

Innovations

Determinants of Tax Evasion: Evidence from Hawassa City Taxpayers

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Abstract

Every citizen is constitutionally required to pay taxes to the government in order for it to meet its commitments in the areas of defense, education, public health, law and justice, infrastructure, et cetera. Taxation is a substantial source of government revenue in the majority of countries. Taxes are also very important to a country's economic progress. Tax evasion refers to any illegal activity undertaken by taxpayers in order to avoid paying taxes. The purpose of this research is a thorough investigation of the determinants of tax evasion in the case of Hawassa city taxpayers. The current study collected data from 300 respondents using structured questionnaires. The garnered data has been analyzed using various statistical approaches, such as percentages, correlations, and regression analysis. The empirical results reveal many factors that force taxpayers to avoid tax payments, including but not limited to age, perceived roles of governments, complexity of tax systems, income level, gender, education and probability of detection. As a result, it was established that tax evasion had substantially lowered revenues for the government in the city in particular and Ethiopia in general. Based on the evaluations made above, proposals for policy were made to reduce instances of tax evasion.

Keywords: Determinants, Tax Evasion, Regression, Hawassa

Introduction

Since lower public income resulting from noncompliance with tax laws can seriously hinder economic development, tax evasion is a major issue for nations (Picur and Riahi-Belkaoui, 2006). In order to implement reforms and lessen the negative effects of this phenomenon, it is crucial for policymakers to determine the reasons underlying tax evasion.

Countries in the developing world lack the infrastructure necessary to collect enough tax revenue from their citizens. For a variety of reasons, the anticipated revenue cannot be increased. Tax evasion, a lack of understanding among taxpayers, and citizens who are not dedicated to paying the appropriate amount of tax for their countries are among the factors contributing to the possible inefficiency of the tax system (Fagbemi et al., 2010). This is mostly unchanged in the modern world because people now pay taxes to their governments. Tax evasion and avoidance have become the primary goals of taxpayers as the world has changed, pushing tax compliance to the sidelines. Tax evasion is the use of illegal methods to lower one's tax obligation, whereas tax avoidance is the use of legal methods to lower that obligation (Alleyne & Harris, 2017). Countries and international organizations have been working to combat unfavorable tax-related phenomena, such as tax evasion or tax fraud, because they pose a risk to society (Saxunova and Szarkova, 2018).

Tax evasion practices are worse in developing countries than in developed countries. Tax evasion is like a pandemic for countries because they are unable to control it. Therefore, governments were negatively affected by tax evasion to improve the life standard of their citizens and to allocate a budget for public expenditure, and it became a disease for the country's economy and estimated to cost 20% of income tax revenue (Ameyaw et al., 2015; degl'Innocenti & Rablen, 2019; Palil et al., 2016).

Several factors may lead taxpayers to engage in tax evasion. Among the factors, tax knowledge, tax morale, tax system, tax fairness, compliance cost, attitudes toward the behavior, subjective norms, perceived behavioral control, and moral obligation are major factors (Alleyne & Harris, 2017; Rantelangi & Majid, 2018). Other factors have also had a significant effect on taxpayers willingness to engage in tax evasion practices, such as capital intensity, leverage, fiscal loss, compensation, profitability, contextual tax awareness, interest rate, inflation, average tax rate, gender, and ethical tax awareness on tax evasion (Annan et al., 2014; AlAdham et al., 2016; Putra et al., 2018).

Literature Review

Taxes

The government levies taxes on businesses, governmental entities, and individuals without quid pro quo. Taxes can be divided into two categories: Direct taxes are those taxes whose impact (immediate burden) and incidence (ultimate burden) fall on the same or a single person, and indirect taxes are those taxes whose impact (immediate burden) and incidence (ultimate burden) fall on different persons (taxpayers) (Tesfaye, 2014).

Tax Evasion

According to Edwin (2007), tax evasion is the deliberate attempt made by individuals, business entities, trusts, and other institutions to illegitimately avoid their tax payments and to report the true and fair worth of their revenues through evasion. Tax evasion is defined as an outright disdain for the law or as conduct that directly infringes on tax rules, social conventions, and ethical principles in an effort to avoid paying taxes. Tax evasion is evidently occurring when income is purposefully underreported and tax deductions are excessively claimed. (J. F. Adebisi and D. O. Gbegi, 2013) (2006) Soyode, L., and S.O. Kajola defined tax evasion as the deliberate and planned practice of hiding all taxable revenue. If the tax rate owed by a taxable person is not paid after the minimal time frame, it is against the law. (2010) Fagbemi et al. Tax evasion is clearly demonstrated when people reduce, make, or declare misleading statements about their revenue tax obligations by taking advantage of flaws in the tax rules and regulations. Tax evasion typically involves taxpayers consciously misrepresenting or hiding the true position of their affairs from the relevant tax authorities to ease their tax burden. However, tax evasion can be classified as either full evasion or partial evasion (Fakile, A.S., and Adegbe, F. F., 20–11). Partial evasion occurs when an individual or corporate entity understates its earnings for the purpose of tax and declares low income. Full evasion occurs when a person or corporate entity qualifies to pay tax but fails to register with the tax authorities to enroll in the tax system. This act comprises, in specific, fraudulent tax reporting like declaring less earnings and overstressing deductions. In the face of the law, tax evasion is a crime and subject to execution by way of fine, imprisonment, or even both in many countries around the world. Tax evasion represents illegal practices by taxpayers to escape their civic responsibility, which is enforced by the law and generally accepted by society or the nation. Due to this situation, the taxable income and other tax activities are being concealed, the amount or sources of income are misrepresented, and the reduction, relief, or exemption is intentionally overstated. (Chiumya, 2006)

The reason for tax evasion

For the purpose of effectively addressing the problem of tax evasion, it is essential to comprehend some of the factors that affect whether someone chooses to pay taxes or not. The study attempts to pinpoint the key determinants that influence tax evasions in the following section.

Low tax morale

High levels of tax compliance are the outcome of social norms that encourage self-enforcing compliance. Taxpayers have a responsibility to support the tax authorities by paying a fair amount of tax without the need for outside enforcement. It is an innate reason why people pay taxes (Sadjiarto et al., 2020). Low tax morals among taxpayers lead to negligence in making tax payments and tax evasion (Alm & Torgler, 2006; Frey & Oberholzer-Gee, 1997; Torgler et al., 2008). However, it is challenging to gauge tax morale. It is challenging to build a tax culture, particularly in nations where paying taxes is not deeply ingrained into the national 'culture' and habit. The following variables affect the taxpayer's "willingness to pay."

Weak Enforcement of Tax Laws

There are a number of situations that prevent tax administrations from carrying out their duties efficiently, which raises the risk of tax evasion. Low levels of tax law enforcement are caused by deficiencies in tax collection systems as well as the inability of tax administrations to identify and pursue tax offenders. Transparency in government actions encourages citizen mistrust. As a result, residents could elect to avoid paying their fair share of taxes instead of supporting the government. The following variables affect how tax regulations are enforced:

Weak Capacity for Detecting and Prosecuting Inappropriate Tax Practices

The identification and prosecution of tax fraud cases depend on a well-functioning tax investigation authority. A taxpayer's decision to avoid taxes is influenced by the tax administration's insufficient capabilities because they lessen the likelihood of detection. In addition, a crucial condition for any enforcement operation is the legal system. For instance, the degree of tax compliance directly affects the quantity and type of fines assessed when evasion has been discovered (Fishlow and Friedman, 1994). Finally, because tax rules frequently change, particularly in emerging nations, there is volatility and little transparency in the tax system. As a result, both tax administrators and taxpayers are confused by the complex tax legislation and continual modifications to the tax system. As a result, there are several opportunities to evade paying taxes (Mo, 2003).

Age, Sex, and Marital Status

Torgler (2011) came to the conclusion that sex and age were the real causes of tax evasion. As a result, it was discovered that older and female people often have higher tax morale than younger, male, employed, and self-employed people. Furthermore, Richardson (2006) and Feinstein (1991) both agreed that tax payers' ages have an impact on whether or not they evade taxes, and their research indicates that younger taxpayers are more likely to do so because they are less fearful of the penalties and fines that would result from the fraudulent act. According to Feinstein (1991), married people are more likely than single people to not avoid taxes because they are more concerned with how they are perceived in society.

Level of Income

Low- and high-income taxpayers tend to evade taxes more than middle-class taxpayers, according to studies like those by Jackson and Milleron (1986). However, it is also true that if the tax system is progressive, individuals with high incomes will avoid it.

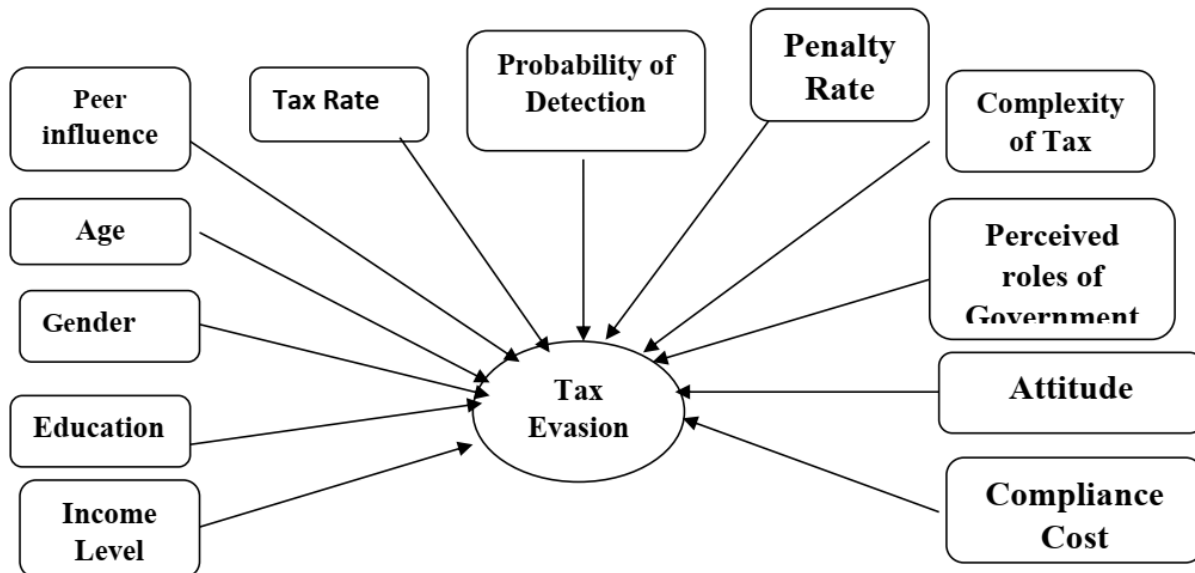
Complex Tax System and Misuse of Taxes

According to Jackson and Milleron (1986), the complexity and continuous evolution of the tax system have been responsible for an upsurge in taxpayers who do not pay their taxes. The multiple forms that must be filled out in order to pay taxes deter taxpayers from submitting, which raises the rate of tax non-compliance. According to Andreoni et al. (1998), tax fraud is another factor that discourages taxpayers from complying. As a result, since taxes are not used for the benefit and welfare of society, people would be more inclined to refuse to pay taxes.

High tax rate and no strict penalty

According to Slemrod's 2007 study, people are less likely to pay taxes when the marginal tax rate is greater. Tax evasion is increased when import tariffs are raised, according to a study by Sousa et al. (2008) that examined the relationship between the two. The motivation for tax evasion would depend on the benefit and loss the taxpayer would experience if he were to be discovered, according to Allingham and Sandmon (1972). However, Siqueira and Ramos (2006) noted that "an increase of the marginal aliquot reduces tax evasion and, in addition, that an increase of the probability of detection and of penalty fee also leads to a reduction of tax evasion."

Fig 1. Conceptual Framework



Researcher Own Construction (2023)

Methods:

Research Design

Explanatory research design is used to investigate and report relationships among various aspects of the phenomenon under study. Since this study also tested the effect of various factors on tax evasion an explanatory research design is suitable, as it looks for cause-and-effect relationships among variables and provides evidence to support or refute an explanation or prediction.

Population, Sample Size, and Sampling Technique

The population of the study is defined to be as a business taxpayers and employees of tax revenue officers. The study only include 4 sub-cities (Menaharia, Tabor, Addis Ketema and Bahiladarash) from 8(eight) sub cities by considering factors like, cost, time, accuracy of data and its management, Stratified random sampling technique will be used. For the study out of the total business tax payers (of all categories tax payers) only 369 will be selected using Yamane Formula

$$n = \frac{N}{1 + N(e^2)} = \frac{4824}{1 + 4824(0.05^2)} = 369$$

Sources of Data and Data Collection Techniques

Primary data was used in the present inquiry. A structured questionnaire will be used to capture the main data. Only closed-ended items were included in the survey. Due to their popularity, closed-ended questions are simpler to analyze and take less time for respondents to complete. The majority of the closed-ended questions were constructed using a Likert-type scale, which has five possible responses: 1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree), and 5 ("strongly agree").

Data Analysis

The relationship between tax evasion and its determining variables was examined using the multiple linear regression data analysis approach. Additionally, descriptive statistics that make use of the mean, maximum, minimum, and standard deviations were employed to quantitatively define the key characteristics of the variables. In order to determine the connection between the dependent and explanatory variables, correlation analysis was also used. The analysis of secondary data was conducted using STATA version 15 econometric software, and the outcomes were displayed in tables.

Results and Discussions

According to the results of the survey, out of 369 questionnaires distributed to tax payers in the four sub-cities of Hawassa, 300 were collected returned filled successfully

4.1 Correlation Analysis

According to Gujarati (2004) the objective of correlation analysis is to measure the degree of linear association among two variables. However, correlations do not indicates whether there is a causal relationship between variables, this is because of the fact that variables that are not theoretically related and have no causal effect

may reveal significant relationship with one another. In this study Pearson correlation analysis was employed to know the degree of correlation among variables (dependent variable and explanatory variables) and the degree of correlation among independent variables as well. The following table is used to show correlation of independent variables with dependent variable

Table 4.1. Correlation Analysis

	TE	TR	IL	PD	PR	CTS	PRG	AT	PI	Age	Gen	Edu	CC
TE	1.0000												
TR	0.2602	1.0000											
IL	0.2675	0.2086	1.0000										
PD	0.3243	0.2250	0.2452	1.0000									
PR	0.3729	0.1225	0.0283	0.2222	1.0000								
CTS	0.4618	0.2277	0.0854	0.1783	0.1781	1.0000							
PRG	0.4555	0.0630	-0.0656	0.1587	0.3486	0.3864	1.0000						
AT	0.4123	0.0767	-0.1030	0.1156	0.2711	0.3512	0.3854	1.0000					
PI	0.4424	-0.0111	0.1421	0.1506	0.2069	0.3126	0.3013	0.3148	1.0000				
Age	0.3650	0.0027	0.1615	-0.0345	0.0842	0.0895	0.1016	0.1301	0.3378	1.0000			
Gen	0.4491	0.0974	0.0300	-0.0315	0.0477	0.1379	0.1718	0.2802	0.2030	0.1493	1.0000		
Edu	0.3050	0.1080	0.0369	0.0978	0.1507	0.2297	0.1481	0.2234	0.0481	-0.0836	0.1443	1.0000	
CC	-0.0152	0.0413	0.0447	-0.0582	0.0168	0.0967	0.0095	-0.0091	0.0180	0.0537	-0.0021	-0.0080	1.0000

Stata 15 output , 2023

As Brooks (2008) noted that, “the correlation between two variables measures the degree of linear association between them.” (p. 28). In addition Brooks (2008) noted that, “correlation coefficient must lie between -1 and +1 by definition.” (p. 108). As shown table 4.1 above, the correlation matrix for dependent and independent variables that has a positive and close to 0 correlation coefficient with tax rate, income level, probability of detection, penalty rate, complexity of tax system, perceived role of government, attitude of tax evasion, peer influence on tax evasion, age, gender and education respectively. Therefore, it indicates that each variable are mutually interdependent among each other as shown in the conceptual framework of chapter two of this study.

4.5 Assumption of Classical Linear Regression Model

As discussed in detail under the methodology part of chapter three, multiple linear regression model is the most reliable model that is widely used by different scholars in the literature world, as a result, this study was also employed multiple linear regression data analysis technique to achieve the stated objective and to test hypothesis of the study. However, before using multiple linear regression or ordinary least square (OLS) estimator to analyze the results, tests should be made on the assumptions of classical linear regression model (CLR). To ensure whether the data suits the basic assumptions of the classical linear regression model the following test have been conducted, those are heteroskedasticity test, multicollinearity test, autocorrelation test, normality test, etc. Each of them are discussed below in detail:

Assumption One: The Error have Zero Mean (E (ε) =0)

Brooks(2008) documented that if the constant term is included in the regression equation, this assumption will be not be violated. In this study the constant term was included in the regression equation or model. Since the constant term (i.e.α) was included as a part of the regression equation this assumption was not violated, that means the error term have zero mean. Overall, the average value of the error term is zero in this study.

Assumption two: homoscedasticity (variance of the errors term is constant

According to this assumption the variance of the error term should constant, this is known as the Assumption of homoscedasticity. If there is errors that do not have a constant variance, this assumption will be

violated and they are said to be heteroscedasticity or the violation of this assumption is called heteroscedasticity (Brooks 2008). Heteroscedasticity test is help us to identify either the error terms are Homoscedastic or Heteroskedasticity (Brook, 2008) if the probability test statistics is excess of 5% then there is no Heteroskedasticity problem in the model.

If **P** value of the test statistic is insignificant (in excess of 5%) it's possible to conclude that there is no evidence for the existence of heteroscedasticity problem in the model. In this study the problem of heteroscedasticity was checked by Breusch-Pagan / Cook-Weisberg test. It tests the null hypothesis that stated variance of error term is constant among all independent variables. According to this tests if **p**- value shows insignificant (**p** > **0.05**), the null hypothesis would be accepted and concluded that the variances of error terms are constant. Contrary to this, if the **p** value is significant (**p** < **0.05**), the null hypothesis would be rejected and we can concluded that there is heteroskedasticity concern in the model

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Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of TE

chi2(1)      =      0.02
Prob > chi2  =      0.8758
    
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Stata 15 Output(2023)

Therefore, the researcher is failed to reject the null hypothesis, because the **p**value of test statistic is highly insignificant. Overall, the test suggests, an absence of heteroskedasticity problem in the model.

Assumption Three: Multicollinearity Test

The other assumption of classical linear regression model that was checked in this study is multicollinearity test. The problem of multicollinearity occurs when the explanatory variables are serially correlated with each other (Brooks, 2008).In any practical world, the correlation between explanatory variables will not expected to be zero, in a sense that a small degree of association between explanatory variables will always be exist. However, the serious collinearity among explanatory variables is not advisable and it shows the existence of serious problem. In this study the degree of multicollinearity among independent variables was measured by variance inflation factors (VIF) recommended in the rule-of - thumb. As par rule, if the values of variance inflation factor (VIF) on each variables is less than 10 and if the values 1 / VIF is greater than 0.1 or 10%, multicollinearity is not a serious problem in the model. As shown below in table 4.2,the individual value of VIF for each explanatory variables are very lower than 10, again the value of 1/VIF are highly greater than 0.10 or 10%.Lastly,cut-off or the meanvalue of variance inflation factor (VIF) isalso significantly lower than 10.So, there is no evidence for the existence of Multicollinearity problem in this data set. Therefore, the researcher is concluded that multicollinearity is not a serious problem in this model.

Table 4.2 Multicollinearity Test

Variable	VIF	1/VIF
AT	1.44	0.695043
PRG	1.43	0.700482
CTS	1.41	0.708266
PI	1.40	0.714711
PR	1.23	0.812499
PD	1.21	0.824528
IL	1.20	0.830822
Age	1.20	0.835760
TR	1.16	0.859384
Gen	1.15	0.869018
Edu	1.13	0.886005
CC	1.02	0.976931
Mean VIF	1.25	

STATA 15 output (2023)

Assumption Four: Autocorrelation Test

According to this assumption the covariance between the error terms over time and cross section could be zero. In other words, it is assumed that the errors are uncorrelated with one another's. This is because the serial correlation of the errors terms causes the standard errors of the coefficients to be smaller than they actually are and higher R-squared (Gujarati, 2004). In this study Breusch-Godfrey LM test for autocorrelation was employed for checking the existence of autocorrelation problem in the model. As we can see below in table 4.3, the **p** value of test static is highly insignificant. Hence, there is no evidence for the existence of autocorrelation problem in the model.

Table 4.3 Autocorrelation Test

Breusch-Godfrey LM test for autocorrelation

lags (p)	chi2	df	Prob > chi2
1	6.420	1	0.1113

H0: no serial correlation

Stata 15 Output (2023)

Assumption Five: Normality Test (Residuals are Normally Distributed)

In this study the assumption for the normality of residuals was tested by using the Shapiro-Wilk test, which is recommended for this type of research. It tests the null hypothesis that stated the residuals are normally distributed. As shown below in table 4.4 the **p**- values of the residual is highly insignificant, therefore the researcher is failed to reject the null hypothesis which states that residuals or the errors are normally distributed.

Table 4.4 Normality Test

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
resid	300	0.96530	7.394	4.696	0.25658

Stata 15 Output (2023)

4.6. Regression Results

To identify the determinants of tax evasions the following linear regression model is developed

$$E = \alpha + \beta_1 TR + \beta_2 PD + \beta_3 PR + \beta_4 CTS + \beta_5 PRG + \beta_6 AT + \beta_7 PI + \beta_8 Ag + \beta_9 Ge + \beta_{10} EDU + \beta_{11} IL + \beta_{12} CC + \varepsilon$$

Table 4.5 Regression Output

Source	SS	df	MS	Number of obs	=	300
Model	56.5223854	12	4.71019878	F(12, 287)	=	44.59
Residual	30.3142813	287	.105624673	Prob > F	=	0.0000
				R-squared	=	0.6509
				Adj R-squared	=	0.6363
Total	86.8366667	299	.290423634	Root MSE	=	.325

TE	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
TR	.0549181	.0253973	2.16	0.031	.0049295 .1049068
IL	.1018102	.0264482	3.85	0.000	.0497533 .1538672
PD	.0986448	.0239009	4.13	0.000	.0516016 .1456881
PR	.106554	.0292654	3.64	0.000	.048952 .164156
CTS	.1050661	.026108	4.02	0.000	.0536786 .1564535
PRG	.0986173	.0239774	4.11	0.000	.0514235 .1458111
AT	.0517678	.0341647	1.52	0.131	-.0154773 .1190129
PI	.071402	.0286699	2.49	0.013	.0149721 .127832
Age	.0928594	.0153173	6.06	0.000	.0627109 .1230078
Gen	.1236212	.0160688	7.69	0.000	.0919937 .1552488
Edu	.0978204	.0243783	4.01	0.000	.0498375 .1458033
CC	-.026851	.0197642	-1.36	0.175	-.0657521 .01205
_cons	.0565952	.1877969	0.30	0.763	-.3130387 .4262292

Stata 15 Output (2023)

Table 4.4 above shows the results of the multiple regressions that assessed how closely the dependent variable and the independent variables were related. Goodness of fit (R2) is "some measure of how well the regression model actually fits the data... answer to the question, how well does the model containing the explanatory variables that was proposed actually explain variations in the dependent variable," according to Brooks (2008). (pp. 106 - 107)

Table: 4.4 demonstrates that the regression summary of the dependent and independent variable and their results showed that all the explanatory variables tax rate (TR), income level (IL), probability of detection (PD), penalty rate (PR), complexity of tax system (CTS), perceived role of government (PRG), attitude of tax evasion (AT), peer influence on tax evasion (PT), age(Age), gender (Gen) and education (Edu) and Compliance Cost (CC) factors) explained the tax evasion (TE) by 65.09% and the remaining 34.91% the model is based on unpredictable, unrelated variables (external factors).

The rule of thumb is discussed in relation to the goodness of fit (R^2) measure by Muijs (2004). According to him, the following rule of thumb can be used to estimate the goodness of fit (R^2) value: 0.1: poor fit, 0.11 to 0.30: modest fit, 0.31 to 0.50: moderate fit, and > 0.50: strong fit. (p. 166)

As a result, the study's goodness of fit (R^2) score of 0.6509, which is higher than 0.50, shows that the model is well-suited to predicting the dependent variable related to tax evasion.

The P-value reveals the proportion or degree of accuracy at which each variable is significant and unimportant. According to table 4.5 findings, all factors—aside from the attitude of tax evasion—are significant at the 95% confidence level, with respective P values of 0.0031,0.0000,0.0000,0.0000,0.0000,0.0000, 0.0130, 0.0000, 0.0000, and 0.0000. The constant value (α) is not significant at 95% confidence interval with P-value 0.7530 in addition to the explanatory factors.

According to table 4.4 when all other variables are maintained constant, Beta (α) weight highlights the effects of each factor by demonstrating how the dependent variable changes for every one unit increase in the explanatory variables. This means that the coefficient indicates, on average, whether the dependent variable is negatively or favorably affected when the independent variable increases by 1 unit.

When all of the independent variables are 0, the regression line intercepts on the y axis, which represents the amount of dependent, are constant and read as 0. The chance of the coefficient in this case, where 0 is -0.0565952, is negligible at 5%. Consequently, the following is the model that was used in this study:

$$E = 0.05659 + 0.06TR + 0.10PD + 0.11PR + 0.11CTS + 0.010PRG + 0.052AT + 0.07PI + 0.09Age + 0.12Gen + 0.010EDU + 0.10IL - 0.03CC + \varepsilon$$

Formulated Hypotheses	Expected Sign	Actual Result	Decision Accept or Reject	Empirical evidences that corroborate the regression result of the current study
The amount of income level has a positive significant relationship with tax evasion.	Positive	Positive	Accept	Yitzhaki (1974), Jackson & Milliron, (1986), Andreoni et al., (1998), Ritsema et al. (2003), Alleyne and Embaye (2007), Slemrod (2007), Marshal (2014), Witte and Woodbury (1983), and Richardson (2006).
Higher tax rate encourages tax evasion positively and significantly	Positive	Positive	Accept	Tanzi, V. (1980), Clotfelter (1983), Whitte et al. (1985), Ali et al. (2001); Park and Hyun (2003), Torgler, (2007) Ameyaw et al., (2016), Robertson et al (2014)
Tax attitude have a positive and significant effect on tax evasion.	Positive	Positive	Accept	Kirchler et al. (2008); Alabede et al. (2011), & Alleyne and Harris (2017)
Age affects tax evasion positively and significantly	Positive	Positive	Accept	Tittle (1980), Clotfelter (1983), Jackson and Miliron (1986), Feinstein (1991) McGee and Tyler (2006)); Chau, G. and Leung, P. (2009) Annan, Betty; Bekoe, William; Nketiah-Amponsah, Edward (2013), Alasfour et al. (2017)
The complexity of the tax system significantly and having positive effect on tax evasion.	Positive	Positive	Accept	Richardson. (2006), Reza and et .al. (2011), & Jayawardane & Low (2017)
Lower probability of detection through audit encourages tax evasion and have a positive significant effect.	Positive	Positive	Accept	Allingham & Sandmo (1972), Yitzhaki (1974), Witte and Woodbury (1985), Beron et al. (1990), Chau and Leung (2009) & Jayawardane & Low (2017),
Males are more tax evader than females.	Positive	Positive	Accept	Spicer and Becker (1980), Tittle (1980), Clotfelter (1983), Jackson and Milliron (1986), Feinstein (1991), Che Rosli et al. (2018)
Lower penalty have significant positive effect on tax evasion.	Positive	Positive	Accept	Allingham & Sandmo (1972); Orviska & Hudson (2002); & Park and Hyun (2003)
Low perceived role of government's influence on	Positive	Positive	Accept	Murphy, K. (2004), Shih-Ying and Mei- Jane. (2005), Kirchler, E. and Hoelzl, E. (2006), Kirchler et al (2007), & Mohd Rizal Palil

taxpayers' compliance and significantly having a positive encouragement in tax evasion.				and Ahmad Fariq Mustapha(2011),
Limited tax knowledge have a positive and significant relationship with tax evasion.	Positive	Positive	Accept	Witte and Woodbury (1985), Jackson & Milliron (1986), Eriksen and Fallan (1996), Chan et al. (2000), Houston and Tran (2001), Richardson (2006), Kirchler et al. (2008), Mariziana et.al (2010), Vousinas (2017).
The influence of the reference groups (that is friends and families) are positively and significantly correlated with tax evasion.	Positive	Positive	Accept	Mason et al. (1975),Chan et al. (2000), Alabedeetal, (2011), Al-Rahamneh, Nayef Mohammad, and Zainol Bidin (2022), Peter, O. I. (2023)
Compliance cost have negative and significant effect on tax evasion	negative	Negative	Accept	Atawodi & Ojeka (2012)

Conclusion and Recommendations

The aim of the study was to identify the causes of tax evasion. The tax rate, income level, likelihood of being discovered, penalties, perceived role of the government, attitude toward tax evasion, peer impact on tax evasion, age, gender, and education were the twelve potential drivers of tax evasion that were examined in this study. In the regression analysis of the dependent and independent variables, every explanatory variable tax rate (TR), income level (IL), probability of detection (PD), penalty rate (PR), complexity of the tax system (CTS), perceived role of government (PRG), peer influence (PI), age (Age), gender (Gen), and education (EDU) affects the tax evasion (TE) positively and significantly at 5% level of significance. Additionally, virtually every explanatory factor for tax evasion was statistically significant, with the exception of compliance cost and attitude toward tax evasion (ATE).

The normality, multicollinearity, heteroscedacity, and autocorrelation of models are examined. The preceding tests are in accordance with the OLS assumption. The study concluded that nearly every criterion specified in the goals had a significant impact on tax evasion as a result.

High tax rates that people see as excessive and unwarranted deter taxpayers. The current tax system must be evaluated by tax authorities and other relevant parties. According to the study's findings, the tax authority should focus more on raising taxpayers understanding of the goal of tax collection, how taxes are calculated, and the purposes for which taxes are used. If taxpayers comprehend all of these ideas as well as others that are connected through awareness and capacity-building initiatives, the negative view of taxes will be eliminated, and tax compliance will grow. The branch office requires a robust and equitable tax assessment system as well as good audit coverage at all levels in order to manage client payments, the correct tax extent at the appropriate time, and the lowest administrative and compliance expenses for the tax office and the customers. A high likelihood of early discovery will also encourage tax compliance and deter tax evasion. It is the responsibility of the tax authority to ensure that fines are applied to tax evaders and made public. This encourages self-reporting and raises taxpayer awareness. To improve tax compliance, tax authorities should take a thorough yet uncomplicated approach. This necessitates that the government draft simple, understandable tax legislation. Because of this, tax laws must be uncomplicated and easy to comprehend, and any intricate loopholes that permit multiple interpretations must be closed. For tax law compliance, the impact of reference groups like friends and family is essential. Promoting personal compliance and teaching society as a whole about the benefits and necessity of voluntary compliance would therefore aid in reducing unfavorable feelings among family and friends. This will ultimately make tax compliance easier.

Suggestion for future study

- Future researchers would be better qualified to conduct the study at the country level, as this one only addresses one city government and employs a small sample size.
- Since this study only considers the viewpoint of taxpayers, additional research will be conducted to examine the tax authority's employee perspective and how the general public thinks about tax evasion.
- Examine additional variables, not included in this study that may influence tax payer's engagement in tax evasion.

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