Tax Knowledge Among University Teachers In Pokhara

Resam Lal Poudel

ABSTRACT

Tax knowledge is the major factor contributing to raise revenue for the country. The objective of this study is to investigate the level of tax knowledge of university teachers. Questionnaire has been administered including five point likert scale classifying different items of tax knowledge from 193 university teachers in Pokhara employing convenience sampling method. The results suggests that tax knowledge has a significant impact, even though the level of tax knowledge varies significantly among respondents. The result indicates that more attention should be given to deliver tax related information in order to increase tax knowledge among university teachers. Relating to tax knowledge, results reveals that there is no significant difference on the basis of marital status, type of college and gender. The results of this study can inform policymakers on the extent to which tax knowledge is important in a self assessment system and in what ways it can affect compliance.

Keywords: Compliance, tax knowledge, tax payers, teachers, universities

Introduction

Two things are certain tax and death. Understanding of tax rules, regulation, tax rate and other dimension are very important for efficient collection of tax which in turns contribute the economy. The fundamental of economy depends on effective tax collection. The issue of tax payers tax knowledge and compliance behavior had received great attention around the world. The level of compliance depends upon basic understanding of tax. A good understanding of taxpayers tax knowledge is important for the tax authority to improve the tax system and consequently encourage taxpayers compliance. Tax knowledge is an important issue for the government for revenue collection in a self-assessment environment (Berhe, 2015). (Hasseldine, Holland, & Rijit, 2009) explains tax knowledge is the level of awareness or sensitivity of the taxpayers to tax legislation. It may be defined as the process in which taxpayers are aware about tax legislation and tax related information. Government of Nepal introduce First National Tax Day on the 16th of November 2012 in order to increase taxpayers knowledge and decrease non compliance issues (Sharma & Duwadi, 2013) . Tax knowledge, tax compliance and taxpayers satisfaction are the major issues governing Nepal's tax system. Government of Nepal has introduced taxation course in college level however it is not a part in the school level education. University teachers are enforced to take E-PAN, however tax knowledge and compliance is a major issue to be addressed. The level of tax awareness among University teachers would encourage them to report their tax obligation properly and fulfill their citizen's responsibility.

The main aim of this research paper is to explore the tax knowledge among University teachers in Pokhara. This paper exhibits the general knowledge of tax rules, regulation, tax

rate, timing and other important elements of tax. Similarly, it also explores the knowledge of E-File and formal tax education courses taken by them. This paper would contribute a lot to Inland Revenue Department (IRD) to understand the level of tax knowledge and launch different programs in order to increase compliance issues. It will contribute future researchers to explore different issues on tax knowledge and tax compliance in Nepal.

Literature Review

Tax knowledge as one of the factors in compliance is correlated to the taxpayers' ability to understand taxation laws, and their willingness to comply. The understanding of tax related matters increases the opportunity to evade tax among taxpayers (Eriksen & Fallan, 1996). Previous studies have shown evidence the general tax knowledge has a very close relationship with taxpayers' ability to understand the laws and regulations of taxation, and their ability to comply with them (Singh, 2003). In line with this, Eriksen and Fallan (1996) appealed that, knowledge about tax law is assumed to be of more importance for preferences and attitudes towards taxation. (Fauziati, Minovia, Muslim, & Narash, 2016) in their study concluded that to improve tax compliance and government revenue, it is very important to improve the taxpayers knowledge Oladi & Obazee (2016) in their study revealed that tax knowledge has a higher tendency to promote tax compliance than tax penalty. There is a direct relationship of tax knowledge and tax compliance, it mean to say that increase in tax knowledge also increase tax compliance among taxpayers. Acquiring tax knowledge would save huge tax consultancy cost.

Tax knowledge is an essential element in a voluntary compliance tax system (Kasipillai, 2000), particularly in determining an accurate tax liability (Palil, 2005). Without tax knowledge, there are higher chances of non compliance among taxpayers to tax law either intentionally or unintentionally. This was supported by (McKerchari, 1995) who studied small business taxpayers. She suggested that small business taxpayers were not even aware of their tax knowledge shortfall and this might lead to non-compliant among taxpayers.. (Schisler, D L, 1995) found that taxpayers had significantly lower fairness perceptions compared to tax preparers. The conclusion might have results due to the absence of tax knowledge among taxpayers compared to tax preparers. Fallan (1999) later confirmed Schisler's (1995) findings that tax knowledge significantly changed attitudes towards the fairness of the tax system. In that experimental study, the author measured tax knowledge through an additive index of 12 questions concerning tax allowances and tax liabilities. Unlike (Fallan, 1999), who simply focused on technical knowledge of tax, an earlier study by Harris (1989) separated tax knowledge into fiscal awareness and technical knowledge, in order to observe the impact of each type of knowledge on fairness perceptions. The findings revealed that types of tax knowledge impacted fairness perceptions and consequently compliance behaviour. This study was supported by (White, 1990), who suggested that a formal class in taxation would enhance the knowledge about the law and appreciation of fiscal policy goals, thus increasing perceived fairness. Despite the evidence that fairness is a multi-dimensional construct, these prior studies tend to focus on the effect of tax knowledge on the overall fairness of the tax system rather than on each dimension of fairness.

The impacts of tax knowledge and tax complexity on fairness perceptions are also examined employing the Theory of Planned Behaviour in Malaysia. The findings revealed that tax knowledge and tax complexity were shown to affect fairness perception among salaried taxpayers. However, there fairness perception has not been seen among those taxpayers (Saad, 2009). Nepal also introduced Self Assessment System of tax payment especially in case income from employment. Many studies had been carried out on tax reform in Nepal and limited study on tax compliance. However, tax knowledge specially in case of university teachers is a new topic for discussion. This study about taxpayers knowledge among University teachers is a virgin topic for discussion in Nepalese taxation research.

Data and Methods

The study is based on tax knowledge of tax payers specifically teachers working in different universities in Pokhara. A survey has been undertaken to determine the effect of tax knowledge. Hence, the study followed descriptive research design. Five items of five points Likert scale drawn under tax knowledge are included in the questionnaire. Five point likert scales was employed ranging from 1 to 5 indicating 1 as strongly disagree and 5 as strongly disagree. A part from Likert questionnaire, it consist of questionnaire on E-File return and formal taxation course which also measures the level of tax knowledge. The research was conducted in different colleges affiliated to different universities located in Pokhara Valley. Study also focuses on tax administration, especially IRD. University teachers are the main focus of the research. However, Pokhara University constituent colleges are also included in the study even though it lies in Lekhnath.

In view of the researcher's incapability to reach out to the entire population in the region, and in order to gain the advantage of an in-depth study and effective coverage, samples are drawn using convenience sampling techniques from the total populations of teachers from different colleges in Pokhara. The sample size consist of 200 teachers in Pokhara, however 7 sets were eliminated and only 193 sets were processed for research use. A structured questionnaire had been used to collect primary data regarding taxpayer view on tax knowledge. Descriptive statistics were employed for studying the demographic variables of the respondents. Mean, standard deviation, Chi-square of association was used. Similarly independent sample T-Test was also used for testing the hypotheses. Simple table and figures are used for clear presentation of output. The data collected were analyzed through different software's like SPSS, Eviews etc. Cronobach Alpha of 0.852 measuring 5 items of tax knowledge shows the reliability of the questionnaire. Similarly in order to test the reliability of the questionnaire a pilot testing was conducted among the teachers of School of Business, Pokhara University.

Discussion and Analysis

Descriptive Statistics of Tax Knowledge

Tax knowledge among taxpayers is important to determine tax compliance behaviour. In this study, mainly five items are presented to identify the tax knowledge of respondents. Specially it focus on how much the taxpayers are aware of tax system and interpretation of tax regulation. The detail of tax knowledge has been presented in table 1.

Table 1: Descriptive Statistics of Tax Knowledge

Items of Tax Knowledge	n	min	max	mean	sd
I understand the tax system of Nepal	193	1	5	3.38	1.009
I am aware of most tax laws and guidelines about taxation of incomes	193	1	5	3.30	0.975
I understand most of the laws and regulation relating to income tax	193	1	5	3.21	1.151
I am able to interpret taxation laws when computing taxes	193	1	5	3.19	1.224
I know all what is required from me in respect of my employment tax obligation	193	1	5	3.22	1.172

Source: Field Survey 2016/2017

Table1 depicts the mean score of tax knowledge among the respondents. All the items of tax knowledge has mean score of more than 3 which indicates that university teachers do have knowledge about tax system and tax laws. However, means score of 3.38 with respect to the tax system understood by respondents is an important factor. The respondent's agreement with the interpretation of taxation laws while computing taxes was the lowest with the mean score of 3.19. It indicates that university teachers find it difficult to interpret tax laws while computing tax.

Chi-Square Test of Association

Chi-square test of association has been presented to examine whether or not there is any association between gender, marital status, type of college on knowledge of E-File return and formal taxation course taken by the respondents. These associations are presented in different tables.

Table 2: Association between Gender and Knowledge of E-File

		Male	*Female*	*Total*
		37	12	49
	Yes	25.50%	25%	25.40%
		108	36	144
Do you happen to know about E-File	*No*	74.50%	75%	74.60 %
Chi-Square				0.05
Sig				0.943
Cramer's V				0.094

Source: Field Survey 2016/2017

Table 2 depicts the cross tabulation of gender and knowledge of E-file return and their association. The chi-square of 0.05 and Cramer's V of 0.094 and significance value of 0.943 shows weak association among the variables. It indicates that there is no association between

gender and knowledge of E-file as the chi square is not statistically significant. It indicates that knowing about E-file does not depend on gender, the taxpayer belongs to.

*T*able 3: Association between Marital Status and Knowledge of E-File

		Single	Married	Total
	Yes	3 12.00%	46 27.40%	49 25.40%
Do you happen to know about E-File	No	22 88.00%	122 72.60%	144 74.60%
Chi-Square				2.718
Sig				0.099
Cramer's V				0.119

Source: Field Survey 2016/2017

Table 3 depicts the cross tabulation of marital status and knowledge of E-file return and their association. Most of the respondents, both from single (88%) and married (72.60%) category do not have knowledge of E-file return. However, the chi-square of 2.718 and Cramer's V of 0.119 and significance value of 0.099 shows association among the variables. It indicates that there is some association between marital status and knowledge of E-file as the chi square is statistically significant at 10 % level of significance. It indicates that knowledge about E-file somewhat depends upon taxpayers marital status.

Table 4: Association between Type of College and Knowledge of E-File

		Constituent	Affiliated-Public	Affiliated-Private	Total
	Yes	23 19.70%	16 37.20%	10 30.30	49 25.40
Do you happen to know about E-File	No	94 80.30%	27 62.80%	23 69.70%	144 74.60%
Chi-Square					0.283
Sig					0.868
Cramer's V					0.038

Source: Field Survey 2016/2017

Table 4 depicts the cross tabulation of respondents involvement in college and knowledge of E-file return and their association. The chi-square of 0.283 and Cramer's V of 0.038 and significance value of 0.868 shows weak association among the variables. It indicates that there is no association between types of college they are involved and knowledge of E-file as the chi square is not statistically significant.

Table 5 Association between Gender and Formal Taxation Course

		Male	Female	Total
		31	11	42
	Yes	21.40%	22.90%	21.80%
Have you attended any formal		114	37	151
taxation course	No	78.60%	77.10%	78.20%
Chi-Square				0.050
Sig				0.823
Cramer's V				0.016

Source: Field Survey 2016/2017

Table 5 depicts the cross tabulation of gender and formal course attended by them. Most of the respondents, both from male (78.60%) and female (77.10%) hadn't taken formal taxation course. The chi-square of 0.050 and Cramer's V of 0.0196 and significance value of 0.099 shows weak association among the variables. It indicates that there is no association between gender and formal course attended by them as the chi square is statistically insignificant. It indicates that gender does not play any role to take part in the formal taxation course.

Table 6 Association between Marital Status and Formal Taxation Course

		Single	Married	Total
		8	34	42
	Yes	32.00%	20.20%	21.80%
Have you attended any formal taxation		17	134	151
course	No	68.00%	79.80%	78.20%
Chi-Square				1.768
Sig				0.184
Cramer's V				0.096

Source: Field Survey 2016/2017

Table 6 shows the cross tabulation of marital status and formal taxation course taken by respondents and their association. Most of the respondents, both from single (68%) and married (79.80%) category have not taken formal taxation course. However, the chi-square of 1.768 and Cramer's V of 0.184 and significance value of 0.096 shows some association among the variables. It indicates that there is some association between marital status and knowledge of E-file as the chi square is statistically significant at 10 % level of significance. It indicates whether or not to formal taxation course, somewhat depends upon taxpayers marital status. Single prefer to take more formal taxation courses.

Table 7: Association between Type of College and Formal Taxation Course

		Constituent	Affiliated-Public	Affiliated-Private	Total
Have you attended any formal taxation course	Yes	24 20.50%	10 23.30%	8 24.20%	42 21.80%
	No	93 79.50%	33 76.70%	25 75.80%	151 78.20%
Chi-Square					0.283
Sig					0.868
Cramer's V					0.038

Source: Field Survey 2016/2017

Table 7 depicts the cross tabulation of respondents involvement in college and formal taxation course taken and their association. The chi-square of 0.283 and Cramer's V of 0.038 and significance value of 0.868 shows weak association among the variables. It indicates that there is no association between types of college they are involved and formal taxation course taken as the chi square is not statistically significant. This finding is almost uniform with the findings with E-fie return.

Table 8: Independent Sample T-Test of Tax Knowledge

Items	Gender and Marital Status	Average Score	t-stat	sig
Tax Knowledge	Male	3.3255	1.708*	0.089
	Female	3.0708		
Tax Knowledge	Single	3.128	-0.798	0.426
	Married	3.2821		

*Indicate the coefficient is significant at 10 % level of significance
Source: Field Survey 2016/2017

Table 8 shows the mean score as per gender and marital status on tax knowledge. The data reveals that tax knowledge is significant at 10 % level of significance which indicates that there is some difference in male and female perception towards tax knowledge. It shows that University male teachers seems to have more knowledge of tax system in Pokhara. However, it revealed that there is no significant difference among unmarried and married taxpayer according to the level of tax knowledge.

Key Results

- The mean scores across the items of tax knowledge is more than 3, which reflects that most of the respondents believe that they do have knowledge of tax rate, tax laws and system of Nepal.The mean score of 3.19 indicating the difficulty in interpreting taxation laws while computing taxes

- The chi square and Cramer's value is not significant at 1 % level of significance regarding the knowledge of E-File indicating that knowledge of E-File return does not depend on the gender of respondents. However most of them are unknown about E-File return.
- The study reveals that there is no association between gender, marital status and type of colleges and formal taxation course taken. Most of the teachers haven't taken formal taxation course.
- The chi square is significant at 10 % level of significance regarding the association between marital status and E-File return which indicates that knowledge of E-File somewhat depends on respondents marital status.
- Chi-square test reveals that there is no association between type of college teachers and involved and knowledge of E-File. It is because the value is not significant which indicates weak association between these two factors.
- Independent sample T-Test reveals that the test is significant. It reveals that there is significant difference in mean score of male and female regarding tax knowledge. Mean score of agreement and disagreement on the items by male is more than that of female. However, significant difference regarding tax knowledge is not seen in case of marital status.

Conclusion

Though tax knowledge has been an academic research topic in many developed countries in the world, tax knowledge and tax compliance behavior has not been comprehensive attention in Nepal. This work was aimed to study a comprehensive relationship between tax knowledge and tax compliance. The tax knowledge among teachers seems to be satisfactory. However knowledge about E-File and formal taxation is not satisfactory. There is no significant difference between male and female and marital status regarding E-File return. However, male tends to have higher tax knowledge than male. It is advised to IRD to provide more information about E-File return and formal taxation course so that compliance is high and collection of tax is simple. Female university teachers and teachers other than management should be focused by respective tax administration. Different programs need to be launched by IRD to improve the taxation knowledge in Universities, specially E-File return. This recommendation is necessary as tax compliance depends upon the level of taxpayers knowledge. Furthermore, future researcher may conduct research on different aspects of tax knowledge through factor analysis and research may also be conducted on relationship of tax knowledge and compliance not only among university teachers but also among different group of taxpayers.

Acknowledgement

BIBLIOGRAPHY

Berhe, R. (2015). Taxpayers knowledge and tax compliance behaviour in Ethopia: A study of Trigray State. *International Journal on Management and Commerce Innovation, 3* (2), 1090-1102.

Eriksen, K., & Fallan, L. (1996). Tax knowledge and attitude towards taxation . *Journal of Economic Psychology, 17* (3), 387-402.

Fallan, L. (1999). Gender exposure to tax knowledge and attitude towards taxation: An experiments approach. *Journal of Business Ethics , 18* (2), 173-184.

Fauziati, P., Minovia, A. F., Muslim, R. Y., & Narash, R. (2016). The impact of tax knowledge on tax compliance: Case study in Kota Padang, Indonesia. *Journal of Advanced Research in Business and Management , 2* (2), 22-30.

Hasseldine, J., Holland, K., & Rijit, P. V. (2009). *The management of tax knowledge.* London: The Association of Chartered Certified Accountant.

Harris, T. D. (1989). *The Effect of Tax Knowledge on Individuals' Perceptions of Fairness and Compliance with the Federal Income Tax System: An Empirical Study*, *Unpublished PhD thesis*, University of South Carolina, South Carolina.

Kasipillai, J. (2000). Taxpyers knowledge index as a clue for non compliance. *Journal of Pakistan Taxation Laws , 81* (3).

McKerchari, M. (1995). Understanding small business taxpayers, their sources of information and level of knowledge of taxation . *Australian Tax Forum , 12* (1), 25-31.

Oladipupo, A. O., & Obazee, U. (2016). Tax knowledge, penalties and tax compliance in small and medium scale enterprises in Nigeria. *iBusiness*,8, 1-9. http://dx.doi.org/10.4236/ib.2016.81001

Palil, M. R. (2005). Does tax knowledge matters in self assessment system ? Evidence from the Malaysian tax acministration. *Journal of American Academy of Business , 6* (2), 80-85.

Saad, N. (2009). Fairness perception and compliance behaviour: The case of salaried taxpayers in Malaysia after implementation of the self assessment system. *e-Journal of Tax Research , 8* (1), 32-63.

Schisler, D L. (1995). Equity, aggressiveness, consensus: A comparison of taxpayers and tax preparers. *A country Horizon , 38* (5), 442-452.

Sharma, T. N., & Duwadi, R. (2013). Tax compliance and enforcement trends in Nepal. *IMF-Japan.*

Singh, P. (2003). Behavioural intention of tax non-compliance among sole proprietors. *Journal of Asian Academy of Management , 2* (6), 47-56.

White, M. J. (1990). Why are taxes so complex and who benefits. *Tax Notes , 47*, 341-354.