

ARTICLE

UNIVERSITY STUDENTS' PERCEPTIONS AND AWARENESS OF TAX

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ABSTRACT

Background: Governments have a duty to work for the public interest and to increase the welfare of citizens by providing governmental services as well as executive, legislative and judicial services. Therefore, to generate capital for these services, collections of tax from individual citizens and businesses is a necessity. Taxpayers' compliance to a tax system depends on their tax awareness and tax perceptions. This study aims to evaluate the tax awareness and perceptions of university students who are potential future taxpayers. **Methods:** Questionnaire method is adopted to gather data from students. The data have been analyzed using descriptive statistics, and regression analysis. **Results:** Findings indicate that students' level of perception and awareness of tax is only at a moderate level. Further, there is a strong association between tax awareness and perceptions. **Conclusions:** Tax awareness should be raised in order to develop strong tax perceptions amongst the students.

INTRODUCTION

The world is shrinking more than ever due to new scientific and technological developments that have expanded the boundaries of human knowledge, leading to economic developments, transportation, communication and space research [17]. However, it can also use new technologies in taxation systems. Taxation is a major source of government revenue. The principal objective of taxation is to raise revenue towards the financing of public goods and services, and funding of governments [1,2]. The government can advance legal and ethical policy and procedures. Achieving high levels of voluntary tax compliance and/or maintaining current compliance rates are issues of concern to fiscal policymakers in all countries. Increased tax compliance among individual taxpayers helps to reduce the budget deficit without raising taxes [3]. Taxpayers' attitudes towards tax payment are seen as a major precondition for effective revenue mobilization in all countries [4]. It is possible to increase voluntary compliance by creating a tax conscious society. Tax knowledge is an essential element in a voluntary compliance tax system [5]. In turn, an individual's tax compliance depends on their tax perceptions and awareness [6]. If a taxpayer's education level is high, it can be said that the taxpayer may have better tax awareness [7]. Therefore, an important factor in the creation of tax awareness is through taxation related educational activities and practices. However, it is important to acquire tax awareness at a young age [7]. It is mentioned that tax consciousness should be engrained in children at the primary school level [8]. Therefore, it seems inevitable to investigate tax awareness and perceptions amongst individuals at a younger age.

This study aims to analyze the tax perceptions and tax awareness levels of the students of the Faculty of Economics and Administrative Sciences at a private university in North Cyprus. The study will enrich the existing literature on tax perceptions and tax awareness amongst university students.

Taxes and fiscal balance affect a country's economic stability and contribute to a more equal, more transparent and better-adapted system [4, 18]. Improvement in taxation is inevitable in countries which achieve this level of culture. Tax is the primary source of finance for countries to meet the needs of the public. Tax is a type of payment that that is made under legal constraint, therefore economical, societal, psychological and cultural factors affect individuals' perceptions of it [6]. Empirical support has been provided which is related to the possession of tax knowledge leading to higher compliance rates [5]. The lack of tax knowledge leads to unintentional non-compliance behaviors [9]. Tax perception refers to the attitudes of individuals about the jurisdiction and tax rising from insider and outsider factors affecting the individuals' conscious minds [6]. The factors which affect the tax perceptions, tax awareness and any attitude towards tax can be classified as: level of income, tax rates, social and demographic factors, penalties, inspections, moral and ethical factors, complexity of tax systems, effect of tax consultants and tax exemptions [6,10].

It is crucial to obtain an understanding of the importance of tax for a community to develop tax awareness [11, 19]. In societies where tax awareness is high; a higher knowledge and transparency on the usage of tax revenue collected from the citizens would maintain sufficient conditions for taxpayers to fulfill their obligations [12].

MATERIALS AND METHODS

The aim of this study is to evaluate the students' tax awareness and perceptions. Therefore, the variables in this study consist of tax awareness and tax perceptions. In light of the literature review, the following research questions are developed for this study:

- What is the level of tax awareness of students?
- What is the level of tax perceptions of students?

KEY WORDS

Tax, Tax Awareness, Tax Perceptions, Tax Compliance, Students

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- Is there a relationship between tax awareness and tax perceptions?

Cumhur and Tezer (2019) applied a similar approach in their research [16]. The data has been collected by administering questionnaires. The questionnaire aims to evaluate the perceptions and consciousness of individuals about tax [6]. The questionnaire consists of three sections. The first section involves the demographic information about the students. The second section involves Likert-scale questions where the choices consist of (1) strongly disagree, (2) disagree, (3) neither, (4) agree, (5) strongly agree. This section aims to measure tax awareness of students with 18 questions. The third section involves 11 likert-scale questions to measure tax perceptions of students. The awareness statements include statements such as 'As education level increases tax awareness increases' and 'As governments provide quality services tax awareness increases'. Tax perception statements include statements such as 'Paying taxes maintain public welfare' and 'Tax rates are high in our country'.

This study is conducted amongst the Near East University undergraduate students studying at the Faculty of Economics and Administrative Sciences. The sample consists of both Turkish and international students who have studied tax accounting at the university. 82 candidates who attend accounting classes responded to the questionnaire. To gather statistical data about students' perceptions, quantitative methods should be employed [13]. Quantitative analysis is employed by the ease of a questionnaire. Thus, questionnaires have been distributed to the undergraduate students following approval from the ethics committee of the Near East University.

The collected data has been analyzed by the use of statistical software called IBM SPSS 20. Data analysis was carried out following a three-step procedure. First, the reliability test was conducted by measuring the Cronbach's Alpha coefficient. Second, descriptive statistics were used to identify the demographics of respondents and to test their overall perceptions. Third, regression analysis was used to find the relationship between tax awareness and tax perceptions.

RESULTS

The reliability of the gathered data was tested by Cronbach's Alpha test [14]. The suggested level of Cronbach's alpha is 0.7 and the data set need to achieve at least this level of reliability to be an acceptable study [15]. The 29-item questionnaire has a Cronbach's Alpha coefficient of 0.860 which is higher than the level suggested by Hair et al. (2006). The Cronbach's Alpha for tax awareness scale is 0.831 and the tax perceptions scale is 0.703. The scales also yield acceptable results when the reliability analysis is conducted separately.

Approximately 52.8% of the students were males and 47.2% were females. It is observed that a majority of the students were aged between 21-23 (51.9%) and 24-26 (21.7%). Moreover, majority of the students were aged between 21-23 (51.9%) and 24-26 (21.7%). Approximately 67.9% of the students were Turkish and 31.1% were international students.

Descriptive statistics of the responses given to the statements about tax awareness are presented in [Table 1]. All of the statements about tax awareness have a mean score above 3. The highest mean score is observed with the statement 14 (3.98) (which is 'invoices should be collected when doing shopping'; statement 15 (4.01) which is 'invoices should be requested when doing shopping'; and statement 9 (3.91) which is 'announcing tax expenditures will raise tax awareness'. The lowest mean score is observed with statement 12 which is 'tax exemptions will reduce tax awareness'.

Table 1: Descriptive statistics for tax awareness

| Item | Minimum | Maximum | Mean | Std. Deviation |
|-------------|---------|---------|------|----------------|
| Awareness1 | 1 | 5 | 3.54 | 1.11 |
| Awareness2 | 1 | 5 | 3.46 | 1.10 |
| Awareness3 | 1 | 5 | 3.63 | 1.16 |
| Awareness4 | 1 | 5 | 3.51 | 1.13 |
| Awareness5 | 1 | 5 | 3.23 | 1.19 |
| Awareness6 | 1 | 5 | 3.23 | 1.15 |
| Awareness7 | 1 | 5 | 3.41 | 1.05 |
| Awareness8 | 1 | 5 | 3.67 | 1.19 |
| Awareness9 | 1 | 5 | 3.91 | 1.07 |
| Awareness10 | 1 | 5 | 3.75 | 1.08 |
| Awareness11 | 1 | 5 | 3.35 | 1.20 |
| Awareness12 | 1 | 5 | 3.11 | 1.13 |
| Awareness13 | 1 | 5 | 3.53 | 1.03 |
| Awareness14 | 1 | 5 | 3.98 | 1.10 |
| Awareness15 | 1 | 5 | 4.01 | 0.96 |
| Awareness16 | 1 | 5 | 3.60 | 1.18 |
| Awareness17 | 1 | 5 | 3.44 | 1.20 |
| Awareness18 | 1 | 5 | 3.65 | 1.15 |

Descriptive statistics for tax perceptions are shown in [Table 2]. The highest mean value is observed with statements 6 (3.91) 'Tax evasion is unethical' and 7 (3.98) 'Tax payments are high in your country'. The lowest mean scores are observed with statements 2 (3.17) 'Tax is an ethical issue' and 4 (3.02) 'If tax is paid by all citizens, poverty will be reduced'.

Table 2: Descriptive statistics for tax perceptions

| Item | Minimum | Maximum | Mean | Std. Deviation |
|--------------|---------|---------|------|----------------|
| Perception1 | 1 | 5 | 3.82 | 1.15 |
| Perception2 | 1 | 5 | 3.17 | 1.16 |
| Perception3 | 1 | 5 | 3.56 | 1.20 |
| Perception4 | 1 | 5 | 3.02 | 1.28 |
| Perception5 | 1 | 5 | 3.64 | 0.96 |
| Perception6 | 1 | 5 | 3.91 | 0.91 |
| Perception7 | 1 | 5 | 3.99 | 1.06 |
| Perception8 | 1 | 5 | 3.91 | 1.07 |
| Perception9 | 1 | 5 | 3.70 | 1.14 |
| Perception10 | 1 | 5 | 3.45 | 1.14 |
| Perception11 | 1 | 5 | 3.30 | 1.06 |

[Table 3] below presents the overall mean scores for tax awareness and tax perceptions. Overall, it can be said that mean scores were relatively low and students showed similar scores for awareness and perceptions.

Table 3: Descriptive statistics for overall awareness and perceptions

| Item | Minimum | Maximum | Mean | Std. Deviation |
|-------------|---------|---------|------|----------------|
| Awareness | 1 | 5 | 3.55 | 0.57 |
| Perceptions | 1 | 5 | 3.59 | 0.55 |

Regression analysis was conducted to test the relationship between tax awareness and tax perceptions. As shown in [Table 4] below, there is a significant association between tax awareness and tax perceptions of students. Furthermore, tax awareness explained 33% of variance in tax perceptions.

Table 4: Regression analysis results for tax awareness and perceptions

| Item | Tax Perceptions |
|----------------|-------------------|
| Constant | 1.61 |
| Tax Awareness | 0.55 |
| Significance | 0.00(significant) |
| F-statistic | 39.99 |
| Significance | 0.00(significant) |
| R | 0.577 |
| R ² | 33% |

DISCUSSION

The objective of this study was to identify university students' perceptions and awareness of taxation. The results of the study indicate that perceptions and awareness levels of students are only moderate even though they have studied accounting. This was surprising and indicates to the researchers that it is necessary to instill tax perception and awareness through other courses, such as a separate tax-related course, which should be compulsory for all students studying at the Faculty of Economics and Administrative Sciences.

Also, strengthening tax knowledge at an earlier age, maybe at the high school level, can be considered by local authorities and education ministry authorities in order to increase tax perception and awareness. It is important to acquire tax awareness at a young age [7]. Tax consciousness should be engrained in children at the primary school level [8]. Results also indicate that there is a strong relationship between tax awareness and tax perceptions. Therefore, it is inevitable for education institutions to help develop tax awareness among the students to create positive tax perceptions.

This study contributes to the literature by evaluating the tax perceptions and tax awareness in a sample with a diverse cultural and geographical background. This can help to generate an understanding of students' tax perceptions and tax awareness. In addition, the findings can help to raise the awareness of tax which can help the governments in many ways such as to increase the tax compliance of their citizens.

CONCLUSION

In conclusion, this study contributes to the tax accounting and accounting education literature by providing unique insights about students who are potential taxpayers of the future. Students who are receiving education about tax show low levels of tax awareness and perceptions. Therefore, this study emphasizes the importance of tax education at an earlier level of education. Moreover, there is a strong association between tax awareness and perceptions. Therefore, it is critical to develop tax awareness. Practically, students should get higher levels of education about taxation to help them develop tax awareness and positive tax perceptions. The findings of the study are expected to provide a road-map for countries which are willing to develop tax awareness amongst their citizens. Therefore, favorable tax perceptions among the citizens are proven to be way of raising tax awareness. As a future research suggestion, this study can be conducted in a different country with different cultural background and geographical area. In addition, a higher sample size would help to generalize the findings for a wider community.

CONFLICT OF INTEREST

There is no conflict of interest.

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