

## **Impact of the Income Tax System on Tax Payers' Satisfaction: With Special Reference to Kegalle District Income Tax Payers**

S.R.S.H.Ranasinghe, K.M.M.C.B. Kulathunga

*Department of Management Sciences, Uva Wellassa University Badulla, Sri Lanka*

Tax system of a country is the primary mechanism of revenue generation. In Sri Lanka tax revenue has declining trend over the past 15 years. According to the literature the income tax system of Sri Lanka has failed to generate sufficient revenue because of its inherent weaknesses. As well as there is relatively a few number of articles and journals published about the income tax system and it has not yet been covered regarding perception of the tax payers' towards the income tax system. Hence, intention of this paper is to fill the gap in the literature by examining the impact of income tax system on tax payer satisfaction, ascertaining the relationship between income tax system and tax payer satisfaction and identifying the most affecting factor to tax payers' satisfaction. In this study tax system is conceptualized as multidimensional construct which depends on four dimensions such as Fairness, Tax Compliance, Tax Competencies and Simplicity. Primary data were gathered through distributing self-administrative questionnaire and 120 individual income tax payers were selected proportionately from each income category by using Judgmental sampling. Descriptive statistics, Correlation coefficient analysis and Regression analysis were used for the purpose of data analysis. The research findings revealed that there is a strong positive correlation between tax competencies and tax payer satisfaction while other three dimensions have weak positive correlation. It is further supported by the values of multiple linear regression tax competencies and simplicity were highly impact to the tax payers' satisfaction. Hence, it can be concluded that tax competencies is the most important income tax system dimension and the satisfaction of taxpayers are based on their knowledge and understanding of tax law and awareness of paying tax. In addition, the low complexity of income tax system reduces the tax evasion. The study suggests that government need to build a positive morality of the tax payers through conducting awareness programs, providing transparency with regarding the tax revenue and introducing several facilities.

Key words: Tax compliance, Tax evasion, Tax competencies, Fairness, Simplicity