

**THE IMPACT OF SOCIAL CULTURE ON TAX EVASION: WITH SPECIAL
REFERENCE TO INDIVIDUAL TAX PAYERS IN COLOMBO DISTRICT**

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Introduction

Tax evasion continues to be a concern for many governments throughout the world. Estimates of the shadow (“underground”) economy as a percent of GDP in various countries help provide a measure of tax evasion. Any governments of the world, needs financial resources to act as a government and play a role that is expected from it by the public. It makes every effort to achieve development goals which they set on Annual budget of the country. Significant fiscal deficit is a chronic problem for many countries.

The main purpose of taxation is to raise resources to finance government expenditure in a way that is administratively feasible, equitable and efficient (Burgess & Stern, 1993). A country’s tax system is one of the determinants of other macroeconomic indices such as economic growth, public debt, fiscal deficit and inflation. Likewise, the macroeconomic status of a country has a major bearing on its tax structure. Specifically there exists a relationship between the level of economic growth and development and the tax structure. Indeed, it has been argued that the level of economic development has a very strong impact on a country’s tax base (Musgrave, 1969). Revenue mobilization through taxation is an important element in medium-term development plans that aim to raise domestic investment and government savings while reducing reliance on debt creating capital inflows (Bovenberg, 1986).

In the past three decades, a number of developing countries have experienced major episodes of financial crises that were brought about by unsustainable fiscal deficits (Mahdavi, 2004). As in the case of a number of other developing countries, the fiscal deficit in Sri Lanka too has been high for a long period. The average fiscal deficit was 8.5 per cent of GDP during 1992-2015 (Central Bank of Sri Lanka). However, even 8.5 per cent deficit could be a precarious phenomenon as it could act as a catalyst for financial instability in the country.¹ There are three ways in which fiscal deficit can be financed: money creation, borrowing from abroad, and borrowing from the domestic sector. Each of the different ways of financing the deficit has its own problems. Many developing countries create money (such as borrowing through treasury bills) as an easy way to finance the fiscal deficit. This, however, could instigate harmful repercussions on the economy by creating hyperinflation. Foreign borrowing may lead to external debt problems and borrowings from the domestic commercial banks could reduce domestic investment. That is why debt and money creation are considered as unsustainable sources of revenue because the fiscal crises experienced by several developing countries² in the past three decades underscored the importance of an adequate level of taxation as the main source of resource to pay for government spending (Mahdavi, 2004). Therefore mobilization of tax revenue is crucial for any country including Sri Lanka. However, Sri Lanka could not raise its tax revenue significantly as a percentage of GDP for a long time in line with the theory and the experience of developed and fast growing countries. Several factors have contributed for the lackluster

performance of the mobilization of tax revenue in Sri Lanka. In this regard James (2000) illustrates that taxation is one method of transferring resources from the private to the public sector. Other writers (Auld & Miller, 1984) describe the role of taxes as an instrument that stabilizes the economy, and reduces private demand so that resources can be released for public sector use.

In addition to general government consumption expenditure, the governments of developing countries usually wish to increase development-oriented services such as education and training, agricultural extension and research. Thus, the government revenue may need to grow at a rate that exceeds the growth of national income in order to provide resources for recurrent government expenditure. Moreover, since urbanization is a continuous process in almost all developing countries, infrastructure development would be crucial and inevitable. Further, when countries' economies grow expenditure on social development will also increase. Particularly, as developing countries need to spend more on public infrastructure, education, health services and so on, they need to increase their tax ratio if they want to grow and to be less poor. Since private sector plays inconsequential role in the provision of education, health, infrastructure *etc.* in developing countries considering the importance of these sectors for the long term socio-economic development role of states is felt more in the provision of education, health, infrastructure particularly in developing countries (Bird, Martinez-Vazquez, & Torgler, 2008). Therefore, government's need more financial resources in order to meet the cost of infrastructure and social development. Sri Lanka also needs to spend more on social and economics services particularly after three decades of armed conflict which retarded the socio-economic development of the country and therefore it is vital for the country to raise tax revenue rather than depending overwhelmingly on debt. (Amirthalingam, 2011/2012). Tax revenue is a better source than debt and money creation in financing budget deficit, however, Sri Lanka faces numerous challenges which impede the government's attempts to raise revenue to the levels required to support government expenditure on a sustainable basis. The following sections elaborate important issues with regard to Sri Lankan tax system. These issues need to be addressed in a constructive manner by policy makers and policy implementers.

Problem statement

Depending overwhelmingly on money creation and debt, creates adverse repercussions on the economy. It is true that the taxation is considered to be the best source for financing the budget deficit. However, there have been several issues related to the Sri Lanka's tax system for a long time. Therefore, it is important to analyze such issues in detail.

In Sri Lanka, taxpayers expose varying level of tax compliance. The researcher's objective was to identify factors influencing to tax compliance among individual taxpayers in Sri Lanka. The researcher was not aware of any other study that has been carried out to establish what factors influence to tax compliance decision in Sri Lanka and also the extent of the impact of attitudes and attitude change on

tax compliance decision was not well understood and studies in this area have not been carried out in Sri Lanka. Therefore

Addressing this gap was the primary intention of this study.

Lewis (1984) argues that an increasing share of tax revenue in GDP is an instrumental objective of economic development policy. High-income countries have had rising shares of tax revenue and government expenditures to income as they became more economically advanced. Similarly, comparison among countries at different levels of per capita income generally show higher shares of government expenditure and tax revenue to national income in higher-income countries than in poor countries. There appears to be a relative increase in the demand for government services as per capita income increases.

Fiscal deficit is a chronic problem for many countries including Sri Lanka. Although there are several ways to finance, budget deficit tax revenue will be the best source in order to finance budget deficit which may consider the adverse repercussions of alternative sources such as money creation and debt. Though increasing share of tax revenue in GDP is an instrumental objective of economic development policy, Sri Lanka has not been successful in raising adequate tax revenue to meet its public expenditure on general public services, social services, economic services, etc. The country faces several issues such as low level tax ratio with declining trend, slow structural change of tax composition, dismal outcome even after changing of tax system and low level of efficiency and productivity. (K. Amirthalingam, 2013)

Tax revenue (% of GDP)

International Monetary Fund, Government Finance Statistics Yearbook and data files, and World Bank and OECD GDP esti

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<http://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS?locations=LK>

According to the economic data, tax to GDP is continuously decreased. This, however, has only been a recent trend as all throughout from 1952 to the early 1990s the GDP ratio remained at or above 19.5%. This decline has occurred despite a steady increase in real per capita income in the country, as the tax base did not sufficiently broaden in line with increases in income or economic activity. Tax evasion, poor tax administration, a gamut of tax exemptions and discretionary and adhoc tax policy changes have contributed to this. Revenue consists of tax and non-tax revenue. Tax revenue in particular has seen a decline just in the last 2 years alone – 14.2% in 2007, down to in 2014 as 11%. (central Bank report) This study was designed to examining how national cultural variables impact individuals' tax morale and tax evasion.

This study is attempted to find out how taxpayer 'attitudes influence compliance decision and the factors affecting tax compliance decision. It was equally hypothesized that taxpayer attitudes do not encourage tax compliance in Sri Lanka.

Objectives

The objectives are derived from the research problem and according to the research problem the objectives are to identify the causal relationship of those factors in order to understand the true insights of the phenomena, This study was designed to examining how national cultural variables impact individuals' tax morale and tax evasion. The results of this study show that multiple cultural and structural level variables directly impact tax evasion. Having considered the research problem above, the following four objectives were determined.

- (1) To study the factors influencing tax morale and tax evasion. so as to find the causation of cultural effect.
- (2) To examine the causal impact of cultural variables on individuals' tax morale and tax evasion.
- (3) To analyze how far cultural variables on individuals' tax morale and tax evasion.

Specific Aims

To suggest possible recommendations upon research findings how far cultural variables on individuals' tax morale and tax evasion could cause organizational performance so as to make policy makers be aware of the policies at their policy making process in National level, and it will be useful for future researchers.

Significance of the study

Research finding will be beneficial to Policy makers in the higher education sector. The higher level decision makers can adjustment on their current policies, processes, procedures and standard as an effort to developing organizational performance. It is useful to increase their Productive, effective and efficient. Research finding will be useful to the National level official in the ministry of finance for education system reforms in Sri Lanka. The researcher with his personal experience on the basis of several pilot surveys noticeable to that will be beneficial to new researcher. As the wholly it will be indirectly benefitted to the entire society

Literature review

Introduction

This chapter includes the theoretical aspects of the culture and the impact of culture on tax evasion, cultural impact to the taxpayers and cultural dimension. So examine the models and sources of culture, Uncertainty Avoidance, Masculinity, Power Distance, individualism and how to effect of tax evasion in Colombo district through the various researchers and authors.

Culture

A particular form or stage of civilization, as that of a certain nation or period called culture. The quality in a person or society that arises from a concern for what is regarded as excellent in arts, letters, manners, scholarly pursuits, etc. Thinking pattern should develop of the mind of the people by educating or training.

Hofstede developed his national cultural framework with data from 116,000 morale surveys completed in the late 1960s to early 1970s by 88,000 IBM employees from 72 countries and regions. He used country-level factor analysis to identify the four national cultural dimensions, and scored 50 countries on each dimension. The scores generally range from 0 to 100, although higher and lower values are possible. *Culture's Consequences* (Hofstede, 1980) documented the research and was published in 1980. Subsequent books and articles followed, and the most recent book, *Cultures and Organization: Software of the Mind: Intercultural Cooperation and Its Importance for Survival*, was published in 2010 (Hofstede, Hofstede, & Minkov, 2010). Hofstede et al. (2010, p. 6) define culture as the collective programming of the mind that distinguishes the members of one group or category of people. It is learned, not innate. It is derived from one's social environment rather than from one's genes. Human nature is what all individuals have in common and is inherited in our genes. It is what determines our physical and basic psychological functioning. Personality is based on traits partly inherited and partly learned.

Hofstede dimension model

Further summarizing Hofstede et al. (2010, p. 346), national cultures are part of the mental software we acquired during the first ten years of our lives, in the family, in the living environment, and in school, and they contain most of our basic values. Mental programming is patterns of thinking, feeling and potential acting that were learned throughout the person's lifetime (p. 4). The sources of one's mental programs lie within the social environment in which one grew up and collected one's life experiences. The programming starts within the family; it continues within the neighborhood, at school, in youth groups, at the workplace, and in the living community (p. 5).

Uncertainty Avoidance

Uncertainty Avoidance provides a measure of the extent to which members of a culture feel threatened by uncertainty or ambiguity and can be defined as the extent to which the members of a culture feel threatened by ambiguous or unknown situations; how anxious they are (Hofstede et al., 2010, p. 191). Anxiety and fear are not synonymous. We fear an object but are anxious about what might happen. In weak Uncertainty Avoidance countries anxiety levels are relatively low; aggression and emotions are not supposed to be shown in low Uncertainty Avoidance societies (Hofstede et al., 2010, p. 196). Uncertainty Avoidance is not the same as risk avoidance. Like fear, risk is focused on something specific such as an event, and can be stated in probability terms; whereas uncertainty reflects the fact that anything can happen and we have no idea what that might be.

This dimension, Uncertainty Avoidance, has to do with the way that a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? This ambiguity brings anxiety with it, and different cultures have learnt to deal with this anxiety in different ways. The extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these is reflected in the score on Uncertainty Avoidance. The relatively intermediate score of 45 indicates that Sri Lanka does not indicate a strong preference.

Masculinity

Masculinity relates to gender roles, which values (performance, visible achievement, relationships, caring, and nurturing) are emphasized and how they are differentiated. Masculinity is bounded by masculinity and femininity. This dimension was given this name because it was the only one in the original study where men and women consistently scored differently. The differences related to this scale are both social and (even more) emotional based. A society is masculine if emotional gender roles are clearly distinct and it is feminine if emotional gender roles overlap (Hofstede et al. 2010). The dominant values in a masculine society are achievement and success; performance (being a winner) is important. The dominant values in a feminine society are caring for others and quality of life; reaching a consensus is important (de Mooij, 2005, p. 65). Thus, citizens of countries high in Masculinity place a greater emphasis on competition and material success ("masculine" characteristics). Citizens of countries with low Masculinity cultures place a greater emphasis on mentoring and attaining a higher quality of life ("feminine" characteristics).

Doupnik and Tsakumis (2004) indicate that masculine countries are more likely to disclose financial information to outside parties. This is in part because masculine societies have that desire for visible success. This may lead to higher levels of tax compliance because more visibility can lead to more

potential scrutiny. Hofstede (2001, p. 319) supports this notion showing the negative correlation between masculinity and a country's permissiveness in dealing with lawbreakers.

A high score (Masculine) on this dimension indicates that the society will be driven by competition, achievement and success, with success being defined by the winner / best in field – a value system that starts in school and continues throughout organizational life. A Feminine society is one where quality of life is the sign of success and standing out from the crowd is not admirable. The fundamental issue here is what motivates people, wanting to be the best (Masculine) or liking what you do (Feminine). Sri Lanka, with a very low score of 10, is thus considered a Feminine society. In Feminine countries the focus is on “working in order to live”, managers strive for consensus, people value equality, solidarity and quality in their working lives. Conflicts are resolved by compromise and negotiation. Incentives such as free time and flexibility are favored. Focus is on well-being and status is not shown or emphasized.

Power Distance

Power Distance deals with how societies handle human inequality. Power Distance can be defined as the extent to which less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally (Hofstede et al., 2010, p. 60). In higher Power Distance societies everyone has his or her rightful place in a social hierarchy, and as a result acceptance and giving of authority is something that comes naturally (de Mooij, 2005, p. 60). As such, countries with high Power Distance cultures have citizens who accept inequality and its institutionalized hierarchies. Citizens of countries with low Power Distance cultures believe that inequalities between people should be minimized. As a result of power differential acceptance, wage differentials in high Power Distance countries are large. These wage differentials are exacerbated by high Power Distance countries having a less progressive tax structure than low Power Distance countries.

This dimension deals with the fact that all individuals in societies are not equal. it expresses the attitude of the culture towards these inequalities amongst us. Power Distance is defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. With a slightly high score of 80, Sri Lanka is a relatively hierarchical society. This means that people accept a hierarchical order in which everybody has a place and which needs no further justification. Hierarchy in an organization is seen as reflecting inherent inequalities, centralization is popular, subordinates expect to be told what to do and the ideal boss is a benevolent autocrat.

Individualism

Individualism relates to the degree of interdependence a society maintains among individuals and one's self concept and is bounded by extreme collectivism and extreme individualism. Individualism refers to societies in which the ties between individuals are loose; everyone is expected to look after him- or herself and his or her immediate family. Collectivism pertains to societies in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people's lifetimes continue to protect them in return for unquestioning loyalty (Hofstede et al., 2010, p. 92). Members of collectivist societies emphasize goals, needs, and the views of the in-group over those of the individual; the social norms of the in-group are favored over individual pleasure and shared in-group beliefs over unique individual beliefs (de Mooij, 2005, p. 62). People from individualistic cultures tend to believe there are universal values that should be shared by all. In high individualist cultures the tax burden should be equally and consistently applied which would lead to higher tax moral and lower tax evasion.

The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among its members. It has to do with whether people's self-image is defined in terms of "I" or "We". In Individualist societies people are supposed to look after themselves and their direct family only. In Collectivist society's people belong to 'in groups' that take care of them in exchange for loyalty. A low score of 35 in this dimension means that Sri Lanka is considered a collectivistic society. This is evident in a close, long-term commitment to the member 'group', be that a family, extended family, or extended relationships. Loyalty in a collectivist culture is paramount and overrides most other societal rules and regulations. The society fosters strong relationships where everyone takes responsibility for fellow members of their group. In collectivist societies: offence leads to shame and the loss of face, employer/employee relationships are perceived in moral terms (like a family link), hiring and promotion decisions take account of the employee's in-group and management is the management of groups.

Uncertainty Avoidance Low values indicate lower uncertainty avoidance and higher values indicate high uncertainty avoidance. Power Distance Low values indicate lower power distance and higher values indicate high power distance. Individualism Low values indicate greater collectivism and higher values indicate greater individualism. Masculinity Low values indicate greater feminism and higher values indicate greater masculinity.

Moral dimension to tax

The management of tax, and indeed the public finances as a whole enables a society to express its ethics and the common good. Indeed the public finances as a whole, enables a society to express its ethics and the common good. This makes it a profoundly moral issue, not just a question of financial practices. So it is no surprise that a nerve was hit when, on 12 November 2013, in a UK Parliamentary

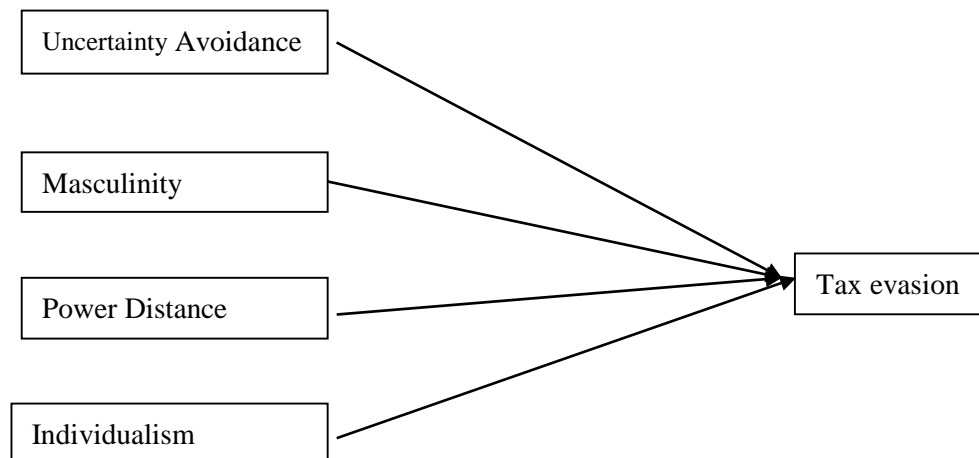
hearing on tax avoidance, Margaret Hodge (Chair of the Public Accounts Committee) told Google's vice president for Europe, "We're not accusing you of being illegal, we're accusing you of being immoral." Paying tax is often portrayed as a negative thing, yet tax is the life blood of successful democracies. Tax is at the heart of the way people and the state interact with each other, and a fundamental way in which we can promote a more equal society. It oils the wheels, generates the funds necessary for the state to provide for many of the population's fundamental human rights. Progressive taxation is one of the ways in which a society can share the burdens, duties and responsibilities to provide for the resources for the common good.

Tax evasion

Tax evasion is an illegal practice where a person, organization or corporation intentionally avoids paying his true tax liability. Those caught evading taxes are generally subject to criminal charges and substantial penalties. To willfully fail to pay taxes is a federal offense under the Internal Revenue tax code. When determining if the act of failure to pay was intentional, a variety of factors will be considered.

Conceptual Model

Based on the literature review carried out the following conceptual model, That distinguishes the relationship between culture and tax evasion.



Research Hypothesis

Based on the conceptual framework developed the following hypotheses were derived. However, in lower uncertainty avoidance countries individuals are more trustworthy about how their tax revenue will be used by the government leading to less reason for tax evasion. (William.2016) As a result the following hypotheses are proposed:

H1. Higher uncertainty avoidance countries will have higher levels of tax evasion.

Masculine countries tend to focus on punishment rather than leniency and take greater pride in following rules. (William.2016) As a result, the following hypotheses are proposed: **H2.** Higher masculinity countries will have lower levels of tax evasion

This creates are higher perceived level of unfairness in the tax system of high power distance countries and leads to an increased incentive to evade taxes. (William.2016) As a result the following hypotheses are proposed:

H3. Higher power distance countries will have higher levels of tax evasion.

Since all tax laws may be viewed differently depending upon in-group affiliation, collectivist cultures view the tax system as unfair and taxpayers do not comply with tax law (Richardson, 2008, p. 69).

This leads to the following hypothesis:

H4. Higher individualist countries will have lower levels of tax evasion.

Methodology

Introduction

This chapter presents the methodology of how to conduct the research. In here this chapter consists with the research approach, population and sample, data collection, and testing strategy.

Research Approach

The relevance of hypotheses to the study is the main distinctive point between deductive and inductive approaches. In this research the deductive approach tests the validity of assumptions (or theories/hypotheses) in hand. One questionnaire was used to collect data as the research instrument to collect data as it is the best and powerful tool for acquiring data. More than twelve indicators were chosen out of which four indicators were related to cultural effect.

Population and Study Sample

Total number of tax payers can be identified as population normally it can be identified as 690405.

Reliability of the sample is complimentary with its level of accuracy. Having stated under the ‘ accuracy ‘ the sample were chosen at full random basis and using two stage stratified – random sampling method to select the elementary units so as giving equal chance to every and each element of the sampling frame to be selected to the sample.

Table 01 - Number of Taxpayers and Tax Files as at 31.12.2015		
Income Tax		
<u>Corporate</u>		
Resident Companies	45,295	
Non Resident Companies	1,778	
State Corporations, Statutory Boards and State owned institutions	81	47,154
<u>Non Corporate</u>		
Individuals	135,170	
Partnerships	11,439	
Bodies of persons etc.	1,730	
Employees paying income tax under Pay-As-You-Earn (PAYE) Scheme (as at 31.03.2015)*	426,496	574,835
Total Income Taxpayers		621,989
<u>Other Taxpayers</u>		
Persons and Partnerships registered for Economic Service Charges (ESC)	4,024	
Persons registered for Value Added Tax (VAT)	15,696	
Persons registered for Value Added Tax on Financial Services	229	
Persons registered for Nation Building Tax (NBT)	21,627	
Persons registered for Nation Building Tax on Financial Services	229	
Betting Levy Files	622	
Gaming Levy Files	5	
Total other Taxpayers		42,432
Employers registered under PAYE Scheme**	13,749	
Withholding Tax on Interest (Withholding Agents)***	3,424	
Withholding Tax on Specified fees (Regular Monthly Schedules Senders)	84	
Construction Industry Guarantee Fund Levy	334	
Stamp Duty (Regular Monthly Schedules Senders)	8,393	25,984
Total Number of Tax Files/ Taxpayers as at 31.12.2015		690,405

* Include 143,178 Government Employees

** Include 1,337 Government Institutions

This research was a survey involving individual taxpayers' in Colombo city in western province of Sri Lanka. This enabled generalization of the research findings on how taxpayers' positive attitudes influence for individual taxpayers in Colombo city. The population of the study included individual taxpayers' who are registered in Colombo city regional office. The sample size was 75 individuals.

Data Collection

Researcher used two types of data for this study such as primary data and secondary data. Primary data were gathered from tax payers in Colombo district through those questionnaires. These questions were used to measure tax evasion and cultural factors as relationship between culture and tax evasion. Reliability of the findings partly but not fully depends on the research tool. ie questionnaire. The questionnaires were structured on the on the basis of indicators, which had been derived from the research model. Therefore enable to categorize into four as highly influential, influential moderate, influential and negatively to gauge the level of importance to which the impact of each factor.

The secondary data were obtained through the government publication, exit interview details and another record. And also the internet website used for get the relevant information for the study.

Therefore, secondary data from deferent sources like that books, journal and article.

Testing strategy

This data was collecting using structured questionnaire, which was delivery direct to individual taxpayers' collecting within two weeks. Lickret scale comprising of 5 responses was used with Matrix questions. SPSS software is using by this study for data analysis which is using by this study for data analysis which is quantitative method. This is a descriptive research but applied to quantitative method for the data analysis through the SPSS software. It helps to identify relationship between culture and Tax evasion. In addition, it helps to take a decision and study conclusion. The researcher distributed more than twelve questionnaires among individual taxpayers in Colombo district. According to questionnaire details researcher could take a decisions and could be given study conclusion through the research findings and analysis data.

PRESENTATION OF EMPERICAL DATA ANALYSIS

Introduction

This chapter elaborates the views of the tax payers of Colombo district. Fifteen questions were used to collect data as the research instrument. Human views wish to measure using statistical techniques. The researcher identified the impact of social culture on tax evasion according to research questions.

There are Fifteen questions in to research questionnaire and it helps to analysis part of the research. Independent variable of this study is social culture dependent variable is tax evasion. Research territory can be identifying as Colombo district in Sri Lanka. SPSS software is using by this study for data analysis which is using by this study for data analysis which is quantitative method. This is a descriptive research but applied to quantitative method for the data analysis through the SPSS software.

Validity of the questionnaire

According to Wainer and Braun (1998) cited that Goalshani (2003) describe the validity in quantitative research as “construct validity”. The construct is the initial concept, notion, question or hypothesis that determines which data is to be gathered and how it is to be gathered.

Reliability of the questionnaire

Joppe (2000) defines reliability as, the extent to which result are consistent overtime and an accurate representation of the total population understudy is referred to as reliability and if the results of a study can be reproduced under a similar methodology. Then the research instrument is considered to be reliable. Cronbach’s alpha value has been used to measure reliability of the questionnaire. It should be similar or greater than 0.7 alpha value. (Golafshani,N, 2003)

The aim of this research is to identify the Impact of social culture on tax evasion. The research approach used was a “deductive approach”. The study is based on both secondary and primary data. The secondary data were collected from reputed journals and text books and research articles referring to social culture on tax evasion. The primary data were collected through a survey research to investigate the responses from the selected sample. The survey was conducted through a structured self administrated questionnaire presented to the selected sample. A reliability analysis (Cronbach’s Alpha) was used to test the reliability of the considered four dimensions of social culture.

Table 01 Power distance

Cronbach's Alpha	N of Items
.861	3

Source: self-survey

The reliability analysis revealed that the alpha coefficient of the four dimensions as 0.861 for Power distance.

Table 02 Masculinity-femininity

Cronbach's Alpha	N of Items
.882	3

Source: self-survey

The reliability analysis revealed that the alpha coefficient of the four dimensions as 0.882 for Masculinity-femininity.

Table 03 Individualism-collectivism

Cronbach's Alpha	N of Items
.951	2

Source: self-survey

The reliability analysis revealed that the alpha coefficient of the four dimensions as 0.951 for Individualism-collectivism.

Table 04 Uncertainty avoidance

Cronbach's Alpha	N of Items
.777	2

Source: self-survey

The reliability analysis revealed that the alpha coefficient of the four dimensions as 0.777 for Uncertainty avoidance

Table 05 Tax evasion

Cronbach's Alpha	N of Items
.934	6

Source: self-survey

The reliability analysis revealed that the alpha coefficient of the four dimensions as 0.934 for Tax evasion. This all are exceeded the minimum coefficient suggested by Nunnally (1967). It has used the simple random sampling and the sample size was 100 Sample consist of 100 tax payers in Colombo district in Sri Lanka.

Result

One questionnaire was used to collect data as the research instrument to collect data, as it is the best and powerful tool for acquiring data. Fifteen indicators were chosen. Lickert scale was used to convert the views of respondent into numeric (Data). Accordingly means. Medium, mode, standard deviation and variance were used to find the variability of each factor.

Table 6 Power distance

	Payment capacity	More benefits	More privileges
N	100	100	100
Valid			
Missing	0	0	0
Mean	4.66	4.31	4.83
Median	5.00	5.00	5.00
Mode	5.00	5.00	5.00
Std. Deviation	.591	1.051	.382
Variance	.350	1.104	.146

Source: self-survey

72.38 % of the sample was strongly agreed with the statement and the mean value was 4.6. Based on the findings, researchers conclude that Power distance has also had a considerable impact on tax evasion.

Table 7 Masculinity-femininity

	Preferable	value recognition	value promotion
Valid	100	100	100
Missing	0	0	0
Mean	4.89	4.74	4.77
Median	5.00	5.00	5.00
Mode	5	5	5
Std. Deviation	.323	.611	.426
Variance	.104	.373	.182

Source: self-survey

83.81 % of the sample was strongly agreed with the statement and the mean value was 4.81. Based on the findings, researchers conclude that Masculinity-femininity matters also had a considerable impact on tax evasion.

Table 8 Individualism-collectivism

	Autonomy	Independence	Group success
Valid	100	100	100
Missing	0	0	0
Mean	4.94	4.66	4.89
Median	5.00	5.00	5.00
Mode	5.00	5.00	5.00
Std. Deviation	.236	.765	.323
Variance	.055	.585	.104

Source: self-survey

76.19 % of the sample was strongly agreed with the statement and the mean value was 4.61. Based on the findings, researchers conclude that Individualism-collectivism has a considerable impact on tax evasion.

Table 9 Uncertainty avoidance

		Rules and regulations	tax policies	providing opportunities
N	Valid	100	100	100
	Missing	0	0	0
Mean		4.89	4.83	4.60
Median		5.00	5.00	5.00
Mode		5	5	5
Std. Deviation		.323	.382	.604
Variance		.104	.146	.365

Source: self-survey

79.29 % of the sample was strongly agreed with the statement and the mean value was 4.61. Based on the findings, researchers conclude that Uncertainty avoidance has considerable impact on tax evasion.

Table 10 Tax evasion

		Self-reported	experimentally	estimated
N	Valid	100	100	100
	Missing	0	0	0
Mean		4.83	4.89	4.80
Median		5.00	5.00	5.00
Mode		5	5	5
Std. Deviation		.707	.323	.473
Variance		.499	.104	.224

Source: self-survey

Testing Hypotheses

Hypotheses testing were carried out in order to identify whether there is a significant relationship between elements of social culture on tax evasion. According to the correlation analysis, it was revealed that there is a significant relationship between each selected element of Power distance, Masculinity-femininity, Individualism-collectivism, Uncertainty avoidance. Each relationship was significant and the strength of the relationships was above 0.5 which showed that there is a strong relationship between the independent and the dependent variable. Co-efficient of correlation is used to identify the relationship between social culture and tax evasion.

Table 11 Testing Hypotheses

Hypotheses	Correlation Analysis	Result
There is a significant relationship between Power distance and tax evasion	Coefficient correlation = 0.838 Significance of $p = 0.000$	Accepted – H1
There is a significant relationship between Masculinity-femininity and tax evasion	Coefficient correlation = 0.901 Significance of $p = 0.000$	Accepted – H2
There is a significant relationship between Individualism collectivism and tax evasion	Coefficient correlation = 0.918 Significance of $p = 0.000$	Accepted – H3
There is a significant relationship between Uncertainty avoidance and tax evasion	Coefficient correlation = 0.853 Significance of $p = 0.000$	Accepted – H4
There is a significant relationship between social culture and tax evasion	Coefficient correlation = 0.936 Significance of $p = 0.000$	Accepted – H5

Source: self-survey

There is no (statistical) empirical evidence to reject any hypothesis. Therefore, all hypotheses can be accepted. Thus, evidence support to conclude that social culture and tax evasion. The results revealed the existence of a strong and positive association between social culture and tax evasion. All Hypotheses are accepted, as there is no (statistical) empirical evidence to reject it and therefore conclude that social culture is largely encountered by tax evasion.

CONCLUSION AND RECOMMENDATIONS

Introduction

First part of the present chapter deals with an overview to the research in which research implementations were discussed. The preceding sub sectors of the chapter give a Bird eye view of the nature and the objectives of the study as to enable the researcher to elucidate the findings along with a summary of each of the previous chapter. Chapter summaries are presented here to fulfill the Back drop to the research findings together with considering remarks of the study which encompasses the recommendations of the present research.

Conclusions

The research has important implications on theory and practitioners. The framework provides new insights into the understanding of the Impact of social culture on tax evasion. In a practical context, Tax policy makers can use the findings of this study to see their strengths and weaknesses in their use of the productivity and can improve their performance accordingly. From all of the findings of this study, tax policy makers can identify that Power distance, Masculinity-femininity, Individualismcollectivism, Uncertainty avoidance have an impact on tax evasion.

Researcher does propose to extend the future studies on different social cultural applications, namely persuasive communication theory, and corporate social responsibility practices into social behaviours such as Eco friendly environment, sustainability development which elaborate comprehensive directions to examine social cultural related strategies for tax evasion.

TIMEFRAME

[illegible]

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