



E-Tax Filing Adoption of Individuals in Sri Lanka

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Abstract

E-tax filing, which is the completion of tax returns online, has been introduced as part of Sri Lanka's e-governance strategy. However, there has been a lack of research on the extent of its adoption in Sri Lanka. This study investigates the factors influencing the adoption of individual e-tax filing in Sri Lanka. A deductive approach was employed, and a random sample of 201 individual taxpayers in Sri Lanka was selected to complete a questionnaire. The key attributes of the study were perceived usefulness, perceived ease of use, perceived risk, personal innovativeness, self-efficacy, and facilitating conditions. The correlation analysis revealed that perceived usefulness, perceived ease of use, perceived risk, facilitating condition, and self-efficacy have a significant impact on intention. In contrast, personal innovativeness has no significant impact on intention. The multiple linear regression analysis confirmed that perceived usefulness, perceived ease of use, perceived risk, and facilitating condition have an impact on intention, while personal innovativeness and self-efficacy do not impact the e-tax filing adoption among individuals in Sri Lanka. The study concludes that the adoption of e-tax filing can be increased by improving the perceived usefulness, perceived ease of use, and facilitating conditions of the system while reducing perceived risks associated with it. The findings of this study are beneficial for policymakers, and tax authorities in addressing and enhancing e-tax filing adoptions within the country while this creates a base for the interested researchers to address these aspects further.

Keywords: *E-taxation, Tax Adoption, Perceived usefulness, Perceived ease of use, perceived risk*

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Introduction

E-tax filing is a sophisticated electronic process that allows individuals and corporations to submit their income tax returns online, utilizing tax preparation software that has been pre-approved by relevant tax authorities. This modern approach to tax filing is classified as an early-stage information technology application of E-government in developing countries. (Kimathi and Zhang, 2019). The term "e-tax filing system" describes several platforms that let people and small businesses file their tax returns and make payments online. Online reporting of various types of withholding (exemption) data for income tax purposes, online filing, and payment of business income tax are just a few of the services offered by the online tax filing system (Hung, Chang & Yu, 2006).

E-tax filling through the Internet was implemented in 2014 as part of the Sri Lankan government's e-governance program. The idea of submitting taxes electronically is new to Sri Lanka and is becoming more well-known among users. (Silva and Senevirathne, 2020). The Inland Revenue Department (IRD) has introduced the online tax payment platform from 08.02.2021. Many individual taxpayers in developing countries still prefer manual tax filing over e-tax services. despite improved technologies. Although the government has taken steps for technological adoption for the tax filing process, taxpayers still face several problems. (Silva & Senevirathne, 2020). Although tax filing systems are available, reports on them have revealed that some

potential users may not use them. (Wang, 2003). The taxpayers would be hesitant to use online tax declaration services if there were no security concerns (Ozgen & Turan, 2007). Researchers have identified different key factors influencing on the e tax filing adoption of the taxpayers. Kimathi and Zhang (2019) found that perceived usefulness and perceived ease of use greatly influence users' attitudes toward accepting e-tax filing systems, while Sijabat (2020) found that perceived risk is strongly associated with intention to use. Personal innovativeness was found to be irrelevant in explaining variation in attitude by Hung, Chang, and Yu (2006), while self-efficacy does not significantly influence taxpayer satisfaction according to Silva and Senevirathne (2020). Facilitating conditions were identified as important by Nisha et al. (2016) in capturing taxpayers' overall opinions of e-tax filing services. This study aims to address e-tax filing adoption in Sri Lanka by incorporating these key influencing factors identified in prior studies.

The procedure known as "e-filing" involves completing tax forms online using pre-made software or registering users through the income tax website. To successfully file taxes electronically, taxpayers must not only be familiar with the electronic form of the tax return but also feel at ease using computers and the internet. (Kamarulzaman & Azmi, 2010).

Observations and casual conversations showed that the taxpayers are quite

dissatisfied with the current online tax filing procedure. The issue is that despite the Sri Lankan government spending around Rs. 5 billion to launch the Revenue Administration Management Information System (RAMIS) system and an additional Rs. 9 billion to upgrade it, people have not responded favorably to online e-filing as anticipated. However, despite improved technologies, taxpayers still face several problems like as not knowing the changes made to the IRD website, the website not user-friendly, troubles in uploading scanned images, and inability and trust issues on whether the filing has successfully completed (Silva & Senevirathne, 2020). Consequently, users have not accepted online E-tax filing as intended because of the above reasons.

When considering the Income tax return filing compliance before and after the introduction of RAMIS, it has been identified that no significant improvement has been noticeable and the tax compliance rates didn't show any significant improvement (Inland Revenue Department, 2021).

The existing gap between the e-tax filing functions of the government and the expectations of taxpayers underscores the need to identify the factors that influence the adoption of e-tax filing and the appropriate actions that can be taken to bridge this gap. Given the lack of local research on this topic, this study effectively addresses this gap by providing insights into the underlying factors and measures that can be taken to promote the adoption of e-tax filing.

Research Questions

1. What are the factors that influence the E-tax filing adoption of individuals in Sri Lanka?

Other research questions are,

2. What is the existing situation among the variables of the E-tax filing adoption of individuals in Sri Lanka?

3. What is the relationship among the variables of the E-tax filing adoption of individuals in Sri Lanka?

Methods

This study mainly used a deductive approach. This research was carried out as a quantitative study and primary data was used to collect the data. Using the simple random sampling method, 201 taxpayers have been taken as the sample of this study out of the total population of the individual taxpayers in Sri Lanka. 500 questionnaires were initially delivered by the researcher to gather data for the study. Only 201 completed surveys were returned. The researcher used a standard questionnaire initially developed by Hung, Chang and Yu, (2006) to distribute to all individual taxpayers in Sri Lanka.

Results

The correlation coefficient of PU about intention is 0.408. It interprets that PU has a positive association with the Intention of E-tax filing adoption of individuals in Sri Lanka. The p-value is 0.000 and it is less than 0.001.

Therefore, PU has a significant influence on Intention and the null hypothesis is rejected.

The correlation coefficient of PEU

about intention is 0.540 showing a positive association with the Intention of E-tax filing adoption of individuals in Sri Lanka. The p-value is 0.000 and it is less than 0.001. Therefore, PEU has a significant influence on the Intention. Hence the null hypothesis is rejected by proving that there is a significant impact of PEU on Intention.

The correlation coefficient of PR about intention is -0.213 which means PR has a negative association with the Intention of E-tax filing adoption of individuals in Sri Lanka. The p-value is 0.002 and it is less than 0.05. Therefore, PR has a significant influence on Intention and H₀ is rejected.

The correlation coefficient of PI about intention is 0.100 and it is less than 0.3 means PI has a weak association with the Intention of E-tax filing adoption of individuals in Sri Lanka. The p-value is 0.159 and it is more than 0.001. Therefore, PI has no significant influence on the Intention and hence alternative hypothesis was rejected.

The correlation coefficient of SE about intention is 0.476 and it is more than 0.3. That means SE has a positive association with the Intention of E-tax filing adoption of individuals in Sri Lanka. The p-value is 0.000 and it is less than 0.001. Therefore, SE has a significant influence on the Intention and hence H₀ is rejected.

The correlation coefficient of FC about intention is 0.588 and it is more than 0.3. That means FC has a positive association with the Intention of E-tax filing adoption of individuals in Sri Lanka. The p-value is 0.000 and it is less than 0.001. Therefore, FC has a

significant influence on the Intention and H₀ is rejected.

These results prove that PU, PEU, PR, SE, and FC have a significant relationship with Intention, and PI has not had a significant relationship with Intention. Among the six independent variables, the FC dimension has the highest correlation coefficient, which means FC has the strongest relationship with the intention. According to that, it can be concluded that these findings help to meet the research objective of the relationship among the variables of E-tax filing adoption of individuals in Sri Lanka.

According to regression results, PU, PEU, PR, and FC have an impact on Intention because their P values are less than 0.05 and PI and SE have not impacted the adoption of the E-tax filing system in Sri Lanka.

Finally, based on the result regression equation can be written as,

$$Y = \beta_0 + \beta_1PU + \beta_2PEU + \beta_3PR + \beta_4FC$$

$$I = -0.534 + 0.486PU + 0.260PEU + 0.180PR + 0.336FC$$

Discussion

According to the multiple regression results for each dimension, the PU, PEU, PR, and FC have an impact on Intention, and PI and SE have not impacted the adoption of the E-tax filing system in Sri Lanka. These findings align with the findings of Bojuwon, (2015) study, Ozgen, and Turan, (2007), and Wang, (2003) study and researchers suggested that PEU has a significant influence on the Intention of adoption of the E-tax filing system.

According to correlation analysis, a

positive association has been identified between the dependent variable (intention) and independent variables such as PU and PEU. It agrees with the findings of Ozgen and Turan, (2007); Gor, (2015); Silva and Senevirathne, (2020); and Azmi and Lee Bee, (2010). PU and SE also have a positive association. These results are complying with the findings of Hung, Chang and Yu, (2006) who found a significant relationship between SE and Intention.

Conclusion

According to descriptive statistics independent variables of PU, PEU, PR, PI, and FC dimensions are agreeable by the taxpayers as their mean values are lies more than 2.5.

When considering the E-tax filing adoption of individuals in Sri Lanka, the result of Pearson's correlation analysis proves that PU, PEU, PR, FC,

and SE have a significant relationship with Intention and PI has no significant relationship with Intention. Among the six independent variables, the FC dimension has the highest correlation coefficient exhibiting that FC has the strongest impact on the intention.

The results of the regression analysis show that each dimension, the PU, PEU, PR, and FC have an impact on Intention because their P values are less than 0.05 and PI and SE have not impacted the adoption of the E-tax filing system in Sri Lanka. The most significant dimensions in E-tax filing adoption are PU, PEU, PR, and FC and these variables are also having a significant influence on the intention of E-tax filing.

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