

Article

Strengthening Trust of Entrepreneurs of Medium-Sized Enterprises in Tax Administration – Evidence from Sri Lanka

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Abstract

This study examines the effectiveness of tax compliance strategies on building trust in the tax administration. We applied a qualitative research approach by collecting data through in-depth interviews with 15 entrepreneurs of medium-sized enterprises, doing business in the Colombo district, Sri Lanka and five experts in the tax field. We collected the data in 2020 and analyzed it using theme deduction through manual coding as a method. We defined trust by five indicators: trust in fiscal incentives, online support services, tax law, utilization of tax money, and awareness about the tax system. Our results suggest that the government must raise taxpayers' awareness of the tax system in order to build trust. Further, the government must utilize tax money transparently, accountably, and effectively and must improve legal procedures and online support services to meet the needs of entrepreneurs to strengthen taxpayers' trust. Additionally, our research points out the importance of developing taxpayers' trust in the government to strengthen voluntary tax compliance, even beyond the pandemic.

Key words: medium-sized entrepreneurs, post-pandemic, tax compliance, theme deduction, trust-building