An Empirical Analysis on the Behavior of Employees in the Kurdistan Region of Iraq amid Tax Awareness, Perception towards Tax Evasion, Tax Compliance

By

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Abstract

Taxes, a paramount source of governments' revenue across the globe contributes preponderant portion for the development of world economies. Most of the developed countries also receive a majority part of their GDP such as 10% in United States, 31.4 % in Japan and 24.9 % in United Kingdom while few developing countries have around 15% tax percentage of GDP. Also the countries belonging to MENA countries have a tax % of GDP at 16.5% in Turkey, 14.8% in Jordan and 7.4% in Saudi Arabia. Comparatively, Iraq have only 1.33 tax % of GDP. Many studies have been carried out in identifying the reasons behind low tax revenue. This paper attempts to identify if there is a good awareness towards taxation policies among the employees in the Kurdistan Region of Iraq (KRI) by distributing questionnaires through online. The research also attempts to recognize people perception with respect to the functioning of the government to eliminate tax evasion. The responses are collected from 122 employees, and Statistical techniques such as Mean, Standard deviation and Chi-square test are used to analyze the data and to identify of there is any relation between the Tax awareness, motivating factors, perception towards tax evasion with tax compliance using SPSS software. The results disclosed that there is a lack of awareness about the taxation policies in the autonomous region and there is a remarkable attachment between the dependent and independent variables. And the local administration needs to upgrade its contribution to assembling the tax proceeds.

Keywords: Tax awareness, Motivation factors, Tax compliance, Tax evasion, Role of Government

1. Introduction

1.0 Introduction:

Tax helps the government in increasing its revenue and consequently the economic development. Hence, all the nations try to impose various taxes in their countries and use the gained revenue for public welfare. Not all countries are successful in accumulating the taxes. World nations are not able to avoid the distress of tax evasion. People of the world try to escape from the burden of tax and leading to a raise in tax evasion. There are many reasons for this tax evasion may be lack of awareness, the drawbacks of the government in preventing this concern, morals of the people and other aspects. This research goes ahead with a tests of recognizing the relation between tax awareness, motivation and perception on tax evasion with tax compliance using empirical data. Chapter two gives a brief of the previous studies about

the corresponding topic, chapter explaining the methodology followed by chapter four dealing with data analysis and interpretations, and disclosing the findings, suggestions and conclusion in final chapter.

Concept of Tax:

Taxes are mandatory contributions levied on individuals or corporations by a government entity—whether local, regional, or national. Tax revenues finance government activities, including public works and services such as roads and schools, or programs such as Social Security and Medicare.

➢ Progressive Tax: The rate of tax increases with the level of income
➢ Proportional Tax: The rate of tax doesn't vary with the level of income.
➢ Regressive Tax: The tax levied on goods and services, which also includes property taxes, sales tax, excise tax etc. [1]

Income tax rates in Kurdistan Region:

➢ In the Kurdistan region, the first 1 million Iraqi dinars (IQD) of basic salary is exempt. The amount exceeding IQD1 million is subject to tax at a rate of 5%.
➢ In Kurdistan, the income tax contributions on salaries are required to be paid quarterly, by the 21st day of the following month. Penalties on unpaid or late paid tax generally are limited to an amount of 5% to 10% of the tax liability, up to a maximum per year of IQD 75,000. [2]

1.1 Statement of the problem:

It was a standard belief that the revenue from the taxes form a major part of the government revenue. Most of the countries are given major importance to the tax collection. But it is not same in all the countries. Most of the developed countries also receive a majority part of their GDP such as 10% in United States, 31.4 % in Japan and 24.9 % in United Kingdom while few developing countries have around 15% tax percentage of GDP. Also the countries belonging to MENA countries have a tax % of GDP at 16.5% in Turkey, 14.8% in Jordan and 7.4% in Saudi Arabia. Comparatively, Iraq have only 1.33 tax % of GDP. [3] This study tries to identify the role of tax in the Kurdistan region of Iraq and the perception of its people towards the taxation policies in the region.

1.2 Objectives:

This research is initiated with a view to understand the behavior of the tax payers in the Kurdistan region of Iraq. Tax is one of the major sources of an economy to be stronger and competitive but the role of tax payers in contributing towards tax revenue is much important. Without the awareness of the tax rates, taxation policies, and few other traits related to tax, there wouldn't be a better role by the tax payers in the success of their economy. Hence this research considers to evaluate the relation between the awareness of employees, their perception towards tax evasion and their opinion on the execution of the government in surging the tax proceeds of the region.

1.3 Hypotheses:

HO1: There is awareness among the employees about the income tax in Kurdistan region.
HA1: There is no awareness among the employees about the income tax in Kurdistan region.
HO2: There is no association between the tax awareness and the tax compliance.
HA2: There is association between the tax awareness and tax compliance.
HO3: There is no association between the motivation factors and tax compliance.
HA3: There is association between the motivation factors and tax compliance.
HO4: There is no association between the perception towards tax evasion and tax compliance.

HA4: There is association between the perception of employees towards tax evasion and tax compliance.

1.4 Limitations:

➤ The present study involves in analyzing the perception towards tax from the general employees but not the employees in the tax department, so the results drawn are one sided.

➤ The researchers are able to collect data only from 122 respondents which can be considered as a small sample size.

➤ To avoid bias, the questionnaires can be distributed equally to the public and private employees for clear comparison and to identify the accurate gaps from which sector the tax revenue is more or less.

➤ In addition to Mean, Standard deviation and Chi square tests, more statistical techniques such as Anova, t-test can also be applied to draw interpretations.

➤ Besides employees, Data can be collected from the employers also, to have an outlook in a greater extent.

2. Review of literature

2.0 Review of previous studies

In 2015, a survey conducted by two professors in Indonesia on 100 tax payers of motor vehicles to analyze the effect of tax payers awareness, tax socialization, tax penalties and compliance cost with service quality as mediating variable using multiple linear regression and shows that the service quality has no mediating role in the relationship between tax socialization and tax compliance. [4]

An empirical analysis conducted in Kenya in 2018 to assess the relation between tax knowledge and awareness on tax compliance revealed that there is a very close relation between the tax payers' ability to understand the laws and regulations of the tax authorities and their ability to comply with them. The sample of this study comprised of registered firms in three Kenyan cities and the SPSS was used to analyze the data collected through structured questionnaire. The study suggests that implementation of customer orientation desks and public awareness campaigns will be a necessary tool to increase tax compliance. [5]

Tutik L. and Monot W. (2017) executed a survey using questionnaire to understand the effect of awareness, knowledge and attitude of tax payers towards tax compliance which traced that the awareness and knowledge of the tax payers influence significantly against the docility tax payers but the attitude of tax payers influences the tax payer compliance significantly. [6]
A captivating investigation established in 2016 in Malaysia to evaluate the role of budget transparency and tax awareness towards tax compliance of individual tax payers collected the data through questionnaires and gave a conceptual approach and confirmed a positive relation between budget transparency, tax education, tax knowledge and tax awareness with tax compliance. [7]

The role of religion of the people is considered to examine if there is any relation between the religion and the tax compliance, working employees of Malaysia were the respondents and 90% of the total 70 respondents are religious people. The tax compliance was lower than their education and knowledge towards tax, moreover their religious values pay important role to make the tax payers liable for tax compliance which means the ethics in the religion are effecting the tax compliance positively. [8]

The study in Ethiopia states that the respondents of the study perceive that government losses most of its revenue due to tax evasion those who agree this are the more educated and older people. More than 3/4th of the respondents' perception is that the tax payers pay too much on what they earn already, the tax revenues are poorly used, there is a practice of tax evasion by the society and the risk of getting caught for tax evader is low. [9]

The result of this study in finding out the factors influencing the tax payers' perception towards tax evasion indicates that tax knowledge, tax morale, tax system, tax fairness negatively influenced the taxpayer's perception on the tax evasion. Compliance cost positively influenced the taxpayer's perception on the tax evasion. [10]

A report was generated by the Research and analytics branch of the Irish tax and customs department in a view with surveying the attitudes of the population to tax and compliance in general point of view, personal point of view, and the behavior of the population in relation to tax and compliance. The results highlights that there is a knowledge of Revenue's compliance and enforcement activities among the general population. [11]

3. Methodology

This research is based on the primary and qualitative data which is collected through structured questionnaires consisting of 21 questions (4 being related to demographic features of the sample, 3 about the tax compliance, 5 about the awareness, 2 about motivating factors, 3 about the perception of employees towards tax evasion and 4 about the opinion of employees regarding the role of government in increasing the tax revenue) from the employees in the Kurdistan region of Iraq. Ahmed & Al-Kake, (2019), conducted an exploratory study regarding the application of accrual basis in the public sector in the Kurdistan region of Iraq using questionnaires. [12] The sample of the study consists of 122 respondents working in various sector throughout the autonomous region. Since it is a thematic analysis, Mean and standard deviation are calculated to understand the level of awareness of the employees by coding the responses using the Likert scale concept. SPSS software is used to calculate Pearson chi square test which is used to analyze the association of the dependent and independent variables and the results are drawn based on the calculated α value and the critical α value from the chi square distribution table [13].

4. DATA ANALYSIS

4.0 Demographic features of the sample:

1. To which sector does your employment belongs to?				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Private	88	72.1	72.1	72.1
	Public	34	27.9	27.9	100.0
	Total	122	100.0	100.0	

2. Which of the following groups does your employment closely related to?				
		Frequency	Percent	Valid Percent	Cumulative Percent
	Health	20	16.4	16.4	16.4
	Education	52	42.6	42.6	59.0
	Banking	12	9.8	9.8	68.9
Valid	Manufacturing	2	1.6	1.6	70.5
	Food and Beverages	6	4.9	4.9	75.4
	Trading concern	4	3.3	3.3	78.7
	Self employed	2	1.6	1.6	80.3

		Frequency	Percent	Valid Percent	Cumulative Percent
	Others	24	19.7	19.7	100.0
	Total	122	100.0	100.0	

3. What is your highest qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High school	12	9.8	9.8	9.8
	Graduate	64	52.5	52.5	62.3
	Masters	26	21.3	21.3	83.6
	Doctorate	12	9.8	9.8	93.4
	Others	8	6.6	6.6	100.0
	Total	122	100.0	100.0	

4. Which Salary scale do you belong to?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 1 million IQD	36	29.5	29.5	29.5
	1 - 5 million IQD	42	34.4	34.4	63.9
	5 - 10 million IQD	16	13.1	13.1	77.0
	> 10 million IQD	28	23.0	23.0	100.0
	Total	122	100.0	100.0	

4.1 Analyzing the responses:

Table 2: *Descriptive Statistics: Awareness*

	N	Minimum	Maximum	Mean	Std. Deviation
7. Are you aware of the tax percentage being levied on your income	122	1.0	2.0	1.475	.5015
8. Are you aware of the tax slabs on income in Kurdistan	122	1.0	2.0	1.574	.4966
10. Are you aware of tax exemptions or deductions	122	1.0	3.0	2.230	.8211
11. Are you aware of different taxes in Kurdistan	122	1.0	3.0	2.049	.7369
Valid N (listwise)	122				

1.0 Yes, 2.0 No, 3.0 May be

Interpretations:

The mean 1.475 states that the more than half of the respondents (52.5%) are aware of the tax percentage levied on their income. The mean 1.574 which is close to option two states that more than half of the people (57.4%) are not aware of the income tax slabs in Kurdistan. The mean of Q10 about the awareness of exemptions and deductions is 2.230 which shows that majority of the employees are not aware. Also the mean 2.049 majority of the employees are not aware of the different taxes implemented in the Kurdistan region.

Table 3: *Descriptive Statistics: Tax Compliance*

	N	Minimum	Maximum	Mean	Std. Deviation
5. Are you paying the income tax	122	1.0	3.0	1.836	.8563
9. Do you file income tax returns	122	1.0	2.0	1.689	.4650
6. Is the tax on your income being paid by you or your employer?	122	1.0	2.0	1.525	.5015
Valid N (listwise)	122				

Interpretations:

  Regarding the responses about the tax compliance, the options of Q5 are 1. Always yes, 2. Sometimes, 3. Never and the mean is 1.836 which means most portion of the respondents pay the tax only few times. For Q6 and Q9, the Likert scale is coded with the option 1.0 Yes and 2.0 No, and the means are 1.525 and 1.689 where majority of the employees' tax is paid by themselves and the most of the employees don't file income tax returns.

Table 4: *Descriptive Statistics: Number of taxes in KRG*

	N	Min	Max	Mean	Std. Deviation	Variance	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
11. Are you aware of different taxes in Kurdistan	122	1.0	3.0	2.049	.7369	.543	-.078	.219
12. Other than income tax, how many types of taxes do you think that are being levied in Kurdistan (such as sales tax, excise duty)	122	1.0	5.0	2.082	1.0007	1.001	.739	.219
Valid N (listwise)	122							

Q11: 1.0 Yes, 2.0 No, 3.0 Maybe
Q12: 1.0 <5, 2.0 5 – 10, 3.0 10 – 15, 4.0 15 – 20, 5.0 >20

Interpretations

  The responses of Q11 and Q12 are related each other in the way the mean 2.049 shows that there is no awareness about different taxes in Kurdistan and hence the mean of Q12 is 2.082 and the standard deviation is 1.0007 shows the variable are spread away from the mean which means there is particular idea about the different taxes in Kurdistan.

Table 5: *Descriptive Statistics: Motivation*

	N	Minimum	Maximum	Mean	Std. Deviation
13. What motivates to pay your taxes.	122	1.0	6.0	2.508	1.7593
14. What do you think is motivating people to evade payment of taxes?	122	1.0	3.0	2.066	.7468
Valid N (listwise)	122				

Interpretations

  The respondents are given the few reasons such as 1.0 Your taxes are used for public services, 2.0 You will be penalized if you don't pay taxes, 3.0 Your personal belief that you should do right thing, 4.0 Concern that you will be audited by the revenue department, 5.0 Belief that other tax payers are paying taxes honestly, 6.0 having no opportunity to evade taxes to analyze the motivating factors to paying the taxes and the mean 2.508 which is close to the option that people will be penalized if they don't pay taxes, but the standard deviation is as high as 1.7593 which means the responses are spread out from the mean. Hence the responses from the questionnaire shows that 44.3% of the respondents are motivated to pay tax as they feel the collected taxes will be used for public services. Q14 representing the factors which influence people mot to pay the taxes and are coded by 1.0 Improper governance in collecting taxes, 2.0 Improper use of collected tax revenue, 3.0 Tax percentages are high in the region and

the mean of 2.066 show that the respondents feel the collected tax revenues are not used properly, however, the standard deviation 0.7468 shows that the responses are spread to other options.

Table 6: *Descriptive Statistics: Tax evasion*

	N	Minimum	Maximum	Mean	Std. Deviation
15. Deliberate tax evasion should not be considered as a crime and it's a common thing	122	1.0	5.0	2.885	.9638
16. Is the payment of tax a civic responsibility by the citizens	122	1.0	5.0	2.639	.8913
18. Those who avoid taxes should be penalized or punished	122	1.0	5.0	2.590	1.0185
Valid N (listwise)	122				

1.0 Strongly Agree, 2.0 Agree, 3.0 Neutral, 4.0 Disagree, 5.0 Strongly Disagree

Interpretations:

From Q15, the mean 2.885 shows that there is a neutral opinion in considering tax evasion as a crime, mean 2.590 for Q18 stating that most of the respondents are not willing to be punished if they do not pay taxes. Mean 2.639 from the above table shows the neutral opinion among the respondents of considering the payment of tax as a civic responsibility.

Table 7: *Descriptive Statistics: Government*

	N	Minimum	Maximum	Mean	Std. Deviation
17. Tax department is successful in reducing tax evasion over the past years	122	1.0	5.0	3.049	.8610
19. Have you ever met or contacted the tax department for any assistance	122	1.0	2.0	1.656	.4771
20. According to question 19, if 1, how did you feel about the service.	122	1.0	4.0	3.049	.9863
21. Kurdistan government need to improve the governance in collecting taxes.	122	1.0	3.0	1.918	.5834
Valid N (listwise)	122				

Interpretations

There are different opinions about the government success in reducing tax evasion and it is observed from mean 3.049 which falls in the interval scale belonging to neutral. The mean 1.656 shows that majority of employees did not approach the tax department, and the among the employees who availed assistance from the tax department are mostly satisfied from analyzing responses from the questionnaire. Q21 considering the opinions of the sample towards the government success in collecting the taxes and are asked to choose between 1.0 Doing good, 2.0 needs improvement, 3.0 Already successful and the mean 1.1918 lies around the option 2.0 which is explained that 65.6% of the respondents says that the government needs to improve more their functioning in collecting taxes.

4.2 Analyzing the association between variables:

Table 1: *Demographic characteristics and tax complaince*

		5. Are you paying the income tax?			Total	Chi-Square Tests			
		Always yes	Sometimes	Never			Value	df	Asymp. Sig. (2-sided)
1. To which sector does your employment belongs to?	1	36	22	30	88	Pearson Chi-Square	3.984	2	0.136
	2	20	8	6	34				
Total		56	30	36	122				
4. Which Salary scale do you belong to?	1	16	8	12	36	Pearson Chi-Square	6.705	6	0.349
	2	20	12	10	42				
	3	8	6	2	16				
	4	12	4	12	28				
Total		56	30	36	122				

Interpretations

The above table shows the association between the demographic features of the respondents and the tax compliance. From the chi square analysis, the p value is 3.894 at df 2 which is less than the α value at the 0.05 confidence level which shows that there is significant association between the sector of the employees in which they are working and the payment of tax. Same relation is expressed between the salary scale of the employees where the calculated value falls between the 0.25 and 0.50 critical values of the chi square table. The Asymp. Significance (2 sided) value is 0.136 and 0.349 which is less than 0.5 establishing an association between the two variables demographic features of the respondents and the tax compliance accepting the alternative hypothesis.

Table 2: *Awareness and Tax compliance*

		5. Are you paying the income tax?			Total	Chi-Square Tests			
		Always yes	Sometimes	Never			Value	df	Asymp. Sig. (2-sided)
7. Are you aware of the tax percentage being levied on your income?	Yes	40	18	6	64	Pearson Chi-Square	27.257	2	.000
	No	16	12	30	58				
Total		56	30	36	122				
8. Are you aware of the tax slabs on income in Kurdistan?	Yes	24	18	10	52	Pearson Chi-Square	6.95	2	.031
	No	32	12	26	70				
Total		56	30	36	122				
10. Are you aware of	Yes	16	8	6	30		16.515	4	0.002
	No	14	2	18	34				

tax exemptions or deductions?	Maybe	26	20	12	58	Pearson Chi-Square		
	Total	56	30	36	122			
11. Are you aware of different taxes in Kurdistan?	Yes	12	10	8	30	Pearson Chi-Square	3.846	4	.427
	No	28	14	14	56			
	Maybe	16	6	14	36			
	Total	56	30	36	122			

Interpretations

Regarding the awareness, it was tried to trace out the relation between the tax awareness and tax compliance by forming four kinds of questions related to awareness. Question 7 stating the awareness of tax percentage levied in the region is not establishing the relation with the payment of tax as the calculated value is more than the critical value. Q8 stating the tax slabs on income is associated with payment of tax. Awareness of tax exemptions and deductions has no relation with the tax payment and the awareness about different taxes in the Kurdistan has a relation with the tax payment. In this case, the overall observation is two variables are related and the two variables are not related. But the Asymp. Significance values shows that there is relation between the two variables. Hence the alternative hypothesis can be accepted, but for Q7 awareness of tax percentage is not related with the payment of tax and other reasons should be identified.

Table 3: *Motivation and tax complaince*

		5. Are you paying the income tax?				Chi-Square Tests		
		Always yes	Sometimes	Never	Total		Value df	Asymp. Sig. (2-sided)
13. What motivates to pay your taxes.	1.0	22	18	14	54	Pearson Chi-Square	22.37810	.013
	2.0	4	2	12	18			
	3.0	12	2	6	20			
	4.0	6	2	2	10			
	5.0	2	2	0	4			
	6.0	10	4	2	16			
Total		56	30	36	122			
14. What do you think is motivating people to evade payment of taxes?	1.0	10	14	6	30	Pearson Chi-Square	11.792 4	.019
	2.0	26	8	20	54			
	3.0	20	8	10	38			
Total		56	30	36	122			

Interpretations

Self-motivation of the citizens of the country is mostly important to contribute to their nation's growth and development. This research tries to understand the reasons which are motivating the employees to pay or avoid taxes. In both the cases it was proved that the α value is less then critical value at 0.05 confidence level and the Asymp. Significance 2 sided value is

also less than 0.5 in two cases and establishing the relations between the motivation and tax compliance accepting the alternative hypothesis.

Table 4: *Perception towards tax evasion and tax compliane*

| | | **5. Are you paying the income tax?** | | | | **Chi-Square Tests** | | |
		Always yes	Sometimes	Never	Total	Value	df	Asymp. Sig. (2-sided)
15. Deliberate tax evasion should not be considered as a crime and it's a common thing	SA	6	2	2	10			
	A	12	6	10	28			
	N	20	16	20	56	Pearson Chi-Square		
	DA	12	6	4	22	12.169	8	.144
	SDA	6	0	0	6			
Total		56	30	36	122			
16. Is the payment of tax a civic responsibility by the citizens	SA	2	4	2	8			
	A	24	14	10	48			
	N	20	12	20	52	Pearson Chi-Square	12.381	8	.135
	DA	6	0	2	8			
	SDA	4	0	2	6			
Total		56	30	36	122			
18. Those who avoid taxes should be penalized or punished	SA	10	8	0	18			
	A	18	10	10	38	Pearson Chi-Square		
	N	22	10	16	48	16.187	8	.040
	DA	4	2	6	12			
	SDA	2	0	4	6			
Total		56	30	36	122			

Interpretations

To understand the perception of the employees towards tax evasion the research questionnaire included three questions such as tax evasion should not be considered as a crime, payment of tax is civic responsibility and punishment for evading tax. The first two questions had a relation with the tax compliance from the chi square α values and the third question has conflicting opinions where the calculated value is more than the critical value. But in the three cases the Asymp. Significance 2 sided values are less than 0.5 hence accepting the alternative hypothesis.

5. FINDINGS AND CONCLUSION

5.0 Research findings:

➤ Taking into consideration the demographic traits of the selected sample, gaps exist in collecting the taxes from the private sector employees. The same was mentioned in one of the survey report generated by the ministry of finance of the KRG.

➤ According to the Kurdistan regional government's taxation policies, an individual is exempt to pay tax if his/her income is less than 1 million Iraqi dinars as mentioned in the introduction part of this paper. The sample consists of 88 out of 122 people whose

income is more than the above prescribed threshold limit, out of which only 56 are paying taxes always and the 30 does not pay regularly.

➢ The study found that the employees of region are not aware of the tax policies.
➢ Most of the respondents are not paying taxes regularly.
➢ There is no clear idea among the sample about the different taxes in the region.
➢ Different reasons are playing role in influencing people minds to pay or evade taxes.
➢ People are not to accept tax evasion as a crime.
➢ Very few people availed assistance from the tax department of the KRG and they are satisfied by the services availed.
➢ It was observed that the society is accepting that the regional government is heading towards success in the reducing tax evasion in the recent years, but there are opinions which requires the government to improve its functioning to generate and surge up the tax revenue.
➢ From the statistical analysis, it was observed that there is significant association between the tax awareness, motivational factors, and perception towards tax awareness with the tax compliance.

5.1 Suggestions:

➢ Gaps should be identified from where the government is lagging behind in collecting taxes and to take steps accordingly to overcome this problem.
➢ It was observed that there are good number of employees in the department of finance so that proper job allocation should be in utilizing the employees' skills in an optimum way to reach out the corners of the region and magnify the tax yield upward.
➢ Conducting awareness programs and encouraging the local community to comply with the taxation policies and regulations of the government.
➢ Enhancing budget transparency to gain the trust of the people.
➢ The focus of the government should not only be centralized towards oil industry alone, rather it should be diversified to various other streams. Most of the developed countries has major and a considerable portion of GDP through taxes.
➢ Other than income tax, there are many other taxes such as excise duty, customs duty, entertainment tax, sales tax etc., which can be imposed to escalate the government substantial income.
➢ Despite of the burden of high cost, establishing tax audit firms in the region will help to achieve the strategic targets in accumulating taxes.

5.2 Scope for further research:

This research paper provides the understanding of the behavioral aspects of the employees in the Kurdistan region apropos the taxation policies and tax compliance. Similar research can be conducted in other regions or countries. Structured Questionnaires can be prepared including the questions which are also related to other types of taxes. Conducting interviews with the government executives or the employees in the tax department and ministry of finance will give a deeper insight to understand the region's tax environment more effectively. Questionnaires can be distributed to collect the data province wise individually (Duhok, Erbil, Sulaymaniya, and Halabja governorates) and the responses can be compared. The sample size can be increased and the proportion of the sample can be classified sector wise equally to understand the accurate responses and compare among them to avoid vagueness of the research. Data available in various reports published by the government institutions, Kurdistan regional statistics office (KRSO) or other sources can be taken into consideration to have a profound cognizance of the state.

5.3 Conclusion

Following the findings, it can be concluded that as much as there is increase in the tax awareness it improves the tax compliance. Motivating factors drive the tax compliance in a positive way and the demotivating factors needs to be reduced by the act of the government. Relatively, educated people are also not aware of the taxation policies and there are perceptions that they are not paying taxes. The negative effect of tax evasion should be made understood to the society and encourage the perception of tax evasion as an unethical conduct. There is dire need of considering tax payment as a civic responsibility of the citizens. Government should take distinguished measures in reducing tax evasion and to collect taxes from every possible corner. Besides the government should allocated revenue in a proper way to boot up the further collection.

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