previous section.

In this study, tax compliance behaviour, efforts for tax learning, awareness of tax laws and understanding of tax laws had Cronbach's alphas of 0.844, 0.859, 0.878, and 0.885 respectively. These coefficients are within the acceptable range of .5 to .95 as stated by Piaw (2012) and considered good by Hair et al (2010). The results showed that the responses provided by the respondents of the questionnaire were consistent, reliable and stable. The details of reliability tests are shown in Table 4.3 below.

Table 4.3
Test of Reliability

Variable	No. of Items	Cronbach's alpha
Tax Compliance Behaviour	5	0.844
Efforts for Tax Learning	5	0.859
Awareness of Tax Laws	5	0.878
Understanding of Tax laws	5	0.885

4.3.3 Multicollinearity

The extent of the relationship between two or more variables is indicated by the term multicollinearity. Pallant (2007) stated that multicollinearity exists when the relationship between some independent variables is highly correlated. Because of the presence of multicollinearity, the predictive power of every particular independent variable is condensed by the extent by which it related to another independent variable (Hair et al., 2010). Multicollinearity can be detected through the correlation between independent variables. The literature suggested that a correlation greater than .90 is an indication that multicollinearity may be a problem (Meyers, Gamst, & Guarino, 2006).

Also, to assess the existence of multicollinearity in multiple variables, the tolerance and variance inflation factor (VIF) can be used in detecting its presence among the variables. Generally, no multicollinearity problem is present if the value of VIF is less than 10 and the tolerance value is within the threshold of .10 (Pallant, 2007).

In this study, the VIF for Efforts for Tax Learning, Awareness of Tax Laws, and Understanding of tax laws were 1.009, 1.010, and 1.002 respectively. Because the VIF value for each of the variables was not greater than 10, which corresponds to a tolerance value of 0.1, no multicollinearity problem exists. This indicates that the assumptions of multicollinearity have not been violated. The details of Variance inflation factor for the independent's variables are provided in Table 4.4.

Table 4.4

Variance Inflation Factors of the Independent Variables

Variable	Tolerance	VIF
Efforts for Tax Learning	0.991	1.009
Awareness of Tax Laws	0.990	1.010
Understanding of Tax laws	0.998	1.002

4.3.4 Normality test

The normality of data in the multiple regression techniques is assumed when the score of the residuals are distributed regarding dependent variable (Pallant, 2007). Statistical and graphical methods can be used in assessing the normality of the data. Based on the statistical methods, skewness and kurtosis are among the statistical measures most used in examining the normality of the data. According to Meyers, Gamst, and Guarino (2006), the value of skewness and kurtosis should not exceed ± 1 . Hair et al. (2010) stated that the commonly used critical values are ± 1.96 (for .05 significant levels) and ± 2.58 (for .02 significant levels). On assessing the normality of data using graphical methods, Hair et al. (2010) stated that the normality probability plot is the most reliable method for assessing normality of data. Normality is assumed if the data distribution follows a diagonal line.

In this study, the normality of the data was assessed using both statistical and graphical methods as recommended in Meyers, Gamst, and Guarino (2006). The normality of each variable was measured using skewness and kurtosis. The results as shown in Table 4.5 indicated that all the skewness and kurtosis values of all the variables fell within the recommended range ± 1 . The details of the statistical normality test are provided in Table 4.5.

Table 4.5
Testing for Normality

Variable	Statistics			
	Mean	SD	Skewness	Kurtosis
Tax Compliance Behaviour	2.6468	0.62770	0.495	-0.003
Efforts for Tax learning	3.8617	0.75404	-0.363	-0.334
Awareness of Tax Laws	3.3821	0.90867	-0.328	-0.080
Understanding of Tax laws	3.6597	0.77047	-0.156	-0.622

Also, as part of the procedure for regression analysis, the probability plot was used in checking the normality of the whole data distribution. Residuals of the scatterplot show that the relationship between the three independent variables (efforts for tax learning, Awareness of tax laws, and Understanding of Tax laws) and the dependent variable (Tax Compliance Behaviour) attained the threshold of linearity and normality.

The results as presented in Figure 4.1 and Figure 4.2 indicate that the data distribution for the regression fairly followed the diagonal line as Hair et al. (2010) recommended. Based on the results of the statistical and graphical assessment of the data distribution, the data are assumed to be fairly normal. The details of the graphical normality test are provided in Figure 4.1 and Figure 4.2.

Histogram

Dependent Variable: Tax Compliance Behavior

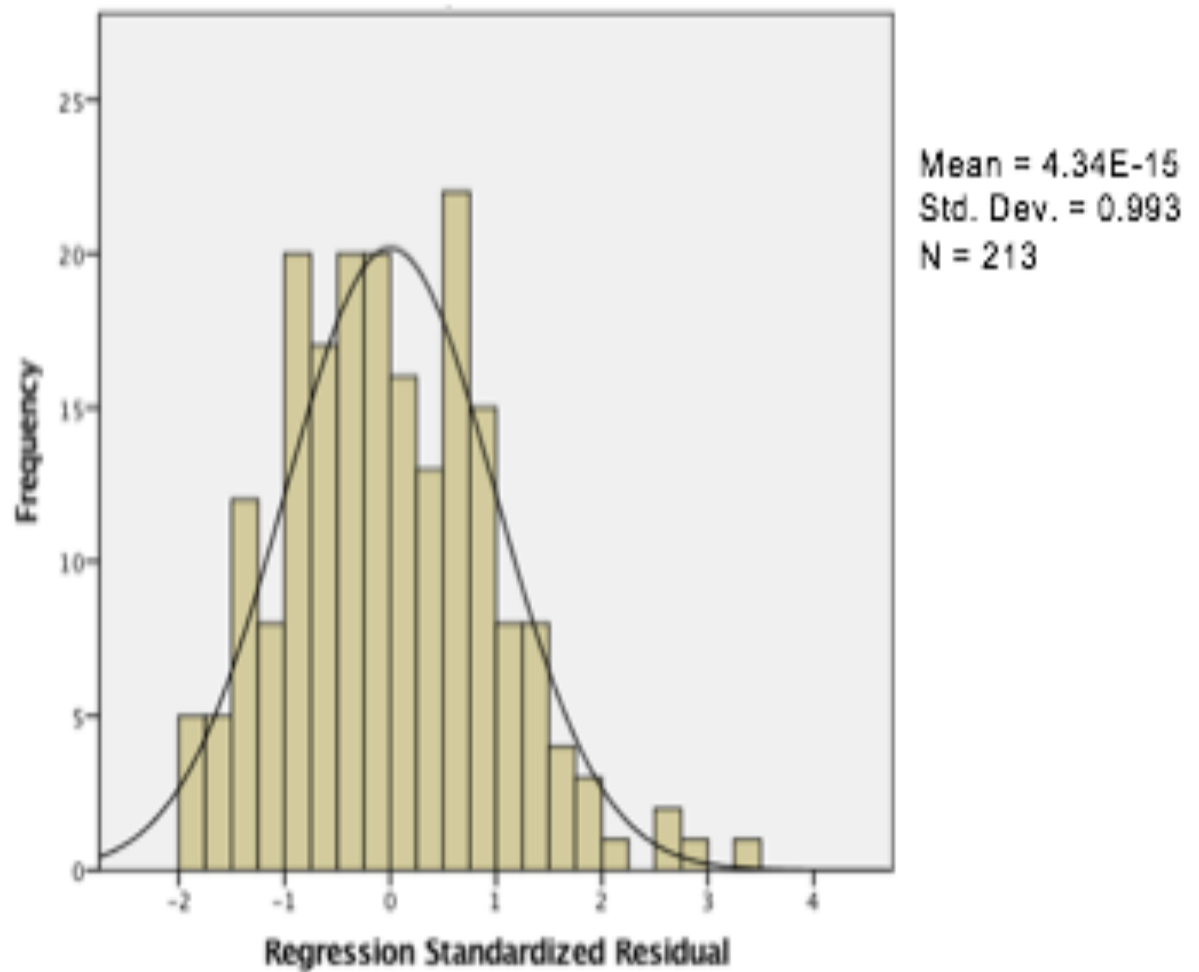


Figure 4.1.
Histogram of Dependent Variable (Tax Compliance Behaviour).

Normal P-P Plot of regression Standardized Residual

Dependent Variable: Tax Compliance Behavior

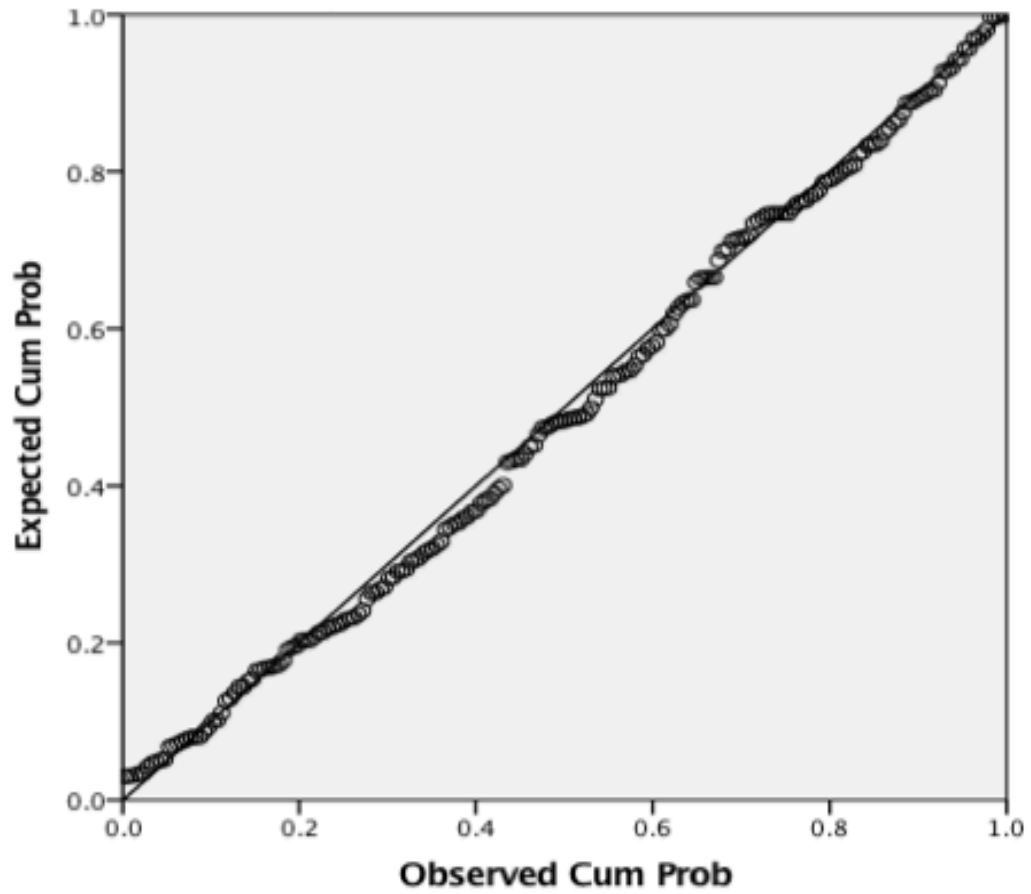


Figure 4.2.
Normal P-P Plot of Regression Standardized Residual.

4.4 Demographic Information of the Respondents

This study employed descriptive statistics to describe the vital characteristics of the data analysed in this study. Each characteristic was summarized in a simple way. The gender, age, marital status, educational background, income level, type of employment and working experience were described based on the descriptive statistics.

Table 4.6 shows the classification of the respondents according to their demographic characteristics. Of the respondents, 88.3% were male while only 11.7% were female. This indicates that most the salaried taxpayer under study were male. The table also shows that 12.2% of the respondents were between 21-30 years of age, while 41.3% of the respondents fell within the range 31-40 years. In addition, 38.0% of the respondents were between the ages of 41-50 years, and 8.5% of the respondents were 51 years and above. Thus, most of the respondents ranged between 31-40 years of age.

The marital status of those who answered the questionnaire is also shown in Table 4.6. It indicates that 80 respondents representing 37.6% of the total respondents were single while 133 respondents representing 62.4% of the total respondents were married. This indicates that majority of the respondents in this study were married.

The education backgrounds of the respondents are given in detailed in Table 4.6, The table reveals that most the respondents, about 49% had a bachelor's degree, followed by secondary school 17.9%, Master's degree 15.5%, other qualification (i.e. professional certificates, diplomas 9.9%, and PhD) represented 8% of the respondents. Table 4.6 below provides the details of demographic information of the respondents.

Table 4.6
Demographic Information of the respondents (n=213)

Category	Frequency	Percentage (%)
Gender		
Male	188	88.3
Female	25	11.7
Age		
< 21	0	0
21-30	26	12.2
31-40	88	41.3
41-50	81	38.0
51 & Above	18	8.5
Marital Status		
Single	80	37.6
Married	133	62.4
Educational Qualification		
Secondary Education	38	17.8
Bachelor Education	104	48.8
Master	33	15.5
PhD	17	8.0
Other	21	9.9
Income Level		
Less than \$400	51	23.9
\$401-800	72	33.8
\$801-1200	51	23.9
\$1201 and above	39	18.3
Employment Type		
Managerial level	39	18.3
Administrational level	65	30.5
Technical Level	101	47.4
Other	8	3.8
Working Experience		
Less than 1 year	83	39.0
1-4 years	54	25.4
5-9 years	45	21.2
10-19 years	20	9.4
20 years and above	11	5.2

With respect to the level of income for the respondents, Table 4.6 indicated that 23.9% of the respondents earned less than \$400, 33.8% of the respondents earned income between \$401-800, and 23.9% of the respondents earned income between \$801-1200;

while 18.3% of the respondents earned income above \$1201. This shows that majority of the respondents earned income between \$401-800.

In terms of employment type, most the respondents were working in the technical level with 47.4% representing 101 respondents, 30.5% representing 65 respondents in the administrative level, and 18.3% representing 39 respondents in the managerial level, while 3.8% representing 8 respondents in other levels.

According to the working experience of the respondents, The table indicated that 83 respondents representing 39.0% of the total respondents had been working for less than one year, while 54 respondents representing 25.4% of the total respondents had working experience in the range of 1-4 years, whereas 45 respondents representing 21.2% of the total respondents had working experience in the range of 5-9 years, also 20 respondents representing 9.4% of the total respondents had working experience in the range of 10-19 years, and 11 respondents representing 5.2% of the total respondents had working experience of 20 years and above.

4.5 Descriptive Statistics

A descriptive analysis was conducted to obtain the mean scores, frequency, percentage and standard deviations of the dependent and independent variables. The mean value of the variables was obtained by measuring the data on a 5-point Likert scale. The greater the mean on this scale, the greater the agreement for each variable. Values nearest to five are considered to be better, while values close to zero are considered bad. A score equal to or more than 4 shows a high level of agreement with the particular criterion; a score equal to or less than 2 was considered to be low, and a mean score of 3 was considered to indicate an moderate agreement. In some scales, the wording of items was

rephrased to reflect the recoding process. A detailed description of the descriptive statistics of the variables is presented in the following sections.

4.5.1 Tax Compliance Behaviour

The descriptive statistics with respect to the tax compliance behaviour of respondents are shown in Table 4.7. The results show that the mean scores concerning the respondents' responses for all statements on tax compliance behaviour ranged from 2.30 to 3.55, and the standard deviation ranged from 1.110 to 1.215. Most respondents on average had a low level of agreement with the items under the tax compliance behaviour, meaning that they will not comply or that their level of compliance when they chose to do so will be low. The details of the descriptive statistics of tax compliance behaviour are presented in Table 4.7.

Table 4.7
Descriptive Statistics for Tax Compliance Behaviour (n=213)

Item	Min	Max	Mean	SD
I would pay taxes if my income is higher.	1	5	3.55	1.170
I fully declare my principal income, but not including my part-time income.	1	5	2.58	1.215
If the job is paid in cash basis, then it is alright not to report it in tax return.	1	5	2.35	1.187
I would understate my income if the amount is relatively small.	1	5	2.45	1.204
I wouldn't pay taxes because tax authorities are very weak.	1	5	2.30	1.110

4.5.2 Efforts for Tax Learning

The descriptive statistics with respect to the respondents' efforts for tax learning are shown in Table 4.8. The results show that the mean scores concerning the responses of

respondents on efforts for tax learning ranged from 3.78 to 3.92, and the standard deviations ranged from .889 to 1.021. Most respondents on average had a high level of agreement with the items under the efforts for tax learning, which means that most of the respondents made efforts for tax learning by attending seminars and workshops or participating in tax educational programs. The details of the descriptive statistics of efforts for tax learning are presented in Table 4.8.

Table 4.8
Descriptive Statistics for Efforts for Tax Learning (n=213)

Item	Min	Max	Mean	SD
I always attend courses/ workshops on any tax related topics.	1	5	3.92	.940
I always attend tax conferences or seminars held by the government.	1	5	3.84	.962
I will engage in collaborative research on tax topic with others to exchange tax learning.	1	5	3.89	.899
I usually participate in tax workshops held by the private institutions.	1	5	3.88	.889
I rarely engage in tax educational programs.	1	5	3.78	1.021

4.5.3 Awareness of Tax Laws

The descriptive statistics with respect to the respondents' awareness of tax laws are shown in Table 4.9. The results show that the mean scores concerning the responses of respondents on efforts for tax learning ranged from 3.25 to 3.48, and the standard deviation ranged from 1.073 to 1.140. Most respondents on average had a moderate level of agreement with the items under the awareness of tax laws, which means that most respondents were aware of the laws of taxes, the responsibilities for filling the tax forms and the penalties from not doing so. The details of the descriptive statistics of awareness of tax laws are presented in Table 4.9.

Table 4.9

Descriptive Statistics for Awareness of Tax Laws (n=213)

Item	Min	Max	Mean	SD
I am aware of the responsibility of completing tax forms and providing information.	1	5	3.34	1.130
I am aware of the penalties for failing to fill return form.	1	5	3.25	1.114
I am aware of the penalties for incorrect information.	1	5	3.46	1.140
I am aware of the penalties for not reporting all income.	1	5	3.37	1.084
Increasing the awareness of tax laws will increase the level of compliance.	1	5	3.48	1.073

4.5.4 Understanding of Tax laws

The descriptive statistics with respect to the understanding of tax laws by respondents are shown in Table 4.10. The results show that the mean scores concerning the respondents' response on understanding of tax laws ranged from 3.59 to 3.70, and the standard deviation ranged from .858 to .982. Most respondents on average exhibited moderate agreement with the items under understanding, which means that the understanding of the respondents for the tax laws was somewhat good. The details of the descriptive statistics of understanding of tax laws is presented in Table 4.10.

Table 4.10.

Descriptive Statistics for Understanding of Tax Laws (n=213)

Item	Min	Max	Mean	SD
I pay tax because I don't have any opportunity to evade.	1	5	3.70	.906
I pay tax because I anticipate public service.	1	5	3.66	.982
I pay tax because I feel obligation towards the government.	1	5	3.66	.919
I pay tax because I am avoiding disturbances.	1	5	3.69	.858
I pay tax because the likelihood of detecting and the penalty rate are very high.	1	5	3.59	.982

The overall mean score and standard deviation for both the dependent and independent variables are shown in Table 4.11 below. The results showed that the mean value for the acceptance level by the respondents on tax compliance behaviour was 2.6468 with a standard deviation (SD) of .62770. This indicates that most salaried taxpayers

(respondents) agreed with the statements in the questionnaire, which by implication means that they had low tax compliance behaviour.

The results show that efforts for tax learning had the highest mean score of 3.8617 and a standard deviation .75404 while understanding of tax laws had a mean of 3.6597 and a standard deviation of .77047 as shown in the table below. This indicates that efforts for tax learning had the highest positive response while understanding of tax laws had the lowest. The details of the mean score and standard deviation of the independent variables are shown in Table 4.11 below.

Table 4.11
Descriptive Statistics for Dependent and Independent Variables

Variable	Minimum	Maximum	Mean	SD
Tax Compliance Behaviour	1.0	5.0	2.6468	.62770
Efforts for Tax Learning	1.0	5.0	3.8617	.75404
Awareness of Tax Laws	1.0	5.0	3.3821	.90867
Understanding of Tax Laws	1.0	5.0	3.6597	.77047

4.6 Correlation Analysis

Pearson Product Moment Correlation analysis was used to investigate the relationship between the dependent and the independent variables. This test is described as a parametric test that is used in analysing a linear relationship (Piaw, 2012). Correlation coefficients of 0.10, 0.30 and 0.50 are referred as low, medium and high coefficients respectively.

The results of the correlation analysis were used to study the relationship that exists between efforts for tax learning, awareness of tax laws, understanding of tax laws and tax compliance behaviour.

The result indicated that a negative relationship existed between efforts for tax learning and tax compliance behaviour with a negative correlation coefficient of -0.406 and a p - value equal $.000$ at 1% level of significance. As Table 4.12 shows, the statistical results confirmed that a positive relationship exists between awareness of tax laws and tax compliance behaviour with a positive coefficient correlation of $.042$ and a p – value of 0.556 . Also, the Pearson Product Movement analysis shows a positive relationship between understanding of tax laws and tax compliance behaviour with a coefficient correlation of $.059$ and p – value of 0.408 . Table 4.8 provides the details of the correlations between the variables.

Table 4.12
Correlation between Variables

Variables	Tax Compliance Behaviour	Efforts for Tax Learning	Awareness of Tax Laws	Understanding of Tax laws
Tax Compliance Behaviour	1.000			
Efforts for Tax Learning	** -0.406	1.000		
Awareness of Tax Laws	0.042	-0.092	1.000	
Understanding of Tax laws	0.059	0.020	0.041	1.000

Note: ** correlation is significant at the 0.01 level (2-tailed).

4.7 Multiple Regression Analysis

To investigate factors that significantly influenced tax compliance behaviour of salaried taxpayers, standard regression analysis was utilized in this study. This is because standard regression allows the entire variable to be inserted into the model at one time and evaluated based on the contribution to variance (Sekaran & Roger, 2013).

The results of the multiple regression analyses using the standardized model are shown in Table 4.13 below. An R-square of 17.0% and an adjusted R-square of 15.7% means that the determinants of tax compliance behaviour under study explained 15.7% of tax compliance behaviour. The result equally explained the degree to which tax compliance

behaviour is being influenced by the determining factors. The somewhat small contribution of the variables studied could be due to the geographical location or political and economic factors of the taxpayers that were not included in this study due to the constraints and limitations of the research as discussed in chapter five of this thesis.

Table 4.13
Summary of the Standard Regression Model

Model Summary				
Model	R	R Square	Adjusted R square	Std. Error of the Estimate
1	.412 ^a	.170	.157	.57636

a. Predictors: (constant), efforts for tax learning, Awareness of Tax Laws, and Understanding of Tax Laws.

The coefficient analysis result indicated that Efforts for Tax Learning had a negative and significant influence on tax compliance behaviour with a coefficient of $-.407$ and a p-value of $.000$. Table 4.14 shows that the results of the variable were significant at $p < 0.01$, the results indicated that, among the independent variables, only Efforts for Tax Learning was negative and significant while awareness of tax laws and understanding of tax laws were not statistically significant. The details of the results of the regression analysis are presented in Table 4.14.

Table 4.14
Coefficient of the Standard Regression Model

Model	Unstandardized Coefficient		Standardized Coefficient	T	P-value
	B	Std Error	Beta		
Constant	3.754	.328		11.430	.000
Efforts for tax learning	-.339	.054	-.407	-6.247	.000
Awareness of Tax Laws	.001	.045	.002	.025	.980
Understanding of Tax Laws	.054	.053	.067	1.026	.306

Note: Dependent variable: Tax Compliance Behaviour.

** Significance at 5% level of significance

4.8 Summary of the Chapter

The outcome of the data analysis in this study was discussed extensively in this chapter. The descriptive statistics method was utilised to analyse the demographic information of the respondents as well as the overall mean and standard deviation of each of the variables in this study. Pre-analysis tests were used to screen the data before the regression and correlation analysis was carried out, and the results indicated that the data were fairly distributed and had met all requirements for carrying out the analysis.

Finally, correlation analysis was used to examine the relationship between variables, and regression analysis was used to investigate the significance of the independent variables to the model. The discussion of results as well as recommendations and conclusion are discussed in the next chapter.

CHAPTER FIVE

DISCUSSION, RECOMMENDATION AND CONCLUSION

5.1 Introduction

The research findings of this study are discussed in this chapter to answer each of the research questions and hypotheses. The chapter begins with a discussion of the results, which was then followed by implication and limitation of the study. Also, the chapter includes recommendations for further researchers and conclusion.

5.2 Discussion of Results

The major aim of this study is to investigate the relationship between tax education constructs: efforts for tax learning, awareness of tax laws, and understanding of tax laws and tax compliance behaviour among salaried tax-payers in Mogadishu, Somalia. Based on this objective, the study provides answers to the research questions that were raised in chapter one. These answers are being supported by the regression and correlation analysis results that were presented in detail in the preceding chapter. Therefore, the research findings are discussed in this section to provide an answer to each of the research questions raised.

5.2.1 Relationship between Tax Education and Tax Compliance Behaviour

The purpose of this study was to examine the relationship between tax education variables and tax compliance behaviour. The following sections explain the relationship between independent variables with tax compliance behaviour based on the finding of this study.

5.2.1.1 Relationship between Tax Education – Efforts for Tax learning and Tax Compliance Behaviour

H₁: There is a significant relationship between efforts for tax learning and tax compliance behaviour.

The descriptive statistics of the responses given by the mean score on efforts for tax education provide strong evidence indicating that individual taxpayers have a high esteem about their efforts for tax learning rules in Somalia. On the relationship between efforts for tax learning and tax compliance behaviour, the study's regression result supported hypothesis (H1) and established that efforts for tax learning were significant and negative as related to tax compliance behaviour. This result could be like the those of Chan, Troutman and O'Bryan (2000) and Helhel and Ahmed (2014) who found a negative link between education and compliance.

The evidence from this study suggests that a taxpayer who pays more effort for tax learning rules will have lower tax compliance behaviour in Somalia. This can be due to higher level of knowledge among the respondents, which can be seen in the fact, that most of the respondents are bachelor holders, which makes it easier to deceive the tax system literature or to better know the chances for tax evasion.

5.2.1.2 Relationship Between Tax Education – Awareness of Tax Laws and Tax Compliance Behaviour

H₂: There is a positive relationship between awareness of tax laws and tax compliance behaviour.

The study hypothesized that a positive and significant relationship would exist between awareness of tax laws and tax compliance behaviour. The findings of the study have shown that this hypothesis was not supported. The findings showed that an insignificant relationship existed between awareness of tax laws and tax compliance behaviour.

The result shows that the awareness of tax laws is insignificantly correlated with the tax compliance behaviour. This might be due to the negative perceptions of the Somalis about their government corruption because Somalia was ranked the 167th least corrupt country of 176 the countries rated by Transparency International 2016.

5.2.1.3 Relationship between Tax Education – Understanding of tax laws and tax compliance behaviour

H₂: There is a positive relationship between understanding of tax laws and tax compliance behaviour.

From the regression analysis performed in this study, the understanding of tax laws was found to be not significantly related to tax compliance behaviour. This shows that in Somalia, how a tax payer understands tax laws does not affect their tax compliance behaviour. This result is similar to the findings Hanousek and Palda (2004) in which they found no relationship between understanding of tax laws and tax compliance behaviour. However, this result is contrary to the finding of Fjeldstad, Katera, and Erasto (2009), who found a positive relationship between the understanding of tax laws and tax compliance behaviour.

5.2.2 Summary of Results

This study tested the relationship between tax education variables – efforts for tax learning, awareness of tax laws, and understanding of tax laws; and tax compliance behaviour among the salaried taxpayers in Mogadishu Somalia. Specifically, three hypotheses were developed and tested to achieve the objectives of the study. The results show that efforts for tax learning was negatively correlated to tax compliance behaviour while awareness of tax laws was statistically insignificantly related to the tax compliance behaviour, and understanding of tax laws did not have a significant relationship with tax compliance behaviour. The summary of the results for each hypothesis are presented in Table 5.1 below.

Table 5.1
Summary of Results

Variable	Hypothesis	Results
Efforts for tax learning	H ₁ : There is a significant relationship between efforts for tax learning and tax compliance behaviour.	Supported
Awareness of tax laws	H ₂ : There is a positive relationship between awareness of tax laws and tax compliance behaviour.	Not Supported
Understanding of tax laws	H ₃ : There is a positive relationship between understanding of tax laws and tax compliance behaviour.	Not supported

5.3 Implications of the Study

From the discussion above, the findings of this study have significant contributions, which have both theoretical and practical implications. These implication are discussed below.

5.3.1 Theoretical Implication

Previous studies have examined factors related to tax compliance (Chandarasorn, 2012) and tax education and tax compliance among accounting students in UUM (Ugwu, 2014), and the influence of tax education on tax compliance attitudes (Berhane, 2011). However, studies focusing on tax compliance among Somalis taxpayers are limited. Therefore, this study examines the relationship between tax education variables – efforts for tax learning, awareness of tax laws and understanding of tax laws and tax compliance behaviour in Mogadishu, Somalia. Therefore, this study has generally contributed by adding to the existing literature on tax compliance behaviour.

5.3.2 Practical Implementation

The findings of the present study make practical contributions to developing economies, in particular, Somalia, regarding policies that could increase tax compliance behaviour and hence increase government revenue and, in turn, benefit citizens. For instance, the present findings show a negative relationship between efforts for tax learning and tax compliance behaviour. This finding means that the more knowledge that individuals have about their role in paying taxes necessary for the government to carry out its functions effectively, the lower tax compliance behaviour will be. One avenue to achieve this result is for the government to conduct comprehensive tax education programs.

The awareness of tax laws demonstrated a positive but insignificant relationship with tax compliance behaviour, and this was probably due to the bad perceptions that people have about their government. Thus, the government should focus more on improving its

image in the minds of taxpayers. One necessary step would be by reducing the corruption level among its employees.

5.4 Limitations of the Study

As does all research, this study has limitations. The first limitation associated with this study is related to the population of the study from which the sample was drawn. This study was limited to Mogadishu taxpayers, who represent only 1 of the 18 regions in Somalia. Because of this limitation associated with sampling, generalization of the research findings is made difficult due to the disparity in culture and geographical settings across the country. Although this problem was minimized by conducting a pilot test and pre-test to ensure that the data would give a fair representation of the population, drawing conclusions from the findings of this study should be done with caution.

Second, as with other survey data, this study faces limitations derived from the nature of self-reported data. The respondents may or may not tell the truth regarding their tax evasion behaviours and opinions. This might have led to issues of non-response bias.

Lastly, this study was limited to the quantitative method using questionnaires, which does not provide room for the respondents to further express their views. Therefore, future research should use qualitative methods, like interviews, observations and analysis of documents to enhance the data collection.

5.5 Recommendations for Further Research

Based on the findings and the limitations of this study, possible fruitful areas of tax compliance behaviour that might require the attention of future researchers are

recommended. First, future researchers can test the variables that were utilized in this study with a larger and wider sample size to see whether consistency can be established. Equally important, efforts by future researchers can be made in identifying other economic, social and cultural factors that affect tax compliance behaviour of taxpayers in developing countries because most tax compliance behaviour research has focused on developed countries.

Second, tax compliance behaviour of owners/managers of business can be used to analyse tax compliance behaviour with respect to the corporate tax or consumption tax because the majority of the tax compliance studies focus on personal income tax.

Finally, to minimize the limitation caused by measurement, future researchers should utilize the chances of conducting more research on tax compliance behaviour by using a mixed method, which comprises both qualitative and quantitative research, to reduce the problem of personal bias of respondents.

5.6 Conclusion

This study was motivated by the lack of available literature on the tax education and tax compliance behaviour in Somalia. This study empirically examined three independent variables, namely, efforts for tax learning, awareness of tax laws and understanding of tax laws in relationship to tax compliance behaviour. Three hypotheses were formulated based on theory and previous literature.

Data were collected from primary sources, using a survey in the form of questionnaire. Analysis was done using multiple regression, descriptive statistics, reliability tests, Pearson correlations, assumption tests, multicollinearity tests and coefficients of the

regression. The results show that efforts for tax learning, awareness of tax laws and understanding of tax laws explained 17% of changes in tax compliance behaviour, while other variables outside the scope of the present study explained 83% of changes in tax evasion.

The study concluded that a significant and negative relationship existed between efforts for tax learning and tax compliance behaviour. However, awareness of tax laws and understanding of tax laws has an insignificant relationship with tax compliance behaviour.

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**Appendix
Appendix A**

**Othman Yeop Abdullah
Graduate School of Business**

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**A SURVEY ON THE RELATIONSHIP BETWEEN EFFORTS FOR TAX
LEARNING, AWARENESS OF TAX LAWS, UNDERSTANDING OF TAX
LAWS AND TAX COMPLIANCE BEHAVIOUR AMONG SALARIED
TAXPAYERS IN MOGADISHU-SOMALIA.**

Dear Sir/Madam,

I am a Masters Student at Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia conducting a research for the purpose of academic exercise and part of the requirement for the award of Master of Science (International Accounting) Degree. This questionnaire is aim at obtaining your valuable opinion on the relationship between tax education variables and tax compliance Behaviour among salaried taxpayers in Mogadishu-Somalia. Your response will be treated with the ultimate confidence and used strictly for academic purpose. The questionnaire is expected to take only about 10 minutes of your precious time to complete.

I greatly appreciate your participation in the study. Thank you for your cooperation and giving part of your time for the survey.

Best regards

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SECTION A: Personal Information

Please tick [] against the appropriate responses or fill in the blanks with the appropriate answers

1. Gender
 - a. [] Male
 - b. [] Female

2. Age
 - a. [] 21-30
 - b. [] 31-40
 - c. [] 41-50
 - d. [] 51 and above

3. Marital Status
 - a. [] Single
 - b. [] Married

4. No. of Children _____

5. Highest Educational level
 - a. [] Secondary School
 - b. [] Bachelor Degree
 - c. [] Master Degree
 - d. [] PHD
 - e. [] Other, please specify -----

6. Income Group
 - a. [] less than \$400
 - b. [] \$ 401 – 800
 - c. [] \$ 801 – 1200
 - d. [] \$ 1200 and above

7. Type of employment
 - a. [] Managerial Level
 - b. [] Technical Level
 - c. [] Administration/clerical level
 - d. [] Other, please specify _____

8. working experience
 - a. [] less than one year.
 - b. [] 1-4 years
 - c. [] 5-9 years
 - d. [] 10 – 19 years
 - e. [] 20 or more years

SECTION B Tax Compliance Behaviour and perception towards Tax Education

Please express your opinion for each of the following statements by circling one of the numbers using the following scale.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

1. Tax Compliance Behaviour

No.	Statement					
1.	I would pay taxes if my income is higher.	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.	If the job is paid in cash basis, then it is alright not to report it in tax return.	1	2	3	4	5
4.	I would understate my income if the amount is relatively small.	1	2	3	4	5
5.	I wouldn't pay taxes because tax authorities are very weak.	1	2	3	4	5

2. Efforts for Tax Learning

No.	Statement					
1.	I always attend courses/ workshops on any tax related topics	1	2	3	4	5
2.	I always attend tax conferences or seminars held by the government	1	2	3	4	5
3.	I will engage in collaborative research on tax topic with others to exchange tax learning	1	2	3	4	5
4.	I usually participate in tax workshops held by the private institutions	1	2	3	4	5
5.	I rarely engage in tax educational programs.	1	2	3	4	5

3. Awareness of Tax Laws

No.	Statement					
1.	I am aware of the responsibility of completing tax forms and providing information.	1	2	3	4	5
2.	I am aware of the penalties for failing to fill return form.	1	2	3	4	5
3.	I am aware of the penalties for incorrect information.	1	2	3	4	5
4.	I am aware of the penalties for not reporting all income.	1	2	3	4	5
5.	Increasing the awareness of tax laws will increase the level of compliance.	1	2	3	4	5

4. Understanding of Tax laws

No.	Statement					
1.	I pay tax because I don't have any opportunity to evade.	1	2	3	4	5
2.	I pay tax because I anticipate public service.	1	2	3	4	5
3.	I pay tax because I feel obligation towards the government.	1	2	3	4	5
4.	I pay tax because I am avoiding disturbances.	1	2	3	4	5
5.	I pay tax because the likelihood of detecting and the penalty rate are very high.	1	2	3	4	5

Section C Overall Comment

If you have any comments/ suggestions related to tax education in Somalia, please state below.

-End of Questionnaire-

Thank you.