

**EXAMINING THE INFLUENCE OF TAX FAIRNESS ON TAX  
COMPLIANCE IN LIBYA**

**By:**



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## ABSTRACT

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

**Keyword:** tax fairness, tax compliance, Libya.

## ABSTRACT

Tujuan kajian ini adalah untuk menyiasat pengaruh keadilan cukai terhadap pematuhan cukai di Libya. Mansour, Mitra, Sdrlevich dan Jewell (2015) menyebut bahawa sistem cukai di Libya tidak adil dan terdapat keperluan untuk merekabentuk satu sistem cukai yang berdasarkan kepada prinsip keadilan. Oleh itu, kajian ini memberikan penekanan kepada menentukan kesan cukai dimensi keadilan cukai seperti keadilan umum, kadar cukai, pertukaran dengan kerajaan, sikap terhadap cukai golongan berpendapatan tinggi dan kepentingan peribadi yang mempengaruhi pematuhan cukai di Libya. Kajian ini menambah ilmu berkaitan dengan tingkah laku pematuhan pembayar cukai di Libya, terutamanya kerana sangat sedikit yang diketahui tentang perkara ini dalam konteks Negara Libya. Kajian ini boleh membantu penggubal dasar untuk merekabentuk sistem cukai yang adil yang boleh membantu pembayar cukai serta agensi pungutan cukai untuk membuat sistem yang lebih cekap. Sampel kajian ini terdiri daripada pembayar cukai di bandar Tripoli. Dapatan kajian ini ada menunjukkan terdapat hubungan yang signifikan di antara dimensi keadilan cukai dan pematuhan cukai. Dapatan ini bermaksud bahawa keadilan sistem cukai boleh meningkatkan tahap pematuhan cukai dengan signifikan, Justeru, kerajaan harus merekabentuk sistem cukai yang lebih adil dan saksama untuk meningkatkan tahap pematuhan cukai.

Kata Kunci : keadilan cukai, pematuhan cukai, Libya.

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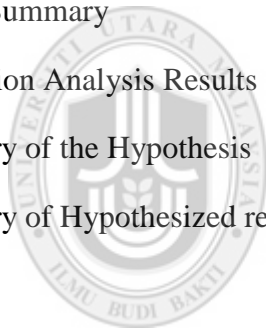
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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

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

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

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

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