

PERCEPTIONS OF TAXPAYERS ON TAX COMPLIANCE IN SUDAN

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Abstract

This research was made to study some of the factors underlying tax compliance in Sudan. The study is focusing on identifying possible causes for people not paying taxes and highlight taxpayers' perceptions towards taxation to policy makers in order meet up with the expectations of the public. Empirical research was carried out among five hundred (500) employed taxpayers of Khartoum the capital city. A convenience sampling was used. Perceptions among Sudanese towards tax compliance were surveyed to see whether taxpayers are supportive of the country's drive to attain higher revenues and to see their perceptions towards non compliance. Findings showed that respondents did not mind paying taxes but they feel that the government needs to be more transparent about spending tax revenues. The majority is discontented with the amounts that they are paying and feel that that is no tangible services provided in comparison to the tax collected. Key recommendations of the study include simplification of tax rules and systems, increasing the transparency with regards to spending tax collections and provide more services focus on infrastructure and sectors related to education and health.

Keywords: Tax avoidance, Tax compliance, Perceptions, Transparency

INTRODUCTION

Tax evasion usually is deliberately misrepresenting or hiding taxable incomes from the tax authorities to reduce their tax liability. Several studies in different parts of the world explored the reasons for evading taxes. Previous studies showed that people had different perceptions toward tax and concluded that taxpayers' perceptions are the reason why tax evasion occurs. Therefore the relationship between taxpayers' behaviors and their perceptions must be identified.

THEORETICAL FRAMEWORK

Tax System in Sudan

In the past thirty years Sudan has been trying to be self-sufficient and was and invest in development. The government wanted to reduce the amount of foreign aid and the only way out was depending on revenues from different sectors in the economy as well as tax moneys. The government main focus was to ensure that all taxes are collected.

People in Sudan must comply with the tax systems. The government of Sudan requires taxpayers to assess tax liability, file tax returns and pay the tax liability. It has a detailed tax law that specifies tax and the penalties for avoidance, late filing late payment and non-payment. To ensure tax compliance tax authorities imposed tax penalties if there are no court proceedings, and substantial fines a case in taken to court. Sanctions for not presenting returns range from 5% of due tax and five thousand Sudanese pounds for each day the omission continues to twentieth five thousand Sudanese pounds for non-compliance. In extreme cases there are imprisonment imposed by court.

Examining the issue of tax compliance has been an ongoing process for several years. Several academics and practitioners studied the issue of tax compliance from various prospective including taxpayers' perceptions towards tax avoidance.

Literature has identifies reason for the different perceptions towards tax avoidance. Several reason were identified by literature on different perceptions among which; willingness of taxpayers, understanding the tax rules and utilization of tax revenues.

Torgler et al (2005) argued that tax compliance depends on controls and fines as well as the risk aversion of taxpayers. They further argued that tax compliance is affected by socio-economic factors, the politico-institutional background or the tax agency behavior.

Noami et al (2009) argued that governments depend on tax revenues for it expenditures. Tax revenues are compulsory payments to the governments. It is further argued that, the amount of tax revenue generated by a government for its expenditure depends on several factors one of which is the extent to which taxpayers are willing to comply with the tax law.

Sardjono (2013) Stated that the willingness of tax payers to pay tax depends knowledge and understanding of tax rules and good perception of the effectiveness of the taxation system. (Kamil and Nurlis, 2015) stated that taxpayer compliance is depends on tax awareness and tax penalties. Their research showed that more effective application of tax penalties the higher the tax compliance. They further argued that knowledge hand awareness of taxpayers the more the likely to avoid tax liabilities.

Other researchers explained the issue of different receptions by not understanding the rules. Jackson and Milliron (1986), Beck et al. (1991) and Tekeper (2007) stated that more

complex the tax system the more the possibility for non compliance. They further argued that understanding tax rules lead to increased perceptions of fair tax systems and tax compliance.

Fjeldstad et.al (2013) stated that compliance with tax depend on the taxpayers knowledge that they cannot evade taxes and that the more individuals are satisfied with the public services provides by governments the more the likelihood of tax compliance. They further stated that tax payers intentions for compliance will increase if they perceive the government utilizing revenue generated form tax, otherwise they will become less committed towards compliance

Barbutamisu (2011) identified a number of factors that affect tax compliance. Identified factors include economic factors as the level of income, audit probabilities, tax audit, tax rate, tax benefits, penalties, fines and other non-economic factors as attitudes toward taxes, personal, social and national norms, and perceived fairness.

METHODOLOGY

The survey of taxpayers' perceptions was carried out in Khartoum the capital city of Sudan in July 2014. Convenience sampling technique is adopted in this research. Reason for choosing such technique is that it is fast, inexpensive and respondents are readily available.

Sampling

Tax payers chosen in the sample are employed both in private and government and self employed traders. Five hundred (500) questionnaires were disseminated to the sample members.

Research instrument

The questionnaire is composed of a demographic section in addition to two other sections; closed ended in which respondents and the other open ended. Open-ended questions were added to for suggestions of the respondents. For the convenience of the research and the time factor the researcher was helped with a group of undergraduate students in collecting the data. Data was analyzed using simple frequencies.

Data Collection

Respondents were visited at their houses. Questionnaires were given to literate respondents who are over the age of 21 to ensure that they entitled to pay taxation. Questionnaires was available in Arabic which is the mother language

Delimitation of the Study

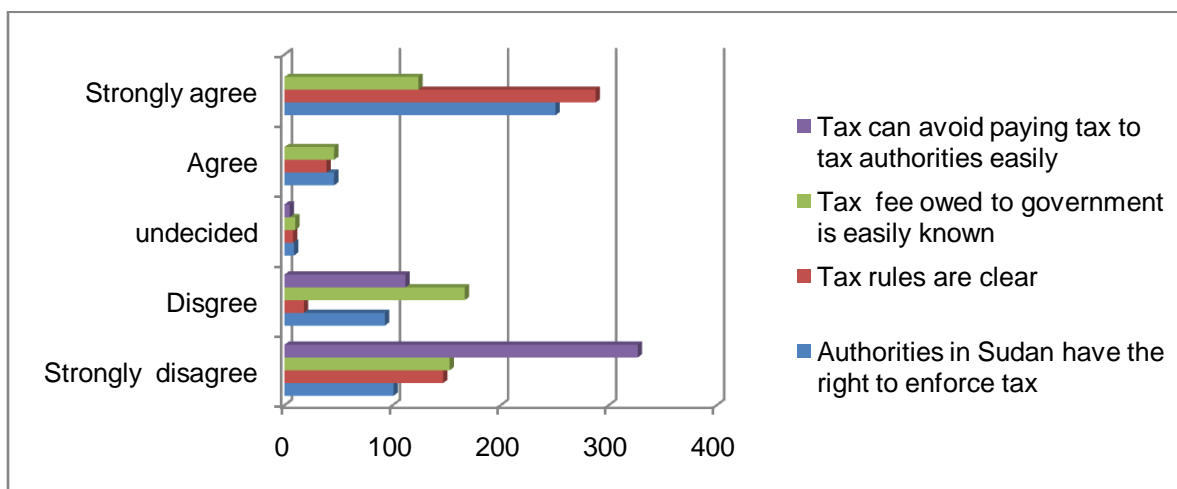
1. The study was conducted in Khartoum, survey results depend on a small sample so the results cannot be generalized to the whole population of Sudan.
2. The study ignored corporate taxpayers.
3. The time factor was another limitation.
4. Some respondents are reluctant to report act of non-compliance.

EMPIRICAL FINDINGS AND DISCUSSION

Attitudes of Taxpayers on Tax Rules Clarity, Tax Evasion, Tax Fee and Legitimacy of Tax Authorities

Findings showed that the nearly 60 % of the sample believe that the government has the right to enforce tax and the tax rules are clear while the remaining 40 % neither believe that the government has the right to enforce tax nor perceive the tax rules are clear. Over 60 % of the sample believes that the fee owed to the government and not be easily calculated. Almost 88% of the sample believes that they cannot avoid paying taxes.

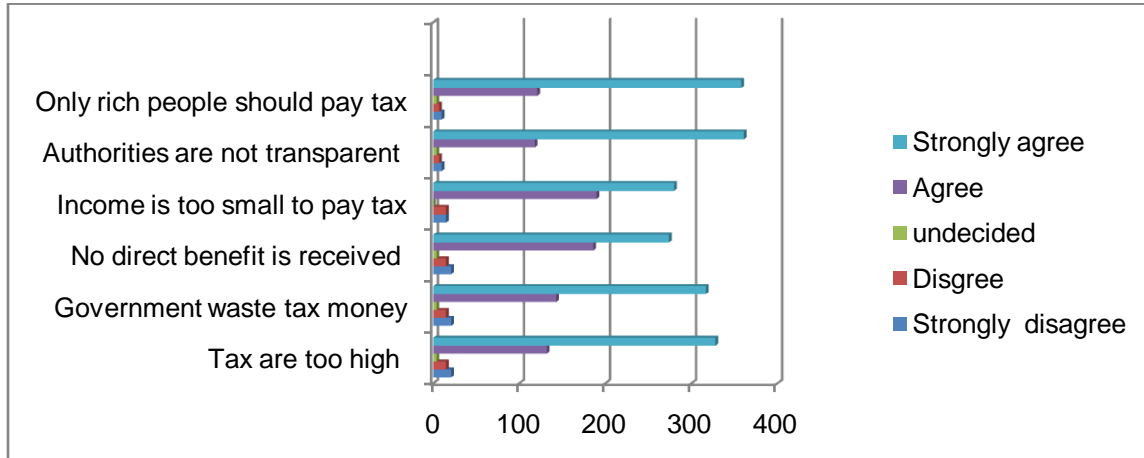
Figure 1. Attitudes of Taxpayers on Tax Rules Clarity, Tax Evasion, Tax Fee and Legitimacy of Tax Authorities



Perceptions of Taxpayers towards Tax Compliance

Findings also showed that over 90% of the sample perceive that the taxes are too high compare to their incomes and that tax should be imposed on the rich only. The majority of the sample stated that they may not comply with tax as they do not receive a direct benefit from the government and that the government is utilizing tax revenues. They believe that they may also avoid tax because the authorities are not transparent.

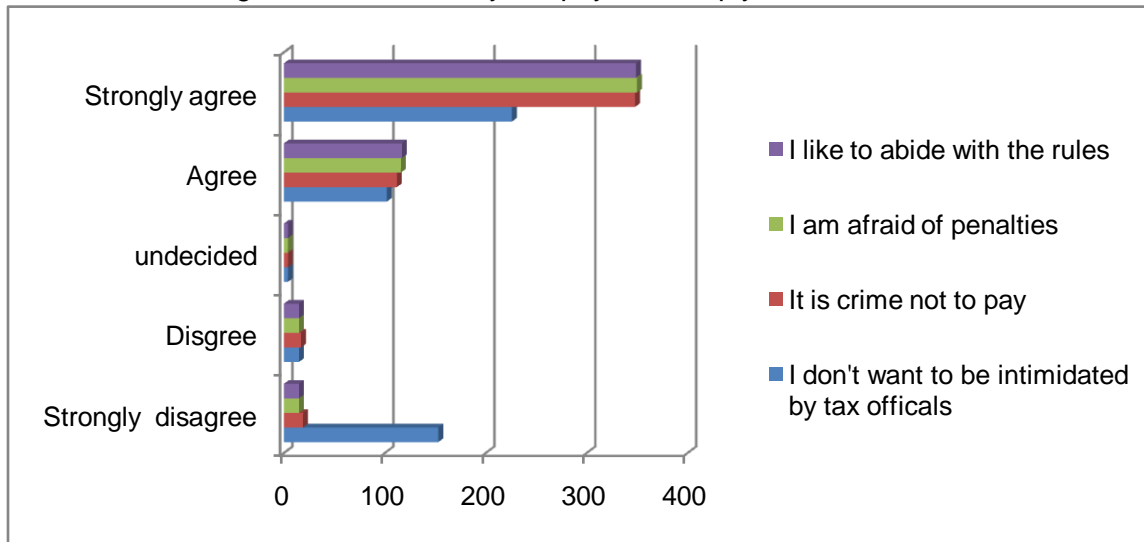
Figure 2. Different Perceptions of Taxpayers towards Tax Compliance



Reason of Taxpayers Complying with the Rules

65% of the sample of taxpayers believes that they have to pay tax because they don't want to be intimidated by tax officials. Over 90 % believe that not paying tax is a crime, and stated that they like to abide with the rules. Almost 93 % of the sample stated that they pay tax because they are afraid from the fine and penalties that may be enforced on them.

Figure 3. Reason Why Taxpayers Comply with the Rules

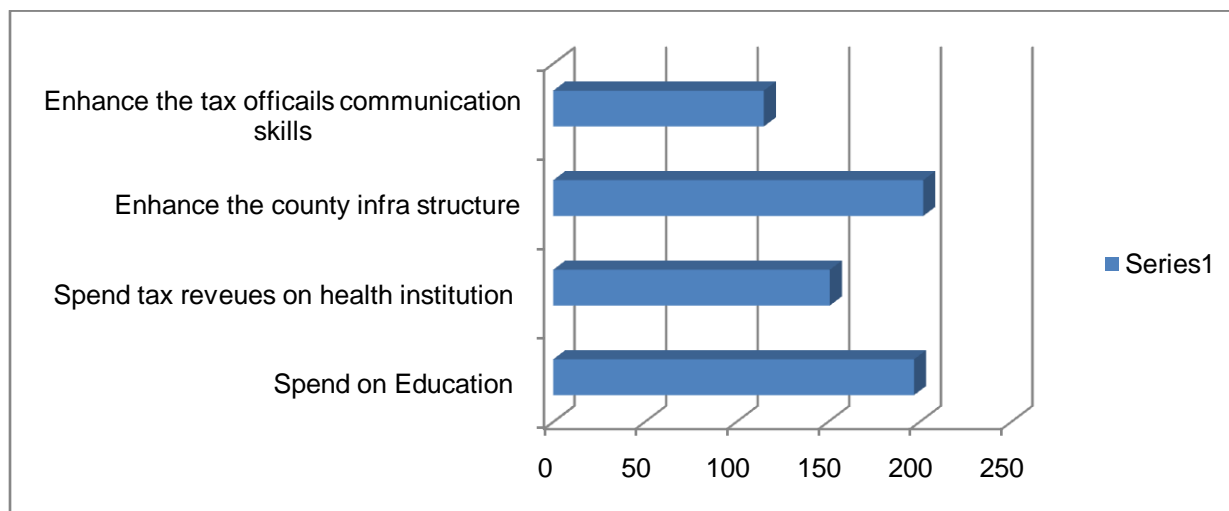


Taxpayers' suggestions

Findings from open ended question were based on 241 questionnaires only as the remaining 259 did not respond to that part. Respondents suggested that the tax authorities must make the tax rules more understandable for the public and help the public with providing clear rules of

calculations. In addition to that they suggested that the tax authorities must find a mechanism by which it limits the authority of the tax officials and stop them from intimidating the public. They further suggested that the government must spend the tax revenues on health, education and enhancing the country infrastructure.

Figure 4. Taxpayers' suggestions



Findings showed that people are aware of the role of the tax authorities in enforcing tax and believe that cheating on tax is inexcusable. Taxpayer morale will increase if authorities are more transparent and the tax rules are made easy and understandable. This complies with Sardonic (2013) who affirmed that willingness increases depends knowledge and understanding of tax rules.

Considering the issue of tax payers' level of understanding to tax rules the majority of the sample demonstrated poor understanding of the tax laws. They believe that the tax rules are written in a language that is difficult to understand. This agrees with Jackson and Milliron (1986), Beck et al. (1991) and Tekeper (2007) stated that more complex the tax system the more the possibility for non compliance.

Taxpayers perceive that, they are not receiving enough benefits from the government. This finding indicates that they may continue to comply with their tax obligations if the perceived benefits from government increased. This complies with Fjeldstad et.al (2013) stated that compliance with tax depend on the taxpayers knowledge that they cannot evade taxes and that the more individuals are satisfied with the public services provides by governments the more the likelihood of tax compliance.

Results reflected that taxpayers incentives towards tax compliance they perceived non-compliance is unlawful. This is also argued by (Noami and Joel, 2009) who stated that tax revenues are compulsory payments to the governments which depends on several factors one of which is the extent to which taxpayers are willing to comply with the tax law.

More results showed that individuals will comply because they are afraid from fines and penalties. This agrees with (Kamil and Nurlis, 2015) whose research showed that the more effective application of tax penalties the higher the tax compliance.

RECOMMENDATIONS

1. To increase tax compliance tax authorities must increase transparency of tax policy making.
2. Tax authorities must provide knowledge about public expenditure on taxpayers' money to prove that they are appropriately utilized. .
3. To increase tax morale, tax authorities may consider simplifying tax rules and make them more understandable.
4. Tax authorities may enhance tax official training and communication skills for better involvement with taxpayers.
5. Increase public spending on sectors that service everyone such as health, education and environment.

CONCLUSION

This research has identified a range of factors that may influence people's willingness to pay taxes. Perceptions showed that the majority of the sample admits tax legitimacy to tax authorities. In addition to that the fear from fines, penalties and intimidation of tax officials is making non-compliance difficult.

The perception for non-compliance is enhanced because of the lack of knowledge about tax rules and computations. Tax illiteracy will undermine the compliance process and strengthens taxpayers' perceptions. This will be enhanced by simplifying the rules and make tax information more accessible. Other reasons for non-compliance include taxpayers' small incomes, unutilized tax revenues and no direct benefit is witnessed. The research suggested the enhancement of tax literacy, the communication skills of tax officials, and diverting tax revenues in uplifting the infrastructure, health sector and education sector.

This study has some limitations; the study was conducted in Khartoum, survey results depend on a small sample so the results cannot be generalized to the whole population of Sudan. Besides the study does not reflect the perception of corporate tax payers.

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