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DETERMINANTS OF VOLUNTARY TAX COMPLIANCE INTENTION OF INDIVIDUAL TAXPAYERS IN SRI LANKA: A CONCEPTUAL AND THEORETICAL ANALYSIS

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Voluntary tax compliance plays a critical role in ensuring fiscal sustainability and reducing dependence on external borrowing. Despite numerous policy reforms and legal amendments, Sri Lanka continues to experience persistently low tax compliance, highlighting the need to identify and understand the underlying factors that influence voluntary tax compliance among individual taxpayers. Therefore, this study is conducted to explore the factors affecting voluntary tax compliance of individual taxpayers in Sri Lanka. This study is exploratory in nature and employed secondary data obtained from empirical research literature and theoretical foundations. A comprehensive review of 642 peer-reviewed articles on tax compliance was conducted using VOSviewer software; while four main theories namely the slippery slope framework, theory of planned behaviour, tax fairness theory, and economic deterrence theory were analysed in depth. Bibliometrics mapping was used to identify thematic patterns, research gaps, and underexplored variables in the existing literature while the content analysis investigated the fundamental propositions of selected theories. Both analyses were triangulated to arrive at the factors affecting voluntary tax compliance. It was found that there is a significant gap in literature concerning the role of personal values. In response, this study categorizes influencing factors into tax system related, government related, and personal value related dimensions. It positions personal values such as ethical responsibility, trust, and civic norms as an essential variable influencing tax behaviour, a perspective that remains underexplored in the Sri Lankan context. This offers strategic insights to policymakers for designing value-aligned, trust-enhancing tax policies that promote long-term tax compliance. Hence, this study contributes to advancing both academic understanding and practical frameworks for voluntary tax compliance.

Keywords: personal values, tax equity, taxpayer behaviour, trust, voluntary tax compliance

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DETERMINANTS OF VOLUNTARY TAX COMPLIANCE INTENTION OF INDIVIDUAL TAXPAYERS IN SRI LANKA: A CONCEPTUAL AND THEORETICAL ANALYSIS

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INTRODUCTION

This study aims to examine the factors affecting voluntary tax compliance and to develop a conceptual framework depicting the factors affecting voluntary tax compliance. Moreover, the study aims to provide essential insights to policymakers and tax authorities by elucidating the complex nature of taxpayer behaviors and motivations, as the secondary objective. Tax compliance is essential for ensuring a stable revenue stream to finance public services and infrastructure, thereby promoting economic stability (Matshona, Sibanda and Phesa, 2024). This is vital for Sri Lanka as a welfare-oriented economy. As per the IMF, countries should have a Tax-to-Gross Domestic Product (GDP) ratio of at least 15% to experience accelerated economic growth. However, as per the Inland Revenue Department (IRD), achievement of 15% is a challenge due to external factors and constant policy changes ('Inland Revenue Department, 2022).
Nonetheless, there is a noticeable deficiency in the literature regarding the investigation of voluntary tax compliance, particularly in the setting of developing countries. The lack of research in this area is particularly noticeable in the context of Sri Lanka, where taxation has grown increasingly important (*IMF Report SL 2023*). Moreover, no Sri Lankan studies have identified the personal value system as an independent variable on tax compliance. Therefore, future studies can consider the variables identified in this paper in their further studies.

METHODOLOGY

This research employed a qualitative methodology to investigate the factors influencing voluntary tax compliance among individual taxpayers in Sri Lanka. The research is a conceptual and a literature-based exploratory study and focuses on individual taxpayers in Sri Lanka.
The research employed secondary data obtained from two main sources:
i. Empirical Research Literature: A comprehensive review of 642 peer-reviewed articles on tax compliance was conducted to identify recurring themes, emerging areas, and research gaps. Four scientific digital databases (Lens, Emerald database, Scopus database, and Google Scholar) were selected for information retrieval, downloading, assessment, extraction, and the establishment of this review.
ii. Theoretical Foundations: The Slippery Slope Framework, Theory of Planned Behavior, Tax Fairness Theory, and Economic Deterrence Theory were analyzed in

depth to extract conceptual insights and variables pertinent to voluntary tax compliance.

The study employed VOSviewer software to conduct bibliometrics mapping for a systematic exploration of the existing literature's structure. Further, a qualitative content analysis was performed to investigate the fundamental propositions of selected theories and to identify variables that affect taxpayer behavior. The bibliometrics and content analyses were triangulated to construct a conceptual framework. The framework synthesizes theoretical dimensions and literature-derived themes, providing a structured model to elucidate voluntary tax compliance behavior among Sri Lankan taxpayers.

RESULTS AND DISCUSSION

The study used VOSviewer software to identify the keywords in literature related to tax compliance. According to the analysis, six clusters were identified, namely Tax Compliance & Enforcement; Trust, Morale & Fairness; Governance & Technology; Culture & Social Norms; Corporate Responsibility; and Development & Education. These clusters reflect thematic concentrations in tax compliance research.

Furthermore, according to the density map, the body of literature on tax compliance is mostly focused on taxpayer compliance, trust, fairness, and tax morale. On the other hand, low-density areas including e-government, corporate governance, freedom of information, and tax enforcement suggest that they are either newly emerging or undeveloped areas in the field. Although they have great potential to shape future tax policy and compliance strategies, especially with regard to digital transformation and transparency, they are not widely studied academically yet. Moreover, ideas like social norms, culture, education, and developing economy seem with modest density, showing an increasing awareness of the contextual and socioeconomic elements influencing tax compliance.

The literature highlights that tax compliance is shaped not only by economic incentives but also by psychological, social, and ethical factors. While economic theories emphasize audits and penalties, psychological perspectives underscore attitudes and intentions. Studies show that personal norms have a stronger influence on compliance than social norms, with the latter shaping the former indirectly (Bobek et al., 2007, 2013; Wenzel, 2004). Additionally, tax morale is positively associated with religious values, democratic principles, age, and ethical beliefs (Doyle et al., 2022; Marcelo Leonardo, 2011; Subramaniam, 2020; Young et al., 2016). Harnessing ethics and social conventions can therefore enhance voluntary compliance.

CONCLUSIONS/RECOMMENDATIONS

The framework organizes factors into three categories: tax system–related (fairness, certainty, efficiency), government-related (trust, power, incentives, legal system), and personal values (ethics, civic norms, life satisfaction). This synthesis ensures the framework addresses both well-studied determinants and critical research gaps relevant to Sri Lanka.

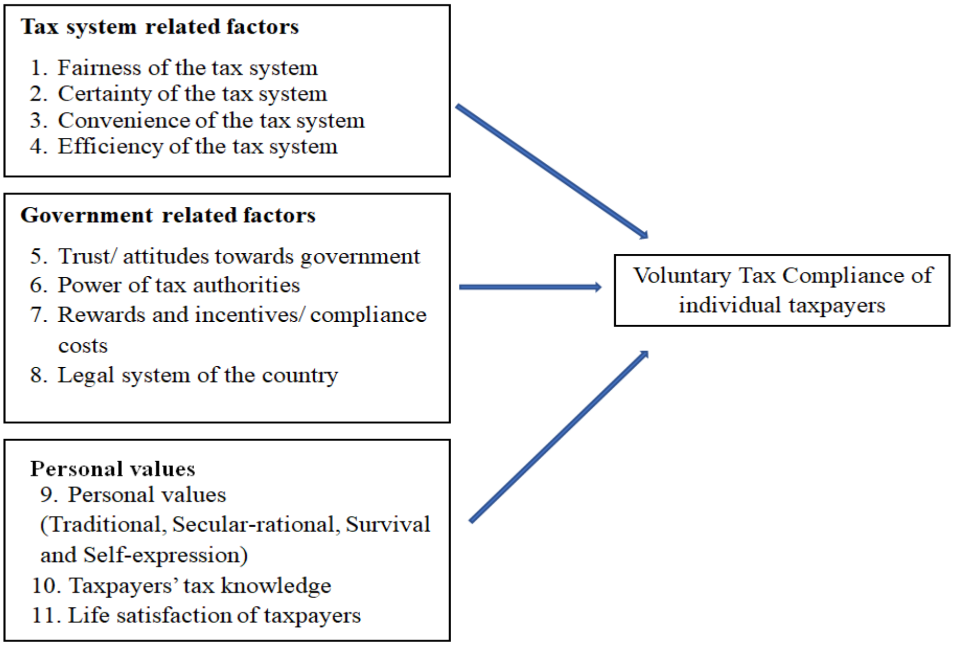

Figure 1: Conceptual Framework

The findings show that voluntary compliance is influenced not only by enforcement but also by trust, fairness, and personal values. This study highlights the important role of personal values, specifically ethical considerations, social responsibility, and perceptions of justice in influencing tax compliance behavior, a factor that has been largely neglected in the Sri Lankan context. This study introduces personal values as an independent variable, offering a conceptual framework that surpasses conventional economic deterrence models. However, promoting voluntary adherence through trust-building and ethical reinforcement proves to be more sustainable. The findings offer important insights for policymakers in Sri Lanka, highlighting the necessity of stable regulatory policies, equitable tax administration, and public involvement to foster a cooperative tax culture. Aligning tax policies with taxpayer values can improve voluntary compliance, decrease reliance on enforcement, and support long-term fiscal stability.

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