Exploring the Dimensions and Determinants of Youth Tax Awareness in Sri Lanka

B.W.R. Damayanthi, Nadee Dissanayake, D.P.K. Manel

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The Gamani Corea Foundation (GCF)

The Gamani Corea Foundation (GCF) was established by Deshamanya Dr. Gamani Corea. His vision for the GCF was to develop a research institution that would advance his passion for global economic development, with a particular emphasis on Sri Lanka

The GCF is an autonomous non-profit institution that aims to promote development-oriented economic research, while being open to research from other branches of knowledge, especially from a multi-disciplinary perspective. Its mission is to contribute to the socio-economic development of Sri Lanka and other low-income and middle-income countries through informed, independent, and high-quality research.

Dr. Gamani Corea

Deshamanya Dr. Gamani Corea (4th November 1925 – 3rd November 2013) had a career of extraordinary achievements. At various times, he was the Secretary General of the United Nations Conference on Trade and Development (UNCTAD) and Under-Secretary General of the United Nations, Chairman of the South Centre in Geneva, a founding member of the Third World Forum, Ceylon's Ambassador to the European Economic Community (EEC), Belgium, Luxembourg and the Netherlands, the Permanent Secretary of the Ministry of Planning and Economic Affairs of Ceylon, and the Senior Deputy Governor of the Central Bank of Ceylon. Dr. Gamani Corea was the founder Chairman of the Marga Institute and the Institute of Policy Studies, and the founder President of the Sri Lanka Economic Association, and the Sri Lanka Association for the Advancement of Science. He was also the Chancellor of the Open University of Sri Lanka.

Dr. Corea had an academic career of rare distinction. He was a graduate of two prestigious institutions of higher education, the University of Cambridge and the University of Oxford. He was the first Sri Lankan to obtain a Doctorate in Economics. He was also the first Sri Lankan to obtain a Doctorate from Oxford University in any subject. Cambridge and Oxford, in his time, had some of the most famous names in economics in their faculties.

His passion for the economic interests of the Third World transformed the global economic order in many ways, some anticipated and others unexpected, yet always beneficial to developing countries. He was an ardent proponent of development policies that addressed the global-level disparities and development inequalities which affected developing countries. His strength of conviction on the need for structural change and a new international economic order led to several key accomplishments that include the establishment of the Group of 77, the United Nations Conference and Trade and Development, the South Commission and its successor the South Centre, and the introduction of the Integrated Programme for Commodities (IPC) that led to the formation of the Common Fund for Commodities, the initiative for debt forgiveness for Highly Indebted Poor Countries (HIPC), which was to a considerable extent an outcome of his leadership of the expert group of the Non-Aligned Movement on Third World Debt.

He contributed immensely to the advancement of the development goals of the Global South. As such, his legacy to the South was rich and valuable, providing it with its own identity in the global arena. He was tireless in fostering international cooperation and played an active role in reinforcing unity among nations of the Global South while strengthening their position in multilateral negotiations.

The influence of his thinking on development has spanned across continents, from the Asian countries surrounding the Indian Ocean, the Malay Straits and the South China Sea, to the

Atlantic coasts of West Africa and Latin America, and the Pacific Coasts of South America and East Asia. His vision for a more just and equitable world order was reflected in his role as the Secretary General of UNCTAD, steering the organization towards integrity of critical thought in the field of development, offering fair and better development prospects for marginalized countries, and being the voice of the poorest and most vulnerable. His commitment, leadership and policy contributions towards this end were extraordinary. In the words of Dr. Manmohan Singh (former Prime Minister of India and former Secretary-General, South Commission), he was:

"…an outstanding international civil servant and diplomat, a brilliant economist, and above all, a warm and caring human being…"[1]

[1]South Centre. (2014). A Tribute to Gamani Corea: His life, work and legacy. South Centre, Geneva, Switzerland

Chairman's Message

It is with great pleasure and enthusiasm that I present this distinguished series of research papers, the culmination of months of intellectual curiosity, rigorous inquiry, and unwavering dedication to the creation of knowledge, from our esteemed contributors. This series stands as a testament to the collaborative spirit and academic excellence that define our institution.

In today's rapidly evolving world, research plays a pivotal role in advancing knowledge, building intellectual communities, and providing ethical solutions to the pressing issues of our time. Each paper in this collection not only highlights the depth and breadth of expertise within our academic and research community but also reflects our commitment to fostering creative thinking and innovation.

I wish to extend my deepest appreciation to all the researchers and review committee members whose hard work and thoughtful guidance have shaped this series. Their contributions have ensured both the quality and the value of these works.

I am confident that the findings and perspectives presented in these papers will spark meaningful dialogue, inspire further study, and contribute to the progress of learning. May this series serve as both a source of knowledge and a catalyst for future research endeavors.

My gratitude to the authors of this study whose scholarly engagement has culminated in a research publication that extends the frontier of development knowledge.

Dr. Harsha Aturupane
Honorary Chairperson
Gamani Corea Foundation

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Financial support for this paper under Research Grant Number (Team Grant No 03) from the Gamani Corea Foundation is acknowledged with gratitude.

List of Abbreviations

ADB	Asian Development Bank
CBSL	Central Bank of Sri Lanka
EFA	Exploratory Factor Analysis
GDP	Gross Domestic Product
GLM	Generalized Least Squares Method
IMF	International Monetary Fund
IRD	Inland Revenue Department
OECD	Organisation for Economic Co-operation and Development
PAF	Principal Axis Factoring
PCA	Principal Component Analysis
TIN	Taxpayer Identification Number
TPB	Theory of Planned Behaviour
UN	United Nations

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Abstract

Considering Sri Lanka's urgent imperative to strengthen tax compliance and broaden its revenue base, this research aims to identify the key dimensions and determinants of youth tax awareness that promote voluntary compliance and ensure long-term fiscal sustainability. The study investigates tax awareness among the young in Sri Lanka through the development and validation of a multidimensional assessment framework, grounded in exploratory and confirmatory factor analysis, using a quantitative research approach. Drawing from a well-balanced and demographically representative sample of 1705, the study identifies six core constructs Tax morale, Trust in government tax use, Procedural awareness, Legal awareness, Tax compliance motivation, and Taxpayer rights as critical dimensions of youth tax understanding. Findings reveal a pervasive lack of essential tax knowledge, particularly in areas concerning legal obligations and taxpayer rights, despite a generally positive disposition toward compliance. Procedural understanding showed moderate strength, yet widespread informational deficiencies and reliance on third-party assistance persist. The validated instrument demonstrates strong psychometric properties, offering a reliable and scalable tool for future research, policy evaluation, and cross-contextual application. While some indicators exhibited lower factor loadings, the overall model supports the conceptual integrity of the constructs. The study calls for early, structured, and youth-centred tax education integrated into formal curricula and supported by digital platforms and social media. Policy implications emphasize transparency, institutional trust-building, and the creation of accessible, inclusive communication and feedback channels. By addressing current gaps in legal literacy, procedural clarity, and civic engagement, the findings provide a strategic foundation for designing effective tax literacy programs and fostering a more informed and compliant generation of taxpayers in Sri Lanka and comparable settings.

Keywords: *Exploratory factor analysis; legal and Procedural awareness; Tax compliance; Youth tax awareness*

1. Introduction

In the evolving fiscal landscape of the 21st century, tax awareness is not merely a matter of civic education, it is a foundation for long-term economic sustainability and social responsibility (Appiah et al., 2024). Tax awareness can be broadly conceptualized as an individual's understanding of the tax system, encompassing general knowledge, legal obligations, procedural requirements, and compliance responsibilities, as well as awareness of how taxation contributes to broader national development goals (Bernard et al., 2018). For any society to sustain a fair and effective tax administration, awareness must extend beyond basic knowledge to foster attitudes and behaviours that support voluntary compliance (Alexander et al., 2023; Asrinanda, 2018). In this context, awareness serves two key purposes: it helps individuals understand their legal tax obligations and also shapes their values by linking tax compliance to fairness, mutual responsibility, and the development of the nation (Chandra et al., 2021). Tax awareness holds significant influence in tax compliance and revenue generation because it directly engages the human mind shaping how people understand their obligations, make decisions, and ultimately take compliance action (Le et al., 2024).

Tax policy development has long been acknowledged as a fundamental tool for strengthening state revenue and promoting long-term economic resilience. Following the COVID-19 pandemic, Sri Lanka was confronted with an acute economic crisis that exerted severe pressure on public finances and brought to light longstanding structural weaknesses in the national revenue system. In response, and in line with recommendations from the International monetary fund (IMF), the government pledged to increase its tax-to-GDP ratio to 15% a target viewed as essential for fiscal recovery and macroeconomic stability (Krishnamurthy & Harischandra, 2025). To advance this objective, Sri Lanka undertook a sweeping package of tax reforms, featuring revised tax rates, adjusted exemption thresholds, the introduction of new taxes, and the phasing out of several existing ones. These measures reflect a purposeful and transformative recalibration of the country’s fiscal policy, designed to enhance revenue generation and restore macroeconomic stability.

However, the true impact of these reforms hinges not only on policy design but also on public response (Hasan et al., 2024). A key factor in shaping taxpayer response is tax awareness how well individuals understand the tax system and its processes. This awareness influences behaviour and can significantly affect whether people choose to comply with taxation requirements. Without sufficient public understanding, even well-designed tax reforms may fail to achieve their intended outcomes.

Fostering tax awareness from a young age is crucial yet often overlooked for long-term compliance and fiscal sustainability. Introducing tax education early helps develop informed taxpayers and promotes civic responsibility and trust in public institutions (Biancardi et al., 2023; Garg & Singh, 2018). As the future workforce and economic contributors, today’s youth hold the key to shaping the next generation of taxpayers. When young people understand the purpose and importance of taxation how it supports public services, drives national development, and reflects civic duty they are more likely to internalize positive tax attitudes and carry them into adulthood (Biancardi et al., 2023; Thamrin & Ritonga, 2024). In this context, youth-focused tax education is not merely an academic exercise but a strategic investment in building a more informed, compliant, and engaged taxpayer base, essential for sustaining long-term improvements in tax compliance and public revenue systems.

This study seeks to quantitatively investigate the key dimensions and determinants influencing youth tax awareness in Sri Lanka, addressing a significant gap in fiscal behavioural research. By grounding the inquiry in established theoretical models and relevant empirical studies, the research aims to systematically identify factors that indirectly enhance voluntary tax compliance among young individuals. Employing a structured survey methodology, the study captures a comprehensive dataset reflecting youth perceptions, knowledge levels, and compliance attitudes. Analytical techniques were applied to examine relationships among variables and to derive actionable insights. The results are critically discussed to inform policy strategies aimed at strengthening tax education initiatives, fostering compliance culture, and ensuring long-term fiscal sustainability. The paper concludes with practical recommendations for policymakers and stakeholders to enhance youth engagement in the country's revenue mobilization efforts.

1.1. Research Problem and Justification

Tax awareness can be understood as the capacity of individuals and businesses to accurately report income, calculate liabilities, file returns, and meet payment deadlines in line with statutory obligations (Hayta & Özdemir, 2023; Riyando et al., 2023; Svetlozarova Nikolova, 2023). Beyond procedural knowledge, it also entails an appreciation of the broader role of taxation in society, continuous engagement with updates in the tax system, and the ability to make financial decisions that reflect both legal compliance and ethical responsibility (Al-Ttaffi et al., 2020; Alexander et al., 2023; Alm & Togler, 2011; Fogg & Jozipovic, 2016). In contexts where low compliance and misinformation persist, strengthening tax awareness becomes essential for sustaining revenue systems, nurturing civic-oriented tax culture, and countering misconceptions that risk undermining public trust in taxation (Hardika et al., 2021; Mugarura et al., 2021; Tambun & Haryati, 2022). Empirical evidence suggests that well-informed taxpayers are significantly more likely to comply voluntarily, thereby reducing evasion and avoidance and contributing to fiscal stability (Athukorala, 2024; Athukorala, 2025; IMF, 2023).

Individuals who understand the purpose and importance of taxation are more likely to comply with filing and payment requirements, thereby minimizing both unintentional errors and deliberate non-compliance (Appah & Aganaba, 2024; Mwesigye & Kijjambu, 2024). Building tax awareness, particularly among youth, is essential for fostering a culture of voluntary compliance and ensuring the long-term resilience of the tax system (De Clercq, 2023). Salsabila and Qadri (2024) emphasize that early tax education not only equips individuals to resist misinformation but also encourages informed participation in policy debates, strengthening trust in public institutions and democratic governance. However, insufficient public awareness often fuels misconceptions about core tax principles, eroding confidence in the system and creating space for political manipulation (Dissanayake & Damayanthi, 2024; Hossain et al., 2024). This challenge is especially relevant in Sri Lanka, where widespread misinformation has shaped negative public perceptions of tax reforms. By contrast, a well-informed public is better able to evaluate reforms critically, resist manipulation, and contribute to political stability and sustainable economic governance (Hidayat & Akbar, 2024).

Sri Lanka's economy is currently in a fragile recovery stage, where strengthening domestic revenue mobilization and public financial management is crucial for stability and inclusive growth (Abudu et al., 2024; Rathakrishnan & Yogaraja, 2024). Despite this urgency, the country maintains one of the lowest tax-to-GDP ratios globally just 7.3% well below regional peers and the OECD average, reflecting a narrow tax base and deep structural inefficiencies (CBSL, 2022; IMF, 2022; OECD, 2023). With limited alternatives to raise revenue and growing debt pressures, broadening the tax base has become essential for fiscal sustainability and long-term resilience (ADB, 2023; IMF, 2023; World Bank, 2023). Recent IMF-supported tax reforms, (IMF, 2023) including mandatory registration of all citizens over 18, have expanded the tax net but also triggered youth unrest due to low awareness and vulnerability to misinformation. This highlights a critical gap: young taxpayers, who represent the future of the system, often lack sufficient tax knowledge to understand their obligations and rights. In the context of Sri Lanka's demographic shift toward an aging population, raising tax awareness among youth is not only vital for present compliance but also for ensuring the sustainability of the tax system in the decades ahead (United Nations, 2022).

Sri Lanka's pressing need to enhance tax compliance and broaden its revenue base underscores the importance of understanding youth tax awareness, an area that remains timely yet underexplored. While global scholarship has long recognized the influence of taxpayer awareness on voluntary compliance (Kirchler et al., 2008; Torgler, 2007), limited attention has been paid to the unique factors shaping youth perceptions, attitudes, and behaviors in developing economies such as Sri Lanka. Much of the existing literature focuses on general taxpayer populations or institutional determinants of compliance, thereby overlooking the socio-economic, educational, and informational influences that specifically affect youth engagement (Frey & Torgler, 2007; OECD, 2021). In Sri Lanka, studies on tax awareness have largely concentrated on policy and administrative perspectives, offering little micro-level insight into the determinants of youth tax behavior (Kehelwalatenna & Soyza, 2020).

This study seeks to address this lacuna by examining the dimensions and drivers of youth tax awareness within the Sri Lankan context. Generating such insights is essential for closing awareness gaps, develop targeted interventions that foster voluntary compliance, and contribute to long-term fiscal sustainability. By grounding policy in a clearer understanding of youth tax behaviour, this research aims to support more inclusive and effective revenue mobilization strategies.

1.2. Objectives

i. To identify the underlying dimensions that constitute youth tax awareness.

ii. To examine the key factors that influence the level of tax awareness among the youth.

1.3. Research Questions

i. What are the underlying dimensions of youth tax awareness?

ii. What factors significantly influence youth tax awareness?

However, no hypotheses were formulated, as the primary objective of this study is to explore and identify the dimensions of youth tax awareness in Sri Lanka. Given the lack of prior research in this specific context, Youth tax awareness in Sri Lanka, exploratory factor analysis (EFA) was employed to uncover the underlying factor structure of the phenomenon when no predetermined hypotheses exist regarding its dimensionality.

1.4. Literature Review

Tax awareness, as a multidimensional construct, encompasses legal awareness, procedural awareness, and general awareness, each underpinned by distinct theoretical frameworks that explain their influence on taxpayer compliance behaviour. Legal awareness, which refers to taxpayers' understanding of tax laws, obligations, and associated penalties, is well-explained through Compliance Theory (Devos, 2008; Devos, 2013; Omondi & Theuri, 2019) and the Theory of Planned Behaviour (TPB) (Taing & Chang, 2021). These theories suggest that individuals' compliance is significantly shaped by their awareness of legal mandates and the perceived consequences of non-compliance, thereby aligning personal behavioural intentions with regulatory expectations. Procedural awareness, which focuses on taxpayers' knowledge of tax filing processes and administrative requirements, is rooted in the Cognitive Theory of Tax Compliance (Hartmann et al., 2020; McCaffery, 1993) and Information-Asymmetry Theory (Chen & Lin, 2017; Han, 2020). These frameworks highlight that procedural knowledge mitigates informational gaps between taxpayers and authorities, reducing perceived complexity and fostering voluntary compliance through enhanced self-efficacy. General awareness, encompassing broader socio-economic understandings of taxation's role in governance and public goods provision, is theoretically anchored in Tax Morale Theory, Social Exchange Theory (Horodnic, 2018; Lee et al., 2021), and the Knowledge-Attitude-Practice Model (Harun, 2016; Petit et al., 2018). These perspectives emphasize that fostering intrinsic motivation, trust, and positive social norms through increased general awareness can elevate tax compliance beyond deterrence-based motivations, embedding it within a civic responsibility framework. Collectively, these theoretical lenses provide a comprehensive foundation for analysing how various facets of tax awareness drive compliance behaviour, particularly within contexts where voluntary compliance is essential for sustainable revenue mobilization.

General taxpayer awareness refers to an individual's fundamental understanding of the tax system, including which taxes they are obligated to pay, the consequences of non-compliance, and the societal importance of taxation (Ahmad et al., 2018; Appiah et al., 2024). It extends beyond basic knowledge of laws to encompass a taxpayer's ability to stay informed about changes in tax regulations and to perceive taxation as a civic duty contributing to public welfare. Empirical research by Asif et al. (2022) reveals that low levels of general awareness among youth significantly undermine voluntary compliance, as many young taxpayers remain uncertain about their obligations and rights within the tax system. Savitri and Musfialdy (2016) found that awareness of tax responsibilities correlates strongly with proactive compliance behaviour, emphasizing that knowledge of obligations and potential penalties reduces compliance anxiety. Furthermore, perceptions of government transparency and fairness in tax utilization directly influence how general awareness translates into compliance; Alm and Togler (2011) demonstrated that taxpayers who believe their contributions are used efficiently are more willing to comply voluntarily. Younus et al. (2025) emphasize that fostering an understanding of taxation's role in national development among youth enhances their intrinsic motivation to comply, strengthening the tax morale essential for sustainable revenue mobilization. Thus, enhancing general awareness is not merely an informational exercise but a strategic imperative for fostering a compliant, trust-based relationship between taxpayers and the state (Al Qasimi et al.; Alexander et al., 2023; Bernard et al., 2018).

Procedural taxpayer awareness refers to an individual's understanding of the practical steps, processes, and rights involved in fulfilling tax obligations, including how to file returns, adhere to deadlines, access assistance, and exercise appeal rights (Aniyie, 2022). This dimension of awareness is critical for fostering compliance confidence, particularly among youth who often lack exposure to tax procedures. Empirical evidence indicates that lack of procedural clarity is a significant barrier to compliance; Mohammed et al. (2022) found that young taxpayers unfamiliar with filing processes and deadlines are more prone to accidental non-compliance, even when they are willing to comply. Moreover, procedural awareness to appeal against assessments, which helps reduce perceived power imbalances and builds a cooperative relationship with tax authorities (Ariffin, 2025). Access to clear guidance and responsive support channels further enhances procedural awareness; a study by Bankole et al. (2023) revealed that taxpayers who know where to seek assistance demonstrate higher compliance engagement and reduced filing errors. Technological advancements play a pivotal role in simplifying procedures; Ming-Ling et al. (2005) highlighted that the adoption of user-friendly e-filing platforms significantly improves taxpayers' procedural awareness by providing real-time guidance and minimizing process complexity. Alm et al. (2017) further emphasized that transparent procedural communication, particularly through digital platforms, not only facilitates compliance but also strengthens trust and perceptions of fairness. Therefore, procedural awareness, especially when reinforced through accessible digital tools and effective taxpayer support systems, becomes a cornerstone for promoting voluntary compliance and fostering a culture of informed taxpayer participation.

Taxpayer legal awareness is the extent to which individuals possess knowledge and understanding of tax laws, procedures, and their practical implications, enabling them to recognize obligations, exercise rights, and engage confidently with the tax system (Mohd

Faizal et al., 2021). Empirical studies consistently find that sustained tax education programs deepen legal understanding and are positively associated with compliance behaviours (Hamid et al., 2022). Yet legal awareness on its own is often insufficient: taxpayers frequently confront dense statutes, technical language, and opaque procedures that undermine confidence and accurate filing (Bornman, 2015; Hamid et al., 2022; Mugarura et al., 2021; Wong & Lo, 2015). These obstacles fall hardest on small firms and informal operators with limited access to professional advice or digital tools, increasing the risk of inadvertent non-compliance. Evidence indicates that simplifying and clarifying the legal environment through plainer drafting, streamlined rules, and timely, targeted communications raises legal awareness, improves perceived comprehensibility, and reduces errors (Bişgin, 2025; Rahmayanti et al., 2020; Wong & Lo, 2015). Complementary administrative measures such as user-friendly e-filing interfaces, step-by-step guidance, and multilingual support further translate legal knowledge into correct action, enhancing inclusivity and fairness perceptions (Hamid et al., 2021; Wong & Lo, 2015). In sum, legal awareness is a necessary foundation that becomes most effective when paired with legal and procedural simplicity; together they build taxpayer confidence, sustain compliant behaviour, and strengthen trust in the fiscal social contract.

Tax compliance motivation is closely intertwined with taxpayers' level of awareness, as knowledge of rights, obligations, and procedures directly shapes their willingness to comply. Empirical studies show that intrinsic motivations such as civic duty, moral responsibility, and perceived fairness are strengthened when taxpayers are well informed about how taxes are administered and utilized (Joel et al., 2023; Masri et al., 2025; Torgler et al., 2008). At the same time, extrinsic motivations, including fear of audits, penalties, and reputational consequences, are more effective when taxpayers are clearly aware of the legal framework and enforcement mechanisms in place (Mayapada et al., 2021; Paleka & Vitezić, 2023; Pinheiro et al., 2021). Evidence from developing countries indicates that limited awareness of tax laws and procedures reduces confidence and discourages voluntary compliance, whereas education and outreach programs significantly boost motivation by making compliance less intimidating and more transparent (Ali et al., 2014; Mas'ud et al., 2014). Moreover, studies find that when awareness campaigns highlight both taxpayer rights and obligations, compliance motivation improves through enhanced perceptions of fairness, accountability, and inclusivity (Batrancea et al., 2019; Closs-Davies et al., 2024). Thus, taxpayer awareness serves as a critical foundation for aligning motivational drivers with compliance outcomes, reinforcing both voluntary engagement and trust in tax institutions.

Awareness of taxpayer rights refers to the recognition and understanding that individuals are entitled to clear information, fair treatment, procedural due process, and accessible redress mechanisms, as articulated in frameworks such as the Taxpayer Charter (Nurhayadi et al., 2022; Rizkiani, 2022). This dimension of awareness goes beyond basic legal knowledge; it empowers citizens to engage with the tax system not merely as passive payers but as active rights-holders. A strong grasp of these entitlements shapes how taxpayers interpret the intentions and legitimacy of revenue authorities, directly influencing their willingness to cooperate. Empirical studies indicate that when taxpayers are well informed about their rights such as the right to appeal, the right to transparent communication, and the right to equitable treatment they are more inclined to trust tax institutions and comply voluntarily (Closs-Davies et al., 2024; Saputri & Nugraha, 2024). Conversely, limited awareness can foster perceptions of arbitrariness or inequity, weaken compliance motivation and discourage engagement, particularly among vulnerable groups such as youth, small businesses, and informal sector participants (Awodun et al., 2024). Recent scholarship further highlights that rights awareness plays a dual role: it not only protects taxpayers from administrative overreach but also creates a psychological sense of fairness and accountability that strengthens the legitimacy of tax collection (Aniyie, 2022; Ariffin, 2025). Awareness campaigns, digital platforms, and civic education programs that present rights in accessible, user-friendly, and multilingual formats have been shown to reduce barriers to participation and empower taxpayers to assert their entitlements confidently. In this way, rights awareness does more than encourage compliance; it fosters a participatory tax culture where citizens feel valued, respected, and actively connected to the fiscal social contract.

2. Methodology

2.1. Research Design

The goal of the current study is to explore the dimensions of “Tax awareness” and its determinants in the context of Sri Lanka and the youth. Since the objective demands numeric description of existing attitudes or opinions of the population under study (Creswell, 2014), quantitative research approach was identified as the most appealing design. Although the concept “Tax awareness” is universal, the way the people understand, and the way of practicing it may be largely localized. Hence, self-administered (guided where necessary) questionnaire that developed through literature and subject expertise, was the main data collection tool in the field survey conducted from February to April in 2025.

2.2. Sampling and the Sample

The sampling frame for the current study was constructed considering the number of students engaged in vocational training or tertiary education in aged 18-29 in the country at first and then the districts which reported the highest number of such students were chosen. The number of districts were limited to 7 and sample size was limited to 1500, mainly due to time constraints backed by sample sufficiency for intended data analyses. For the sample allocation within 7 districts, appropriate sample size was calculated applying Krejcie-Morgan formula with a 95% confidence level and a population proportion of 0.5 (Krejcie & Morgan, 1970). Proportionating the formular determined size of 2460 units to the effective total sample, 1500 units, were allocated among the selected districts. Finally, allocated number of sample units in each district that are randomly taken from the highest populated state vocational education and training institute in the district were enumerated. Furthermore, allowing for missing and invalid responses, a questionnaire was administered for a total of 1778 sampling units considered for analyses (refer Annex 1).

2.3. Questionnaire Design and Development

The primary instrument utilized for data collection in this study was a structured, self-administered questionnaire specifically developed to examine the perceived tax compliance of young individuals in relation to their tax awareness. The core of the instrument comprised 37 scaled items, systematically developed to assess four theoretically and empirically grounded dimensions of tax awareness: general awareness, procedural awareness, legal awareness, and awareness of taxpayer rights. These dimensions were distilled from a critical synthesis of extant literature on taxpayer behaviour, compliance psychology, and public finance education (e.g., Kirchler, 2007; Saad, 2014; OECD, 2019), providing both conceptual clarity and empirical relevance.

Each item was measured using a four-point Likert scale ranging from Strongly Agree (1) to Strongly Disagree (4), intentionally designed without a neutral midpoint to encourage respondents to make a definitive judgment. This forced-choice format is considered particularly effective in mitigating central tendency bias and enhancing the discriminative power of response data, especially among young and early-career individuals with emerging civic engagement patterns.

To establish content validity and ensure the theoretical integrity of the constructs, the initial version of the questionnaire was subjected to an expert validation process. The review panel consisted of scholars and practitioners in taxation policy, behavioural economics, public administration, and survey research. Their feedback led to substantive refinements in item phrasing, logical sequencing, and construct alignment, ensuring the questionnaire was both psychometrically sound and culturally appropriate for the study's target demographic.

Recognizing the linguistic and cognitive diversity of the respondent group, the finalized questionnaire was originally drafted in English and subsequently translated into Sinhala using a forward-translation method to enhance accessibility and comprehension. Care was taken to preserve semantic equivalence and conceptual clarity across both versions. A pilot test was then conducted with a sample of 240 young individuals aged 18 to 29 years, selected to represent the broader population under study. The pilot phase assessed instrument reliability, linguistic clarity, and structural coherence. Feedback from pilot participants indicated that the questions were generally well-understood and contextually appropriate, with only minor modifications necessary to further enhance clarity and flow. The average time taken to complete the questionnaire was approximately 25 to 30 minutes, suggesting that the length and complexity of the instrument were within acceptable limits for voluntary, non-incentivized participation. Importantly, all participants were informed of their right to withdraw at any stage of the survey process without any consequence, in alignment with ethical research standards.

To complement the scaled items, the questionnaire also included a set of 15 preliminary demographic and socioeconomic questions (Items 1–14) designed to capture critical background variables, including gender, age, marital status, level of education, and prior exposure to tax-related education or training. These variables served both descriptive and analytical purposes, allowing for subgroup analyses to explore how sociodemographic factors may moderate or mediate the relationship between tax awareness and other variables.

In sum, the instrument was carefully constructed to balance methodological rigor with accessibility, ensuring both validity of measurement and relevance to the lived experiences of young individuals in the context of emerging tax systems and civic responsibility.

2.4. Analytical Methods

2.4.1. Exploratory Factor Analysis (EFA)

In the absence of literature related to the current study focus on the country, the current study provides instrument development and analysis of the construct "Tax awareness". Subsequently, exploratory factor analysis that “discover the underlying structure of observed variables” (Mvududu & Sink, 2013) is most appropriate analytical tool to reveal the underlying dimensions related youth perceptions of Tax. Exploratory factor analysis is a statistical technique employed to reduce a substantial number of interrelated variables into a more concise set of latent**,** or unobserved, dimensions. EFA can be used for theory and instrument development, exploring a hidden dimensions as well as assessment of the construct validity for existing instruments (Watkins et al., 2002)

The methods that is adopted to conduct Exploratory Factor Analysis can be in floored as in Watkins (2021). Firstly, as the first psychometric property, the measured variables for an EFA should be chosen following comprehensive domain of interest evaluation, Tax awareness, for the current study. This could be done by choosing the most appropriate marker variables referring the theoretical as well as the empirical literature (Tabachnick & Fidell, 2019). In this regard, if the communality value of the variables is low, they share minimal variance with other items leading to significant distortions in the factor structure. Thus, items exhibiting low reliability scores and correspondingly low communalities should be removed from the analysis to preserve the integrity of the factor model. (Kline, 2013; Widaman, 2012). Under the other psychometric property, it is expected the relationship between the “measured variables and factors are to be congruent” (Watkins, 2021). Since EFA assumes that the factors are influenced by the indicators or measured variables, they should be contributory to the relevant domain of interest. In sum, construct irrelevance should be avoided (Bandalos, 2018; Clifton, 2020).

Number of Variables a factor must be decided next. Although at least two indicators may be used to form a factor, “it becomes not only an issue of model identification and replication, but also a matter of construct underrepresentation” (Schmitt et al., 2018). Therefore, generally advised to include a minimum of three to six well-reliable variables for each common factor in the analysis to ensure robust and interpretable factor solutions (Comrey & Lee, 1992; Fabrigar & Wegener, 2012; Tabachnick & Fidell, 2019). Further, other facts that may preclude EFA such as “more variables than participants”; “Singularity” (linearly dependence of indicators on each other) multicollinearity, zero variance were carefully evaluated under prescribed criteria. As Watkins (2021) described, the sample size criteria for conducting Exploratory Factor Analysis typically considers several factors: “(a) the total number of participants, (b) the ratio of participants to measured variables, (c) the overall quality and reliability of the variables, and (d) the ratio of measured variables to latent factors”. According to Comrey and Lee (1992), “an absolute sample size of 100 is considered poor, 200 is fair, 300 is good, 500 is very good, and 1,000 or more is considered excellent”. In terms of the ratio of participants to variables, both Child (2006) and Gorsuch (1983) recommend having at least five participants for each measured variable, with a minimum total of 100 participants. Additionally, Hair et al. (2019) suggest a “higher ratio such as 10:1 or even 20:1 to ensure a more stable and reliable factor solution”. Further, the number of indicators for a factor and communality have been combined in determining sample size. In this regard, include variables with high communalities (≥ .60; Gibson et al., 2020), overdetermined factors (> 3 variables per factor) have been recommended and the consistent table have been published by Mundfrom et al. (2005).

Next step of EFA is data screening for the appropriateness of correlation matrix. Since it is posited that "effective data screening involves inspection of both statistics and graphics (Hoelzle & Meyer, 2013). Either alone is insufficient", current study utilizes both methods appropriately to screen the data for the wild codes, missing data, outliers and the violations of the assumptions which may produce bias results. The first requirement for EFA is sufficient correlations coupled with appropriate data distributions, influential outliers, and no or acceptable range of missing data. "Consideration and resolution of these issues before the main analysis are fundamental to an honest analysis of the data" (Tabachnick & Fidell, 2019). Correlations matrix, frequencies, scatterplot matrix, boxplots, and all descriptive statistics with the prescribed thresholds, are the major tools in this regard.

A second screening criteria for appropriateness of the correlation matrix for EFA is provided by the rejection null hypothesis that the "correlation matrix is an identify matrix" by Bartlett's test of Sphericity (1950). Lastly, the significance of Kaiser–Meyer–Olkin (KMO) measure of sampling adequacy (Kaiser, 1974) should be met. Kaiser (1974) suggested that "KMO values < .50 are unacceptable" while applied literature supported to "a minimum value of .60 (Mvududu & Sink, 2013; Watson, 2017) for acceptability, with values ≥ .70 are most preferred" (Hoelzle & Meyer, 2013). In this regard, "KMO values for each of the construct as well as the total sample should be considered".

When the method of factoring is taken, as described by Watkins (2021), "only common factor analysis can be classified as an exploratory factor analysis" model while Widaman (2018), Hair et al (2019) concluded that "PCA should never be used if the goal is to understand and represent the latent structure of a domain; only FA techniques should be used for this purpose". Accordingly, since the purpose of this study was to uncover the latent structure underlying the concept "Tax awareness", a common factor model was employed.

The model fitting procedure for common factor model or the" mathematical process of deriving the underlying factors from the correlation matrix" can be selected by considering the results of the prior examinations of inter item correlations, alpha reliability and distributional features of the indicator variables. Given the substantial reliability and the univariate normality of the indicators are met, Principal Axis Factoring (PAF) ensuring that less explained factors are not neglected (Watkins, 2021). Oblique rotation was selected because it allows intercorrelations among social science variables. Among the potential oblique analytic rotations, Promax technique was chosen because it is an oblique modification (with Keiser normalization) of the widely accepted varimax procedure. Comparison was made between PCM with orthogonal rotation (varimax) (Tabachnick & Fidell, 2019) for a simple structure. To determine the number of factors to be retained, factor eigenvalues greater than 1 (Kaiser, 1960 as in Field, 2018), and results of the Scree test, were utilized. Due to this inherent uncertainty in determining the appropriate number of factors, methodological experts advocate using multiple criteria such as theoretical basis and evidence from prior research as a guide for factor retention, ensuring interpretability and theoretical significance (Bandalos, 2018).

Finally, the EFA model should be screened for "judgmental guidelines since the" different numbers of factors and related indicators should be sequentially evaluated for their interpretability and theoretical meaningfulness" before finalizing and implementing (Finch, 2020a). in this regard, size of factor loadings: >.70 are excellent, >.63 are very good, >.55 are good, .45 are fair, and .32 are poor". Further, Morin et al. (2020) has concluded that loadings ≥ .50 are "fully satisfactory". Furthermore, the measures of model misfit, in terms of the average overall residual misfit is quantified by the root mean squared residual (RMSR). The smaller the RMSR value the better, with a threshold of ≤ .08 preferred (Brown, 2015). Indices of model fit: comparative fit index (CFI), Tucker–Lewis index (TLI), root mean square error of approximation (RMSEA), and CFI/TLI values ≥ .95 specially for EFA which might confirm that no under factoring.

2.4.2. Principal Component Method and Generalized Least Squares Method (GLM)

Analysis related to identifying which variables were significantly associated with tax awareness begins with bivariate analysis while multivariate analysis was used to measure the level of youth tax awareness by creating a composite score derived through PCA. To construct a composite index for each category and all categories together, used PCA unrotated scores. It was used PCA to construct a composite index primarily because it helps reduce dimensionality and combine multiple correlated variables into a single summary measure in a statistically sound way. If it is used PCA to construct a composite index, should be calculated Proportion of Variance Explained (PVE) by the first unrotated principal component. The following formula was used to measure the PVE in this study.

$$PVE = \frac{\lambda_1}{\sum_{i=1}^{p} \lambda_i}$$

After taking unrotated first score from PCA, constructed composite index. Composite index divided into 4 quintiles considering the minimum and maximum values are 0 and 100 respectively. These quintiles indicated as low (<=25.00), basic (25.01 – 50.00), moderate (50.01-75.00) and advance (75.01>).

To identify the determinants of youth tax awareness, the GLM was applied. It was chosen because, although the dependent variable (the composite tax awareness index) is continuous, most independent variables are categorical, and some continuous variables contained extreme values.

The GLM model is represented as:

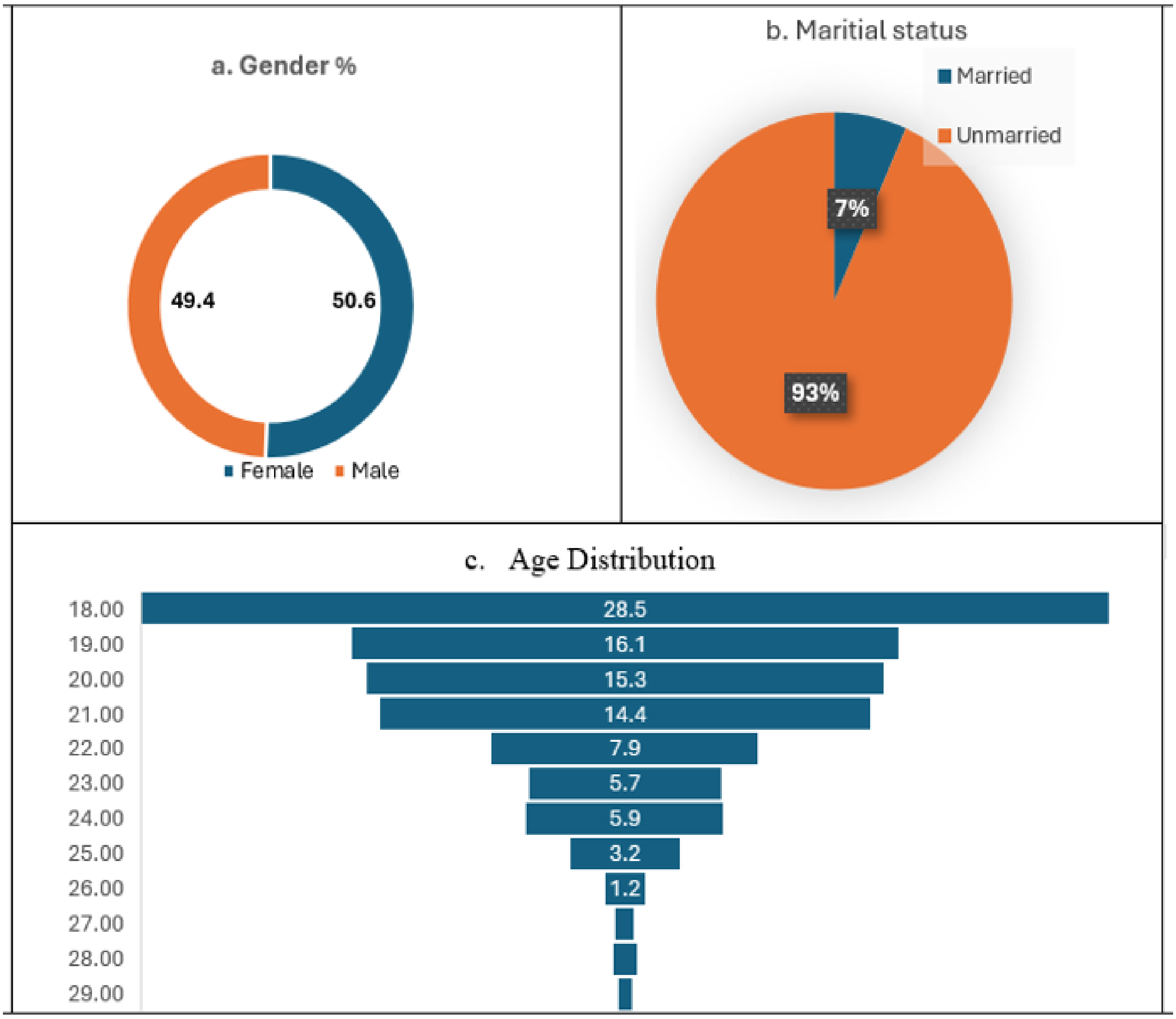
$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \cdots \ldots + \beta_k X_k + \varepsilon$. In this model Y is the dependent variable and the composite index is the dependent variable. X_i s are independent variables while ε represents the error term of the model.

Eleven independent variables were included in the model: respondent's age category (Agecat), father's income category (FAINCAT), mother's income category (MAINCAT), gender, marital status, education level, Advanced Level subject stream (AL), exposure to tax education (Learn_Tax), perceived importance of tax education (TaxEdu_Imp), father's education (Edu_Father), and mother's education (Edu_Mother)

3. Results and Discussion

3.1. Sample Characteristics

Figure 1: Sample demography

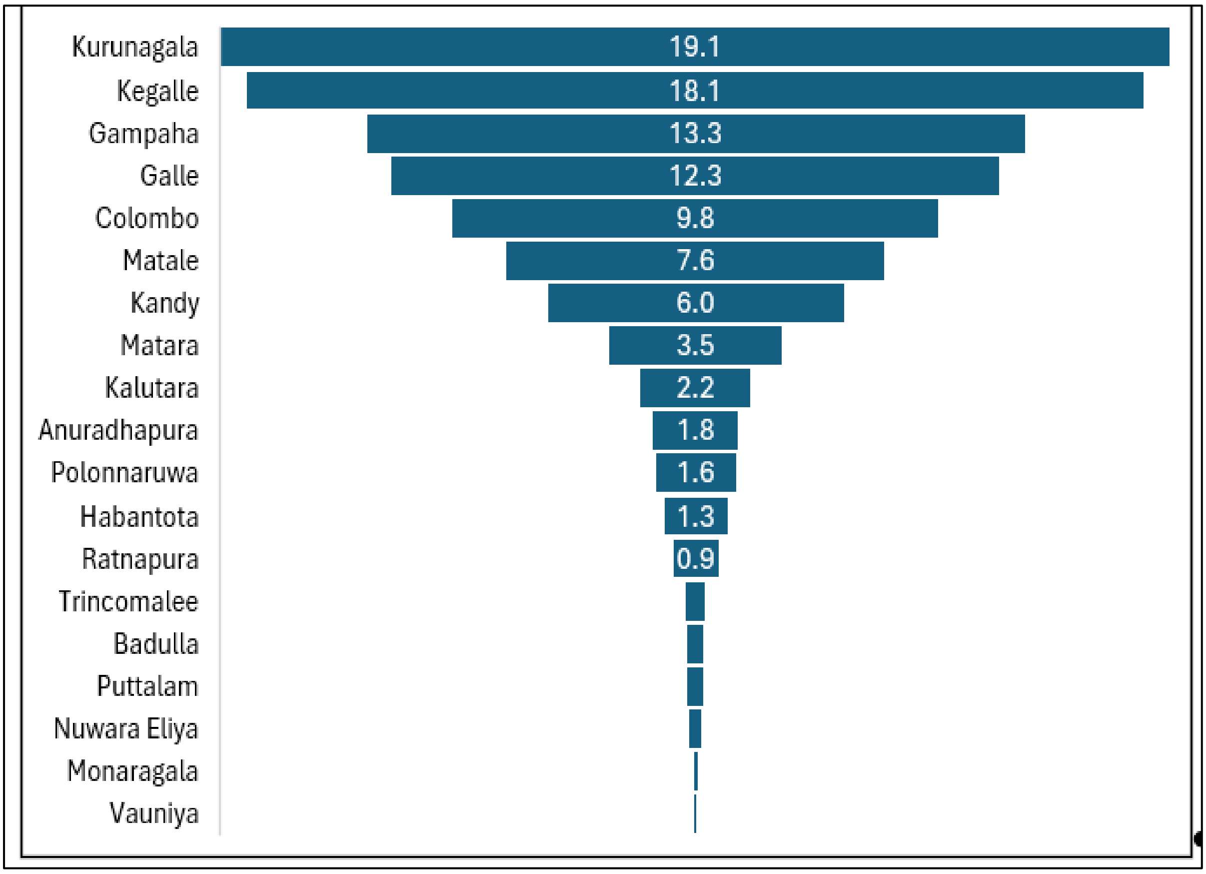


Source: Field survey, 2024/25

Sample characteristics in terms of demographic and socioeconomic variables have been summarized in Figure 1. In terms of gender distribution, females accounted for 50.6% of the respondents, with males comprising 49.4%, indicating an almost even split. As anticipated from the age distribution, many participants, about 93%, were unmarried. Ethnically, the sample was overwhelmingly Sinhalese, representing 97% of the total respondents. The demographic profile of the sample reveals that 28.5% of the valid responses were from 18-year-olds, making this age group the largest single cohort in the study. In total, nearly three-quarters (approximately 75%) of the participants fell within the 18 to 21 age range.

Geographically, the participant's residential districts are concerned, they are from 19 different districts, with the highest number coming from Kurunegala (just under 20%). This was followed closely by Kegalle, which contributed nearly 18%. Gampaha and Galle together accounted for around 25% of the samples, while Colombo, along with Matale and Kandy, contributed a combined 22%. Collectively, these seven districts represented over 80% of the total sample (refer to Figure 2).

Figure 2: Residential district of the respondents

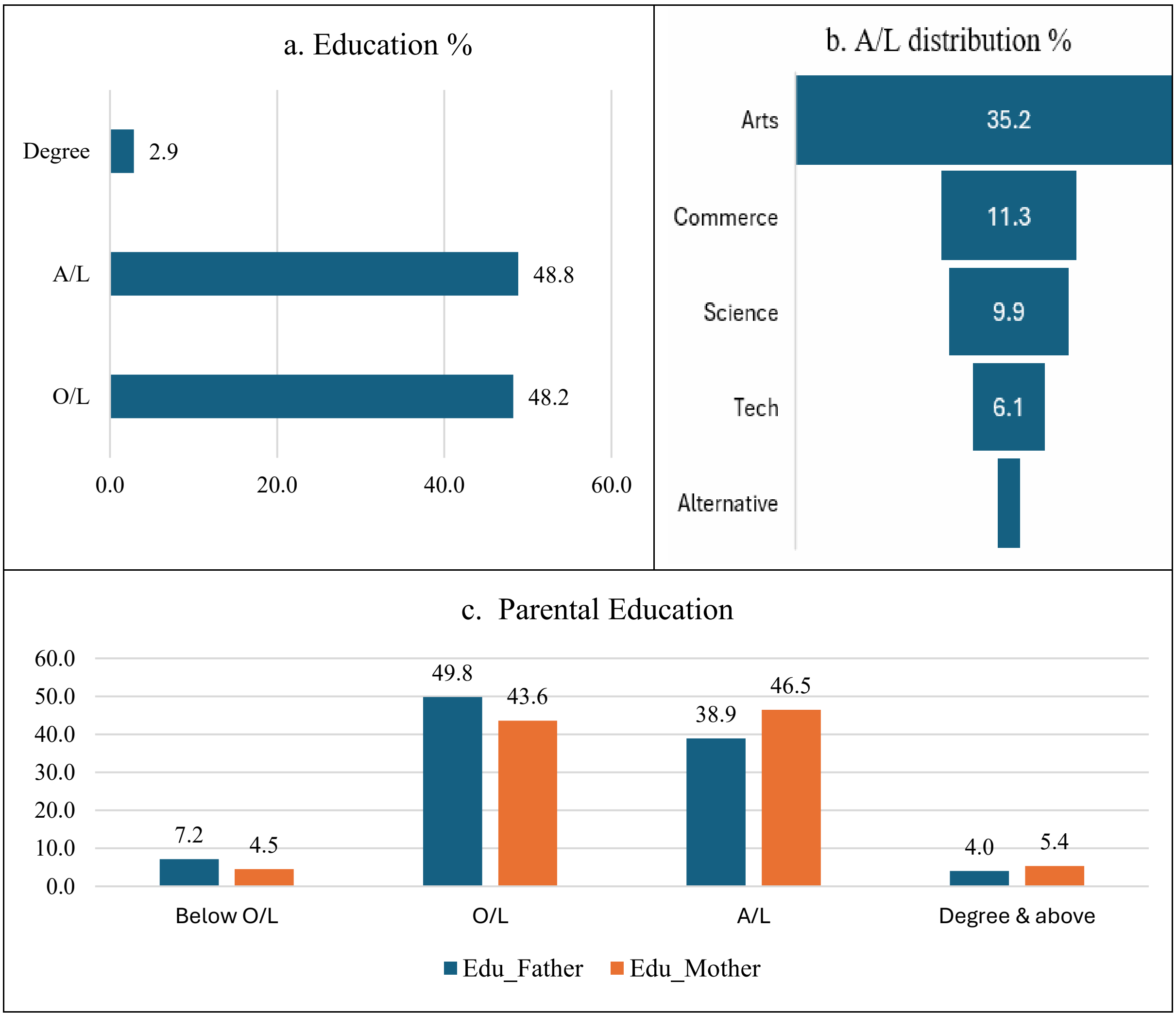


Source: Field survey, 2024/25

Regarding educational background, respondents were almost equally split between those who had completed GCE Advanced Level (A/L) and GCE Ordinary Level (O/L) qualifications, each group constituting approximately 48% of the sample (see Figure e). Among A/L-qualified individuals, the Arts stream was the most common, with 35% representation. Commerce stream followed with 11%, while Science and Technology streams were less common, accounting for 10% and 6%, respectively (see Figure 3).

In terms of parental education, the highest proportion of fathers (almost 50%) had attained O/L education. Conversely, mothers showed a relatively higher representation (45.5%) in the A/L education category. Respondents whose parents had either less than O/L qualifications or university degrees formed a negligible part of the sample (Figure 3c).

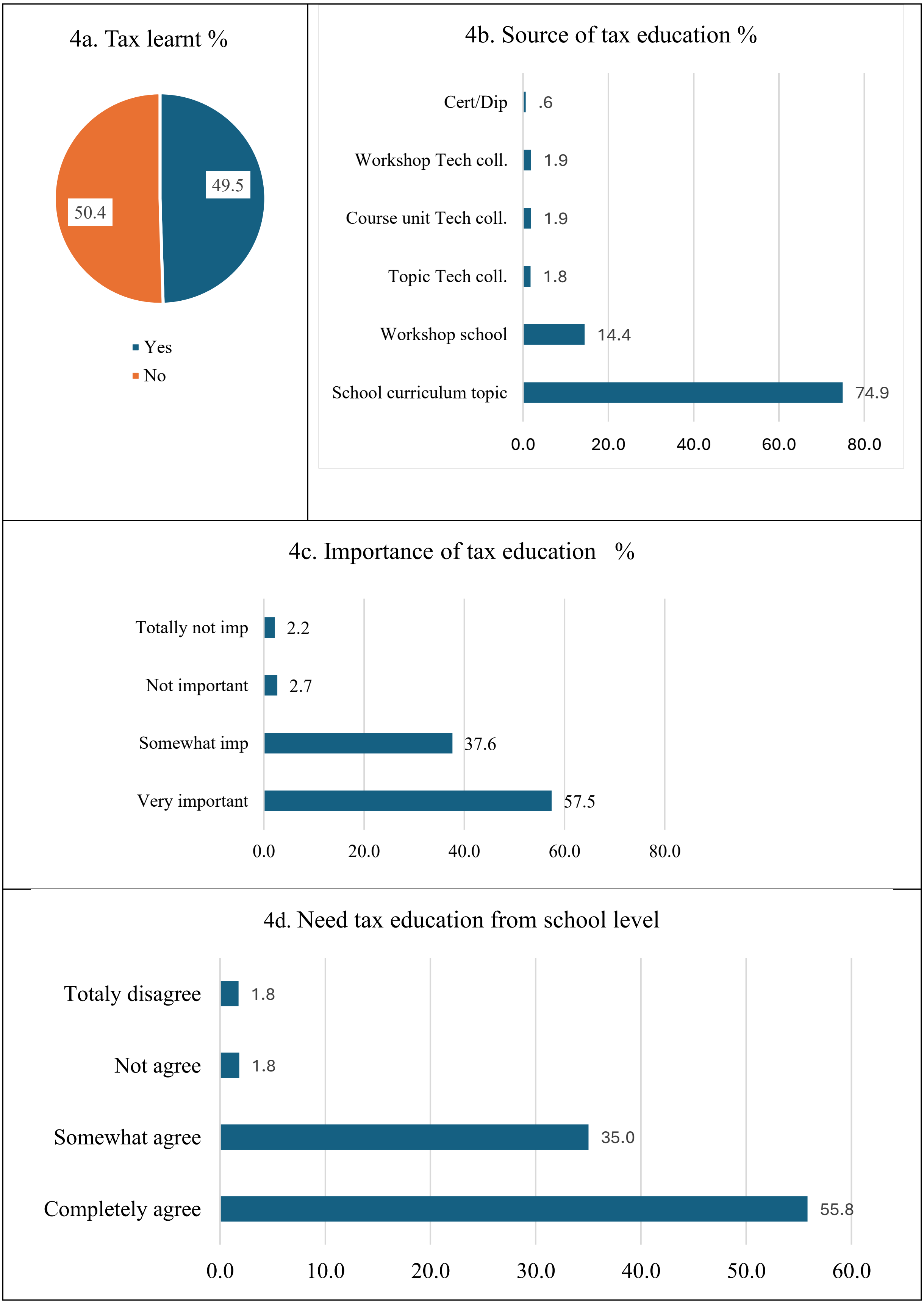
Figure 3: Education information of the respondents

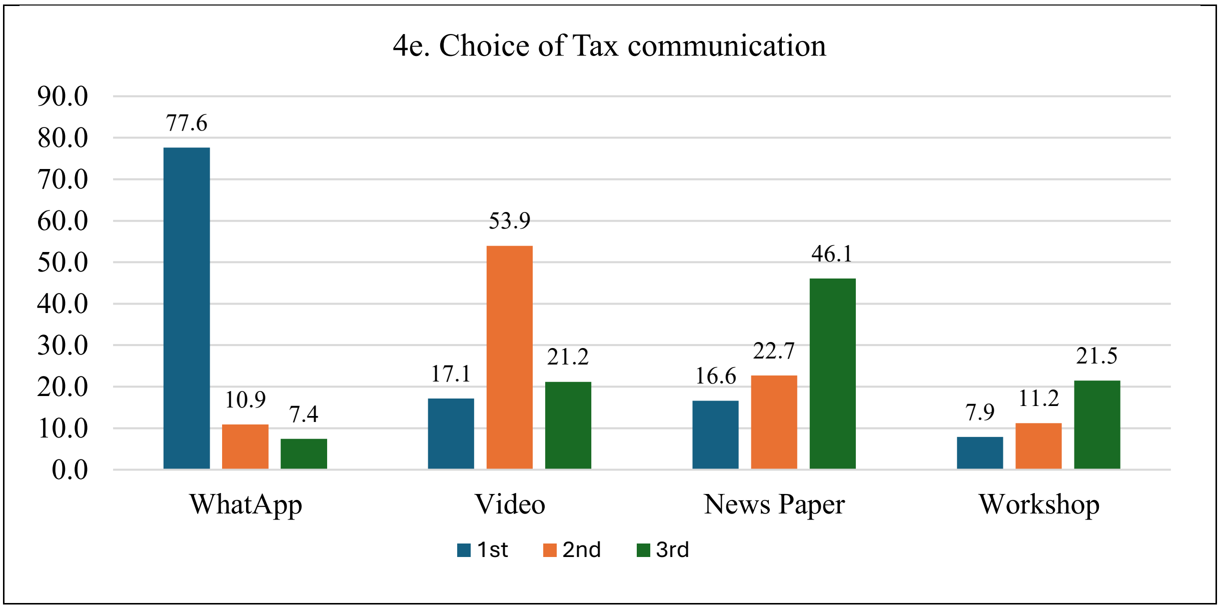


Source: Field survey, 2024/25

Tax education: Questions 10 to 14 of the questionnaire explored the respondents' exposure to tax education and their attitudes toward acquiring such knowledge (Figure 4). As illustrated in Figure 4a, nearly half of the participants indicated that they had attended some form of tax-related education. However, among those who had received such an education, almost 90 percent stated that it was delivered as part of their regular school curriculum. This suggests that there has been little to no effort in delivering specially designed or targeted tax education programs for young people outside of formal academic settings. This gap is further emphasized by the overwhelmingly positive perception of tax education among the respondents. Approximately 89 percent of participants agreed that "tax education is very important or worthwhile" as shown in Figure 4c. Furthermore, more than 86 percent believed that tax education should begin at the school level (refer to Figure 4d). These findings highlight a strong latent demand among youth for early and meaningful exposure to tax knowledge.

Figure 4: Tax education





Source: Field survey, 2024/25

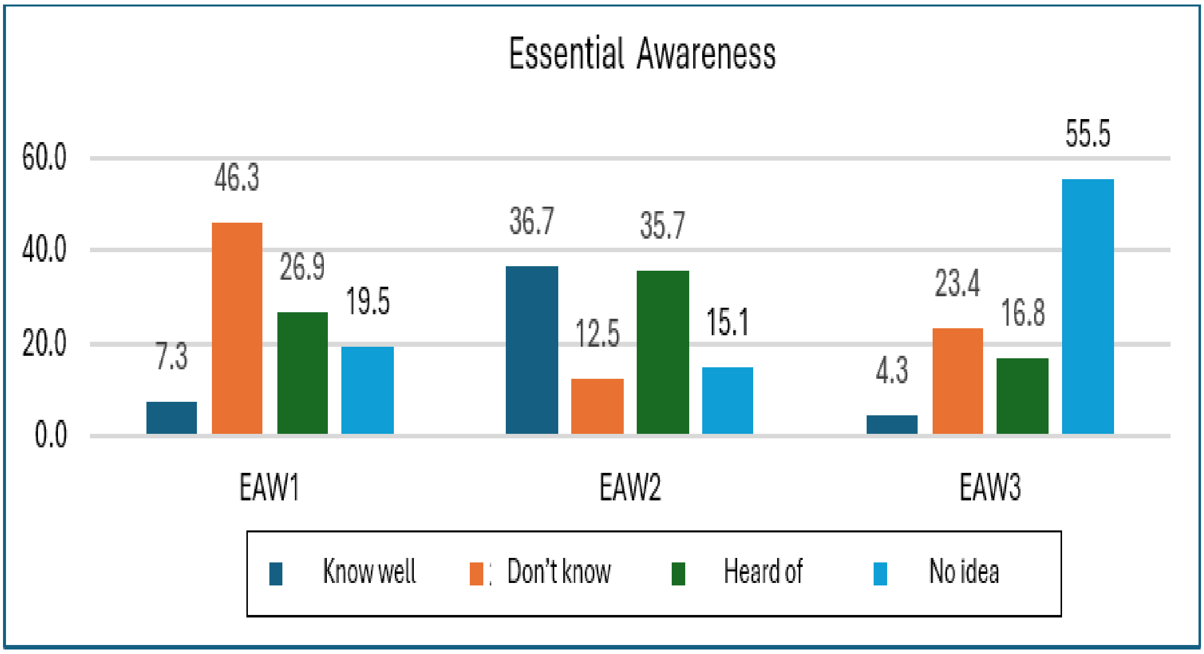
Since most respondents were no longer within formal education systems (such as school or university), the study also examined their preferences regarding modes of tax communication. Figure 4e presents the ranked preferences of the participants. The most preferred channel was WhatsApp, with nearly 78 percent selecting it as their first choice. The second most popular option was short videos, such as those found on YouTube, which were chosen by around 54 percent of respondents. Traditional media such as newspapers ranked third, while in-person workshops were the least preferred method among the listed options.

3.2. Item-Based Univariate Analysis

3.2.1. Essential Tax Awareness

Essential Awareness Questions (EAW1–EAW4) were designed to assess how youth perceive and engage with critical tax requirements in the country (Refer Figure 5). Only 7.3% of respondents reported knowing what a Taxpayer Identification Number (TIN) is (EAW1), while 26.9% had merely heard of it. Alarmingly, about 70% were completely unaware (No idea) of this fundamental tax concept. The situation worsens in EAW3, where only 36.7% correctly identified 18 years as the "minimum age at which a Sri Lankan citizen must obtain a TIN". Meanwhile, 35.7% mistakenly believe a TIN is required only if tax is payable, and 15.1% think there is no minimum age requirement highlighting widespread misconceptions that could seriously hinder early tax registration and long-term compliance. Furthermore, in EAW4, over 95% either incorrectly believed or were unsure whether obtaining a TIN automatically makes tax payment compulsory. This underscores the deep and pervasive confusion surrounding TIN obligations. Consequently, only 6.3% of respondents reported having obtained a TIN, meaning a striking 93.7% are currently unregistered in the tax system.

Figure 5: Essential tax awareness



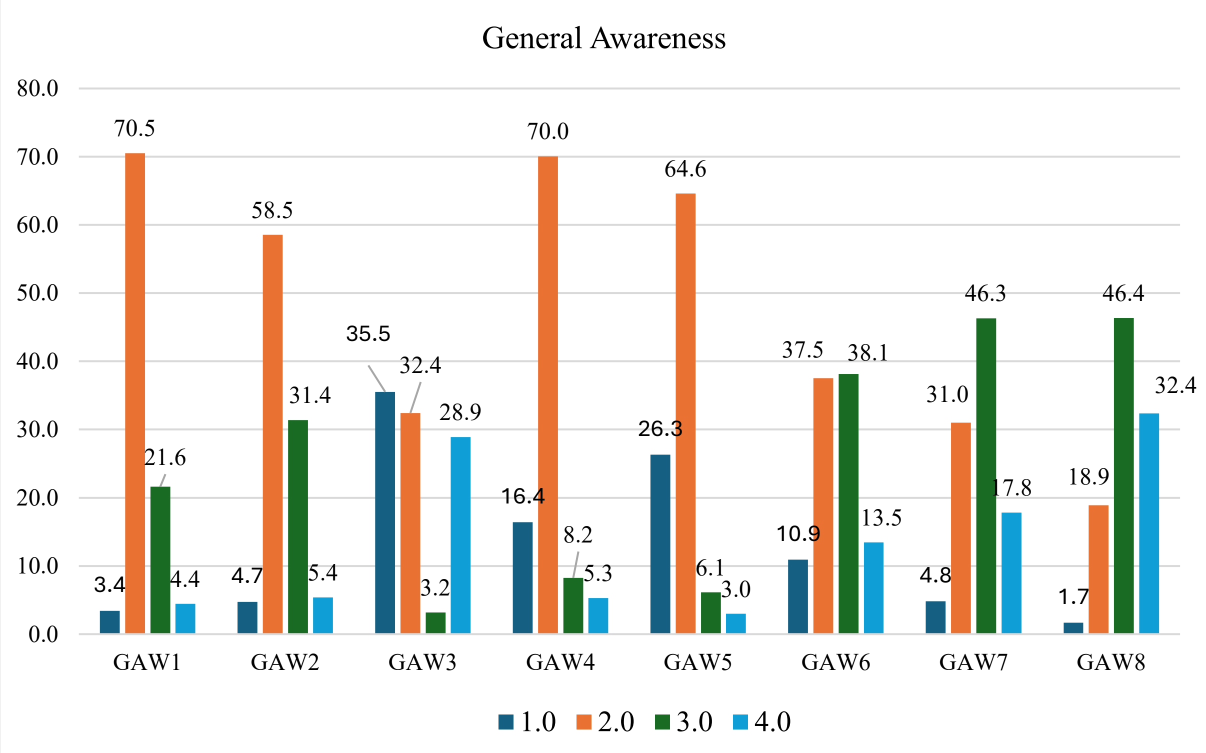
Source: Field survey, 2024/25

3.2.2. General Tax Awareness

The level of General tax awareness (GAW) among youth was assessed through eight item-specific responses (GAW1–GAW8) and illustrated in Figure 6, revealing a complex mix of partial knowledge, civic-mindedness, and institutional distrust. While approximately 67% of respondents stated that they "know what taxes I need to pay" (GAW1), this claim was undermined by broader uncertainty and a low overall confidence in their tax knowledge. In fact, only 3.4% of participants expressed confidence in their understanding, suggesting that their awareness is largely superficial based more on general familiarity than a clear, detailed understanding of the specific taxes for which they are personally liable.

Similarly, just under 60% agreed that they "understand what could happen if I don't follow the tax laws" (GAW2). Yet, the tone of many responses indicated hesitation and ambiguity regarding the specific consequences of non-compliance. Notably, 37% of participants strongly agreed that they were unaware or the consequences of tax evasion. Perceptions regarding institutional support showed a more positive trend. About 36% of respondents expressed confidence that they could "can get assistance from the Inland Revenue Department (IRD) if needed" (GAW3), with an additional 32% agreeing more cautiously. However, it is noteworthy that over two-thirds of the participants were either unaware of the available support services or unsure of how to access them.

Figure 6: General awareness (%)



Source: Field survey, 2024/25

Attitudes toward the public value of taxation were notably strong. More than 86% of respondents agreed that "believe paying taxes is important for the development of society" (GAW4), indicating a high level of awareness regarding the societal benefits of taxation. This sentiment was echoed in GAW5, where a nearly identical proportion agreed that "believe paying taxes is an important civic duty." These responses suggest that many young individuals conceptually understand the collective role of taxation, even if detailed knowledge remains limited.

Youth perceptions of trust in the tax system are primarily reflected in items GAW6 and GAW7, which assess views on government effectiveness ("trust that the government uses tax revenues efficiently") and transparency ("trust that the government uses tax revenues transparently"), respectively. More than half of the respondents (52%) expressed doubts about the system's effectiveness, with 38% strongly disagreeing with an alarming indicator of perceived inefficiency. Similarly, over 64% of respondents questioned the system's transparency, including 17% who completely disagreed. These results indicated the critical situation of accountability mechanisms, limited public reporting, and the absence of clear linkages between tax contributions and public benefits. In GAW8 ("taxes are generally fair and distributed equally among taxpayers"), around 46% of respondents believed the tax system is unfair, while another 32.4% were unsure about whether taxes are shared fairly. This uncertainty and widespread dissatisfaction point to deeper concerns about fairness and justice in the system (refer to Figure 6).

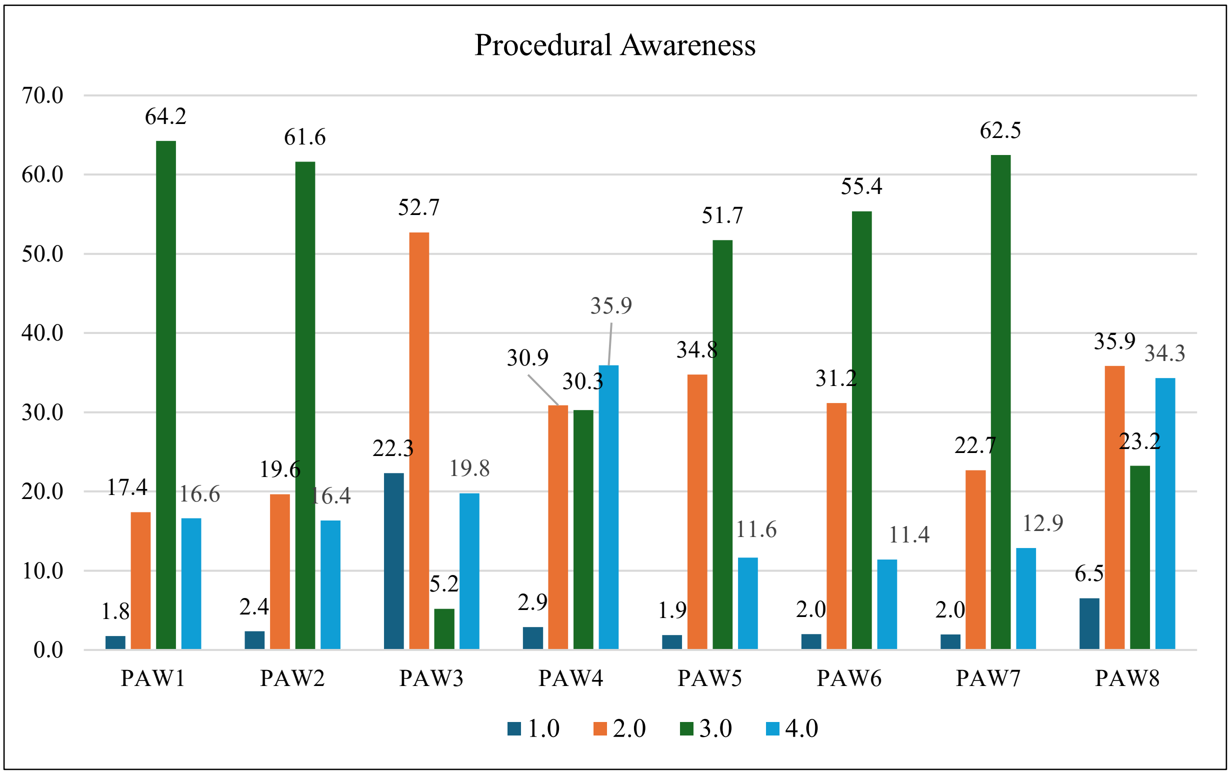
3.2.3. Procedural Tax Awareness

Procedural Tax Awareness (PAW), measured through eight items, refers to youth's overall understanding of the steps and processes they need to follow before, during, and after handling tax-related matters. Data is visualized in Figure 7. The item PAW1 ("I know how to file my taxes correctly") yielded the most striking result, with nearly 81% of participants indicating "Don't know." This overwhelming lack of procedural knowledge highlights that tax filing is widely perceived as a complex and intimidating task by the youth. Moreover, the absence of consensus and clarity about how to initiate and complete filing processes suggests that motivating and guiding this demographic through tax procedures will be particularly challenging.

This issue is further compounded by responses to the second item, (PAW2) "I know when to file my taxes," where 68% again selected "Don't know." These results point to significant uncertainty regarding not only the procedure but also the timeline of tax payments. In contrast, a more favorable trend was observed in PAW3 ("ensure that I keep proper records of all transactions related to my taxes"), where approximately 75% of respondents agreed or strongly agreed that they firmly know the importance of maintaining records and documentation related to tax calculations. Youth perceived that they must prepare and maintain proper records and documentation for all tax-related transactions to meet their tax obligations.

PAW4 ("clear and accessible information about tax filing is readily available to taxpayers in our country") was affirmed by 34% of youth. However, the 66% who disagreed highlighted a significant gap, suggesting that a substantial portion of young people lack awareness of the current tax information channels. PAW5 ("understand the steps involved in making a tax payment, including the available methods of payment") revealed a notable gap, with 63% of respondents expressing a lack of understanding. This indicates a clear need for more structured, accessible guidance on tax payment procedures and available methods.

Figure 7: Procedural awareness (%)



Source: Field survey, 2024/25

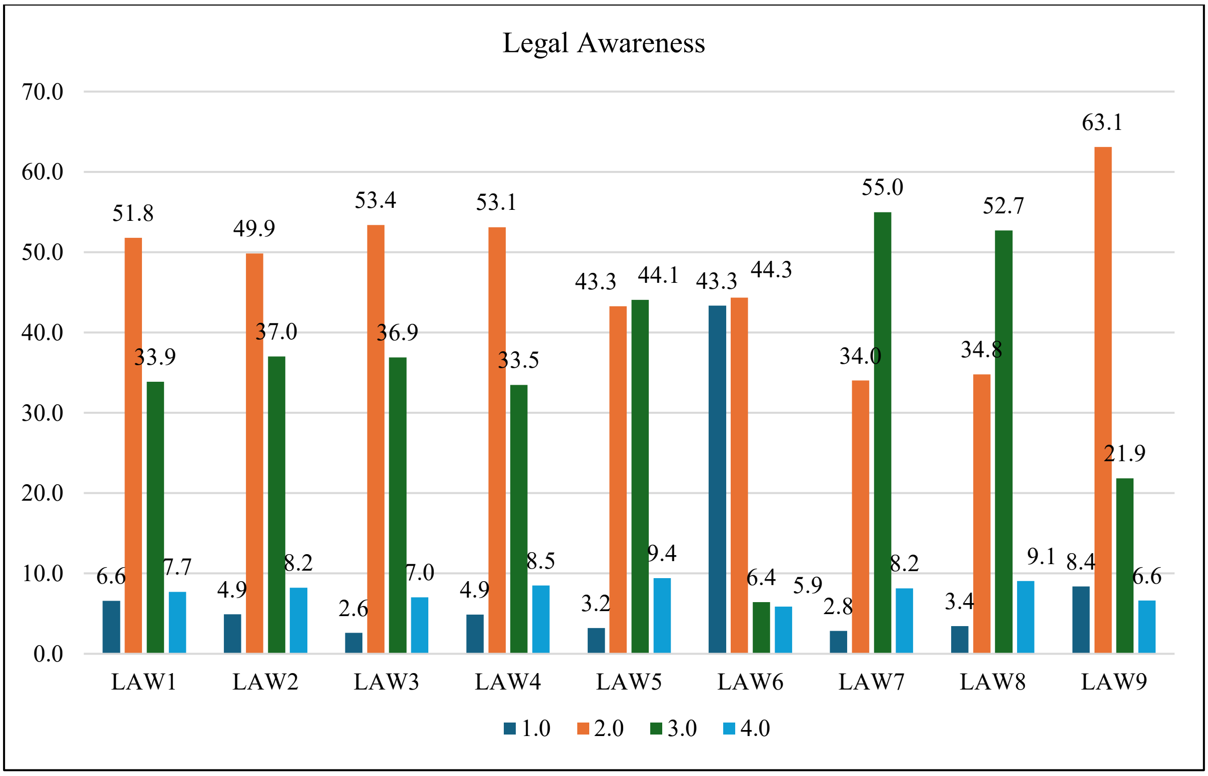
PAW6 ("aware of the deadlines for submitting my tax returns and paying my taxes") revealed that 67% of respondents disagreed with the statement, indicating a widespread lack of awareness regarding key tax deadlines. Similarly, PAW7 ("confident that I can accurately complete the necessary tax forms and documents") showed an even higher level of unawareness, with 75% expressing disagreement. Furthermore, within PAW7, 23% agreed with uncertainty, while only 2% were confident in their awareness of a negligible proportion. These results point to a serious deficiency in procedural tax knowledge and highlight the youth's unpreparedness to manage even the fundamental steps of tax compliance. This may stem from limited exposure to practical tax-related instruction, the complexity of tax forms and procedures, and the lack of youth-focused communication from tax authority. PAW8 ("utilize the information available on social media and other sources to complete my tax filing") revealed that 58% of youth do not use social media for tax-related information, and an additional 34% were entirely unaware that such content exists on these platforms. This indicates a significantly missed opportunity to leverage widely used digital channels for delivering targeted tax education to the younger generation.

3.2.4. Legal Awareness

Legal awareness refers to an individual's understanding of the legal framework surrounding tax filing, payment obligations, and the associated rights and consequences. Items LAW1 through LAW9 assessed youth awareness of the legal implications of tax non-filing and non-payment, as well as their familiarity with relevant legal provisions.

LAW1 (“I am aware of the legal consequences of not reporting correct income and paying taxes accurately”) and LAW2 (“I understand the penalties and legal consequences of failing to comply with tax laws”) received moderately positive responses, with just over 54% of participants expressing agreement. While this indicates a basic awareness of legal repercussions, the remaining 48% (LAW1) and 45% (LAW2) who disagreed or were unsure highlight that a substantial portion of youth lack a clear understanding of the legal consequences associated with tax obligations (refer Figure 8). LAW3 (“I am aware that tax laws are clear for taxpayers”) revealed that 44% of respondents admitted they were not aware of tax laws, while 53% indicated partial awareness but were unsure about the extent of their understanding. Only 3% agreed with the statement, which is a negligible proportion. These findings point to a widespread lack of clarity and understanding, underscoring the overall weakness of legal awareness related to taxation among youth.

Figure 8: Procedural awareness (%)



Source: Field survey, 2024/25

LAW4, “I believe the tax laws are easy to understand for taxpayers,” showed that 53% of respondents agreed but with uncertainty, while 42% disagreed. These results indicate that many youths find tax laws confusing or difficult to comprehend. This may be due to the complexity of legal language, insufficient plain-language explanations, and a lack of accessible guidance tailored to young taxpayers. LAW5, “I know where to find information about my rights and responsibilities,” showed that only 3% of respondents agreed, while 97% disagreed, with 54% of them unsure where to access such information. The high level of disagreement highlights a significant gap in youth awareness and access to reliable information regarding their tax rights and responsibilities. LAW6, “I am confident that I will receive support from a tax consultant when filing tax returns and completing tax forms,” revealed that 43% of respondents fully agreed, while an additional 44% indicated they would require such support. These findings highlight a strong reliance on professional assistance, suggesting that many youths may lack the confidence or knowledge to handle tax-related tasks independently.

3.2.5. Tax Compliance Motivation

Youth perceptions on tax compliance were assessed through eight items (TCM1–TCM8) as reported in Table 1. TCM1, which focuses willingness to meet formal tax obligations received strong agreement, over 87%, reporting high level of punctuality that indicates a positive compliance attitude among youth. Moreover, 77% of participants agreed that TCM2, and 67% affirmed that "Paying taxes is an individual's responsibility" (TCM3). These responses indicate that many young people associate tax compliance with good citizenship and see it as part of their civic duty. A notable 66% of participants agreed with the statement, "I want to help the government raise money" (TCM4), while 57% agreed with TCM5. These results highlight a meaningful sense of civic responsibility and willingness among young individuals to contribute to public financing.

Table 1: Tax compliance motivation (%)

	Statement	SA	A	DA	SD
TCM1	I always file my tax returns on time	17.3	69.1	7.2	6.3
TCM2	If I earn more income, I am obligated to pay taxes as required by the government	16.5	60.8	15.5	7.2
TCM3	Paying taxes is an individual's responsibility	17.6	59.5	10.5	12.3
TCM4	I want to help the government raise money	8.3	57.7	23.6	0.4
TCM5	I feel proud to pay my taxes	7.8	49.4	28.4	4.4
TCM6,	Young people have a clear understanding of the penalties of legal actions that result from not paying taxes	5.5	42.5	39.5	2.5
TCM7	If young people better understand what happens when they don't pay taxes, they are more likely to follow tax rules	8.4	51.7	19.5	20.3
TCM8	Making people aware of the importance of collecting taxes from childhood could improve tax compliance	9.1	52.8	30.1	8.1

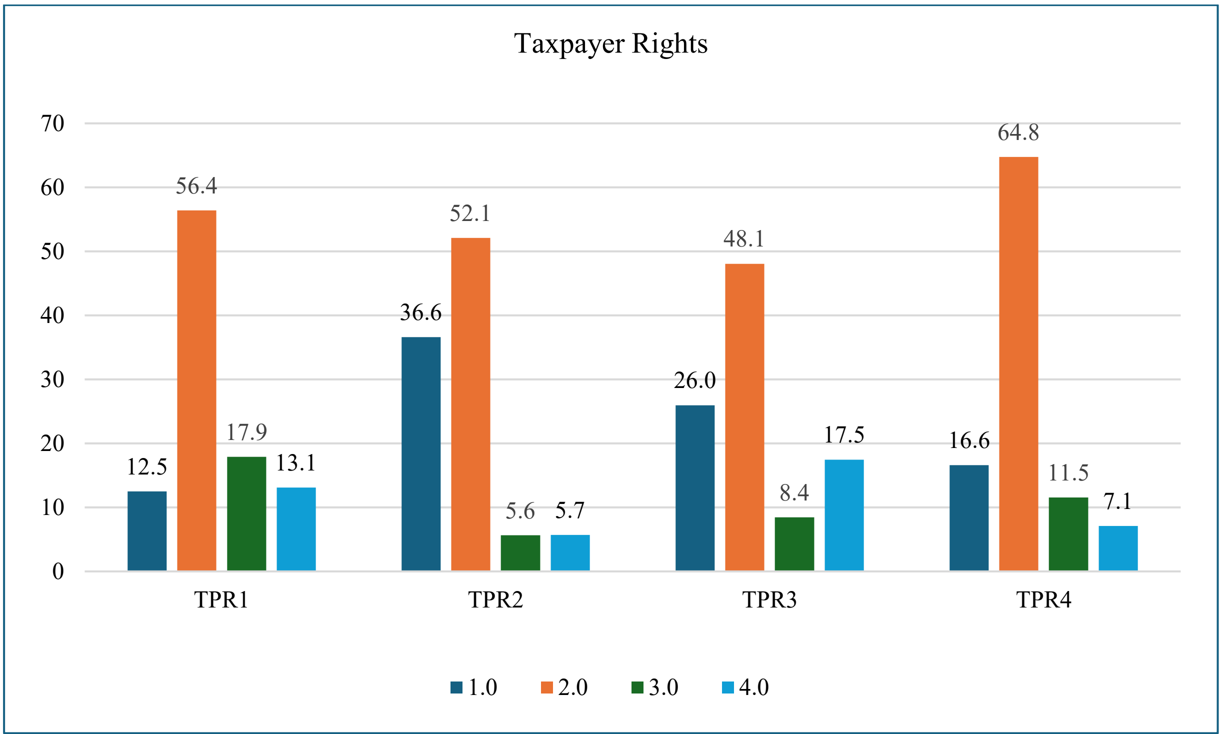
Source: Field survey, 2024/25

Responses to TCM6, showed that 48% of the participants agreed with the statement, while 42% disagreed. These findings point to a divided perception among youth, with nearly half acknowledging some level of legal awareness and a substantial portion indicating a lack of clarity or understanding about the legal repercussions of tax non-compliance. 60% of the respondents agreed with TCM7, and 62% of the respondents agree with TCM8, highlighting that young people recognize the value of awareness in shaping tax behavior.

3.2.6. Taxpayer Rights

The survey exploring youth perceptions of their rights as taxpayers revealed a clear expectation for fairness, clarity, and respectful treatment by tax authorities. A notable 69% of respondents agreed with the statement, "It is the duty of tax officers to treat taxpayers as honest individuals" (TPR1), highlighting a widespread desire for trust-based, non-adversarial interactions. This reflects a youth-driven demand for more dignified treatment and positive engagement with tax officials.

Figure 9: Taxpayer rights



Source: Field survey, 2024/25

A remarkable 89% of respondents supported the statement, "Tax officers must always communicate with taxpayers in a language that is easy for them to understand" (TPR2). This result indicates a strong demand among youth for clear, accessible, and simplified communication from tax officers. When asked about the right to raise grievances "Taxpayers should be able to make complaints or express their concerns about taxes without any fear" (TPR3) only 26% strongly agreed and 48% agreed with in part. The relatively weak support for this right suggests either limited awareness of the grievance mechanisms available or a cultural reluctance to challenge authority in formal settings. 81% affirmed their support for the principle that "Taxpayer has the right to access their tax-related information by submitting a written request" (TPR4). This indicates strong awareness of the importance of receiving accurate and timely information through formal channels and further reinforces the value of youth place on institutional openness and accountability.

3.3. Exploratory Factor Analysis

Prior to executing the exploratory factor analysis, the dataset underwent a thorough screening process using the diagnostic and descriptive functionalities available in SPSS version 24.0. The initial step involved identifying outliers and wild codes to confirm that all responses adhered to the expected scale range (1 to 4). Thirteen such anomalies were detected and subsequently corrected based on the original response records to ensure data integrity. Furthermore, indicator variables were relabeled initially for clarification purposes of the domain breakdown. An assessment of missing data as attached in Annexure 2 Table 1 revealed 755 missing cells across 61,380 total data cells, representing approximately 1.2% of the dataset. Given the minimal proportion, the missing values were imputed using mode substitution, in accordance with the guidance provided by Field (2018). To evaluate the suitability of the data for factor analysis, item-level descriptive statistics were computed as reported in Table 2 in Annexure 2. Linearity was assessed through scatterplot matrices, while distributional indicative measures, skewness and kurtosis, were examined for normality. The data met the acceptable thresholds, skewness values below 2.0 and kurtosis values under 7.0, as recommended by Curran et al. (1996), confirming the assumption of univariate normality.

The final sample comprised 1,705 valid responses obtained through a multistage random sampling approach targeting youth aged 18 to 29 enrolled in public vocational training institutions. With 37 measured variables, five proposed latent factors with an average communality (.6), and a sample size that comfortably exceeds conventional benchmarks (1705), the data were deemed highly suitable for EFA. As noted by Dombrowski et al. (2018), such conditions support robust factor recovery and model stability.

Table 2: Latent statistics: Descriptives and reliability

Factor	C alpha	Mean	Variance	Items
GAW	0.660	16.2	11.7	8
PAW	0.781	22.3	15.5	8
LAW	0.826	21.8	17.2	9
TCM	0.824	18.6	18.2	8
TPR	0.708	8.3	6.1	4
All	0.916	206.1	14.4	37

Source: Field survey data, 2024/25

All in all, itemized scatterplot matrix revealed that linear relationships exist between the indicators. Measures of univariate normality indicated a relatively normal data distribution (Curran et al., 1996; Finney & DiStefano, 2013; Mardia, 1970). Given these univariate guidelines, it seems unlikely that the distributional characteristics of the tax awareness will make bias Pearson correlation estimates. Further, it was not evidenced outliers substantially affected the correlation scores, while there are no missing cells. Therefore, a Pearson correlation matrix was submitted for EFA.

Given that exploratory factor analysis is based on the correlation matrix, the correlation matrix should contain enough covariance to justify conducting an EFA (Dziuban & Shirkey, 1974). First, the correlation matrix can be visually scanned to ensure that there are several coefficients

≥ .30 (Hair et al., 2019; Tabachnick & Fidell, 2019). Examining of large matrix containing 37 items in the current study for coefficients ≥ .30 reveals many coefficients are ≥ .30, but none exceeded .90 (Tabachnick & Fidell, 2019). The smallest coefficient is 0.09 and the largest is 0.668 fulfilling the basic requirements for EFA. The null hypothesis of Bartlett's test of sphericity "the correlation matrix was an identity matrix" was rejected at chi-square of 23009.8 with 666 degrees of freedom for the data (p=.000). The KMO measure of sampling adequacy is high, with values of .936 for the total model and .686 to .965 for each of the measured variables (Kaiser, 1974). Taken together, all the measures confirm that the correlation matrix is appropriate for EFA (Hair et al., 2019).

Further, According to Field (2018), The likelihood of a singularity or multicollinearity problem can be checked by ascertaining the determinant of the correlation matrix. If the determinant is greater than .00001, then multicollinearity is probably not a problem for the current study, it was reported the determinant of the correlation matrix is 0.00058 which is greater than 0.00001 showing that no multicollinearity issue.

Because low communalities on indicators can cause substantial distortion, Indicators with low score reliabilities and thereby with low communalities should be excluded from the analysis. Accordingly, GAW8 was removed from the analysis firstly due to low communality value (0.190). As such, PAW8 at the second step, and GAW3 thirdly were removed. Likewise, 9 iterations were performed and PAW4, PAW3, TCM6, LAW4, LAW6 were removed respectively by improving extracted sum of loadings from 43.7% to 46.6%. Communalities of the final model reported in Table 3 in Annexure 2. Alpha reliability for each construct ranges from 0.66 to .828 while it is 0.916 for all 37 items for the initial model as in Table 2.

This study occupied principal axis factoring applying oblique rotation (Promax with Kaiser normalization) by setting the minimum acceptable factor loading at .32 initially. To achieve the goal of having simple structure or to avoid complex structure, the initial model was improved by removing cross loadings (items that load substantially on two or more factors). In this regard, stepwise removal of cross loaded items was performed and GAW1, LAW9, GAW2 and TCM1 were removed respectively at each step. Finally simple structure that each variable exhibit salient loadings on 6 factors solution which is more interpretable was reached. Each of the 24 items representing the six factors and their factor loadings are presented in Table 3. It is represented by 13 "excellent" factor loading items, 11 "good" items (Comrey & Lee, 1992; Morin et al., 2020). These factor loadings are specified as quantifications of the relationship between measured variables and the factors. Under oblique rotation it is allowed to the factors to be correlated and produce two types of factor loadings: pattern coefficients and structure coefficients. Pattern coefficients represent the strength of the relationship between a measured variable and its underlying factor effectively isolating the relationship between the remaining variables. Accordingly, Factor 1, was represented by 2 items, with loadings ranging from .53 to .51. Factor 2 was represented by 2 items, with loadings ranging from .74 to .75. Factor 3 was represented by 5 items, with loadings ranging from .494 to .715 while Factor 4 was represented by 6 items with loadings ranging from .494 to .815. Six items ranging from .469 to .728 were loaded to Factor five. Finally, factor six is represented by three items with loadings .594 to .717. Further, structure coefficients are shown to be having similar pattern indicating no distortion as unusual loading or cross loading while reliability for the final model is .891 (24 items overall) and .695 (minimum) to .859 (maximum) for constructs. Hence, this final model which is in alignment with prescribed model selection criteria: salient loadings (Hair et al., 2019); approximation of simple structure (Morin et al., 2020); accepted level of alpha reliability (Kline, 2013) was proceeded for further analyses.

As shown in the final pattern matrix (Table 3), initially designed marker variables PAW- procedural awareness, LAW - legal awareness, TCM- tax compliance motivation and TPR- perceived taxpayer rights loaded as it is but with a reduced number of indicators. However, GAW- general awareness, has been collapsed into two doublets or two indicator latent variables. Doublets are weak and expected to arise model convergent issues. However, removing of them made the final model very complex while retaining them gives a model with good fit in this study. Hence, considering the theoretical base and novelty of the study to the context, Sri Lanka, renaming of the two variables is seen as the best viable solution. Accordingly, following the suggestions made by the subject experts after careful consideration of the question or item focus, GAW 4 and 5 renamed as TMR to represent tax moral and civic responsibility (TMR1 & TMR 2) while GAW 6 and 7 are as trust in government tax use (TGU1 & TGU2). Accordingly, 6 factor solution representing 6 dimensions were statistically identified. Subsequently, a confirmatory factor analysis was conducted for the model with renamed variables and split sample validation was done.

Table 3: Pattern matrix of the final model refined for low loadings

Pattern Matrix[a]							
		Factors					
Marker	**Item statement**	**1**	**2**	**3**	**4**	**5**	**6**
GAW4	believe paying taxes is important for the development of our society	**.534**					
GAW5	Believe paying taxes is an important duty as a citizen	**.516**					
GAW6	trust that the government uses tax revenues efficiently		**.744**				
GAW7	trust that the government uses tax revenues transparently		**.746**				
PAW1	know how to file my taxes correctly			**.694**			
PAW2	know what time file my taxes			**.715**			
PAW5	understand the steps involved in making a tax payment, including the available methods of payment			**.406**			
PAW6	aware of the deadlines for submitting my tax returns and paying my taxes			**.444**			
PAW7	confident that I can accurately complete the necessary tax forms and documents			**.439**			
LAW1	aware of the legal consequences of not reporting correct income and pay taxes accurately				**.815**		

Pattern Matrix[a]							
		Factors					
Marker	Item statement	1	2	3	4	5	6
LAW2	understand the penalties and legal consequences of failing to comply with tax laws				**.802**		
LAW3	aware that the tax laws are clear for taxpayers				**.828**		
LAW5	know where to find information about my rights and responsibilities				**.684**		
LAW7	aware of the tax incentives or exemptions available to taxpayer				**.517**		
LAW8	know about the tax-free allowance				**.463**		
TCM2	understand that if I earn more income, I am obligated to pay taxes as required by the government					**.650**	
TCM3	Paying taxes is an individual's responsibility					**.644**	
TCM4	want to help the government raise money					**.728**	
TCM5	I feel proud to pay my taxes					**.716**	
TCM7	If young people better understand what happens when they don't pay taxes, they are more likely to follow tax rules					**.469**	
TCM8	Making the people aware of the importance of collecting taxes from childhood, higher tax compliance could be made					**.558**	
TPR2	Tax officers must always communicate with taxpayers in a language that is easy for them to understand						**.594**
TPR3	Taxpayers should be able to make complaints or express their concerns about taxes without any fear						**.616**
TPR4	A taxpayer has the right to access their tax-related information by submitting a written request						**.717**
Extraction Method: Principal Axis Factoring. Rotation Method: Promax with Kaiser Normalization.[a] a. Rotation converged in 7 iterations							

Source: Field survey data, 2024/25

Before turning into factor naming and respective interpretations, it was advised that the Indices of model fit prescribed for EFA: the root mean squared residual (RMSR); comparative fit index (CFI) Tucker–Lewis index (TLI); root mean square error of approximation (RMSEA) and CFI/TLI against under-factoring should be checked. Accordingly, the final pattern structure was submitted to AMOS and a measurement model was estimated. Model fit indices are reported in Table 4.

Table 4: Model fit indices of the measurement model

Index	Value	Threshold	Comment
RMSEA	0.39	<0.5	Satisfied
RMSR	0.034	<= 0.05; <=0.08	Satisfied
CFI	0.959	>0.9	Satisfied
NFI	0.945	>0.9	Satisfied
TLI	0.952	>0.9	Satisfied
CMIN/DF	3.5	<3; <5	Satisfied
CFI/TLI	1.007	>=0.95	Satisfied

Source: Hair et al., 2019

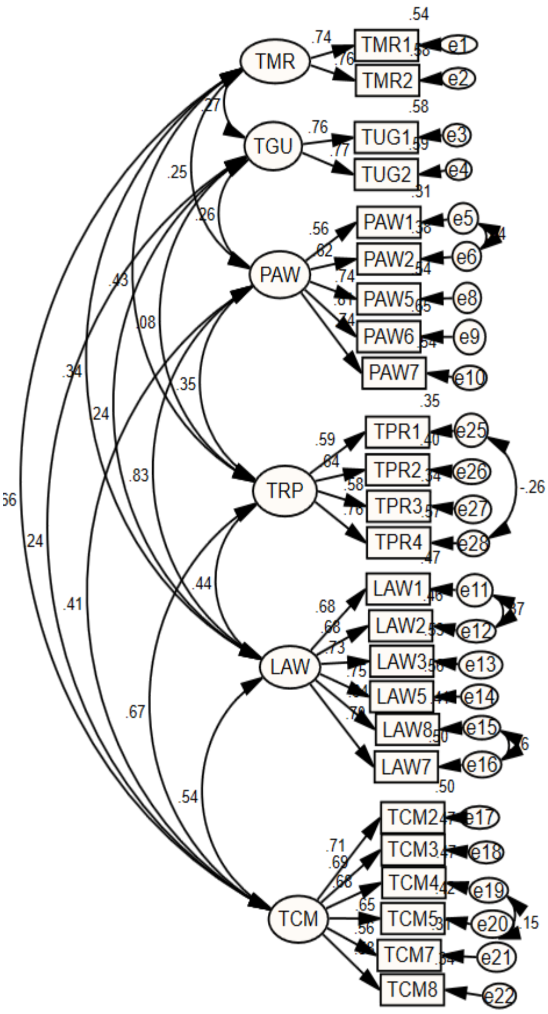
The model fit indices of AMOS measurement are taken, firstly the model Chi reports as 911.047; df 225, CMIN/DF recorded 3.5 which is below the threshold value 5, and RMSEA 0.39 <0.5 are satisfactory making the measurement model acceptable. CFI (0.959), NFI (0.945) and TLI (0.952) are greater than 0.9 indicating a good model fit. The root mean squared residual (RMSR) which estimate the average overall residual misfit is 0.034, below the threshold of 0.05 confirmed a good model fit of EFA as specified by Brown (2015). Further, EFI/TLI ratio for the current EFA model is 1.007, greater than 0.95 shows that factoring of the model is fine (no under-factoring). Accordingly, all the model fit indices meet the requirements for a good-fitting measurement model and thereby confirming a good EFA model permitting for the intended interpretations. Hence, a CFA measurement model was estimated. Standardized regression weights and the AMOS graphic of the measurement model are presented in Table 5 and Figure 10.

Table 5: Standardized regression weights

Path			Estimate***
TMR1	←-	TMR	0.737
TMR2	←-	TMR	0.761
TGU1	←-	TGU	0.763
TGU2	←-	TGU	0.769
PAW1	←-	PAW	0.560
PAW2	←-	PAW	0.617
PAW5	←-	PAW	0.737
PAW6	←-	PAW	0.808
PAW7	←-	PAW	0.735
LAW1	←-	LAW	0.684
LAW2	←-	LAW	0.679
LAW3	←-	LAW	0.731
LAW5	←-	LAW	0.747
LAW8	←-	LAW	0.639
LAW7	←-	LAW	0.704
TCM2	←-	TCM	0.707
TCM3	←-	TCM	0.685
TCM4	←-	TCM	0.684
TCM5	←-	TCM	0.650
TCM7	←-	TCM	0.555
TCM8	←-	TCM	0.585
TPR2	←-	TRP	0.636
TPR3	←-	TRP	0.583
TPR4	←-	TRP	0.757

*** p = 0.000

Figure 10: Measurement model



Source: Field survey data, 2024/25

The confirmatory factor analysis is supported by statistically significant standardized regression weights (p = 0.000) across all observed variables with a well-fitting measurement model as reported in Table 5. Standardized regression weights represent the strength and direction of the relationship between two variables when both variables are standardized. Each of the numerical coefficients corresponds to the directional paths connecting common factors to observed variables. Higher loadings mean that the observed variable is more strongly related to the factor while the sign indicates the moving direction. Results confirm that each item contributes meaningfully to its corresponding latent construct.

As reported in Table 5 all the indicators identified in 6 factor solution of youth tax awareness are significant and exceeds cut-off values confirming the existence of six dimensions: 1. Taxpayer moral (TMR); 2. Trust in government tax use (TGU); 3. Procedural awareness

(PAW); 4. Legal awareness (LAW); 5. Tax compliance motivation (TCM) and 6. Taxpayer rights (TPR). The latent variable Tax morale (TMR) demonstrated high internal consistency, with TMR1 and TMR2 loading at 0.737 and 0.761 respectively. Similarly, Trust in Government tax use (TGU) showed strong and balanced loadings of 0.763 and 0.769. Procedural awareness (PAW) presented a broader range of loadings (0.560 to 0.808), with PAW6 being the strongest contributor (0.808), while PAW1 (0.560) fell just above the acceptable threshold, warranting potential revision. The LAW construct was supported by six indicators with loadings ranging from 0.639 to 0.747, suggesting good convergent validity. For TCM**,** most items loaded above 0.65, though TCM7 (0.555) and TCM8 (0.585) showed weaker contributions, indicating possible areas for refinement. Lastly, the TRP factor included three items with acceptable loadings, notably TPR4 at 0.757. Overall, the final model demonstrates sound psychometric properties, affirming the reliability and structure of the latent constructs measured. A few items with comparatively lower weights highlight opportunities to improve measurement precision in future research. These findings validate the multidimensional structure of tax-related attitudes and awareness among youth and support the continued use of this model in related studies.

3.4. Bi-Variate Analysis

Table 6 presents the bivariate analysis of the categorical variables gender and levels of youth tax awareness. Both male and female respondents demonstrate similar levels of awareness, with more than two-thirds reporting awareness of the current tax situation (66.7% and 66.1%, respectively). Additionally, 5.4% of female respondents exhibit a higher level of tax awareness compared to their male counterparts.

Table 6: Percentage distribution of gender vs. level of tax awareness

		Level of tax awareness				Total
		Low (<=25.00)	Moderate (25.01 – 50.00)	Medium (50.01-75.00)	High (75.01>)	
Gender	Male	3.2 (N=21)	66.7 (N=436)	28.1 (N=184)	2.0 (N=13)	100.0 (N=654)
	Female	3.6 (N=30)	66.1 (N=551)	24.9 (N=208)	5.4 (N=45)	100.0 (N=834)
Total		3.4 (N=51)	66.3 (N=987)	26.3 (N=392)	3.9 (N=58)	100.0 (N=1488

Source: Field survey data, 2024/25

Table 7: Percentage distribution of age of respondents and level of tax awareness

<table>
<tr><th rowspan="3">Age Category</th><th rowspan="2"></th><th colspan="4">Level of tax awareness</th><th rowspan="2">Total</th></tr>
<tr><th>Low (<=25.00)</th><th>Moderate (25.01 – 50.00)</th><th>Medium (50.01-75.00)</th><th>High (75.01>)</th></tr>
<tr><td><=20</td><td>2.8 (N=27)</td><td>65.1 (N=630)</td><td>28.0 (N=271</td><td>4.0 (N=19)</td><td>100.0 (N=967)</td></tr>
<tr><td></td><td>21></td><td>4.6 (N=24)</td><td>68.5 (N=357)</td><td>23.2 (N=121)</td><td>3.6 (N=58)</td><td>100.0 (N=521)</td></tr>
<tr><td colspan="2">Total</td><td>3.4 (N=51)</td><td>66.3 (N=987)</td><td>26.3 (N=392)</td><td>3.9 (N=58)</td><td>100.0 (N=1488</td></tr>
</table>

Source: Field survey data, 2024/25

As shown in Table 7, tax awareness is notably high among respondents aged 20 and below. In comparison, respondents aged 21 and above demonstrate a slightly lower but still substantial level of awareness, with 91.7% indicating familiarity with tax matters. The percentage of respondents exhibiting low awareness is relatively minimal across both age groups. These findings highlight a generally strong understanding of tax-related issues among the surveyed population, with only minor differences between the younger and older cohorts.

3.5. Results of the Multivariate Analysis

Before proceeding with the application of statistical techniques to develop the tax awareness index among youths in Sri Lanka and to identify its significant determinants, it is essential to assess the reliability of the collected data. Given that data were collected across multiple categories, both the reliability and validity of each dataset were evaluated to ensure the robustness and accuracy of the subsequent analyses.

To measure the level of youth tax awareness, composite indices were constructed using principal component analysis and the summary measures are given in Table 8.

Table 8: Results of the summary statistics of the tax awareness-related variables

	Min	Max	Mean	Std. Devi	Skew	Kurt
General awareness	0	100	46.249	19.653	0.393	-0.715
Procedural awareness	0	100	56.638	18.191	0.114	-0.313
Legal awareness	0	100	24.512	8.305	1.246	5.570
Tax compliance motivation	0	100	26.650	10.994	0.865	2.109
Taxpayer rights	0	100	13.052	8.184	1.479	8.483
Total tax awareness	0	100	45.470	13.753	0.930	1.759

Source: Author's creation

As reported in Table 8, the mean score for GAW is 46.249, suggesting a moderate level of awareness among respondents, with scores ranging from 0 to 100 (refer methodology section). The positive skewness (0.393) indicates that a majority of respondents scored below the mean, with a longer tail toward higher scores (Reported in Figure 1 in Annexure 2). With a mean of 56.638, PAW is the highest-scoring dimension, indicating better familiarity with tax procedures. The near-zero skewness (0.114) suggests a symmetric distribution. Legal Awareness has the lowest mean (24.512), highlighting a significant gap in understanding tax laws. The high positive skewness (1.246) confirms that most respondents scored very low, with a few extreme high scorers pulling the mean upward. The mean score for Tax compliance motivation is 26.650, reflecting limited compliance awareness. The positive skewness (0.865) suggests most respondents scored below average. With the lowest mean (13.052), Taxpayer rights awareness is extremely poor. The strong positive skewness (1.479) confirms that nearly all respondents scored very low, with a few exceptions. The overall tax awareness (OTA) mean is 45.470, indicating moderate awareness across all dimensions. The positive skewness (0.930) shows that most respondents fall below the mean. To improve interpretability, the overall Tax Awareness Index was categorized into four groups, and a summary is provided in Table 9.

Table 9: Percentage distribution of youth's tax awareness

Category	Frequency	Percentage
Low (<= 25.00)	51	3.4
Moderate (25.01 - 50.00)	987	66.3
Medium (50.01 - 75.00)	392	26.3
High (75.01+)	58	3.9
Total	1488	100.0

Source: Field survey data, 2024/25

The data reveals a stark concentration of tax awareness levels among respondents, with 66.3% scoring between 25.01-50.00 (basic awareness) and 26.3% in the 50.01-75.00 range (moderate awareness). Only 3.9% demonstrate advanced awareness (75.01+), while a concerning 3.4% fall into the very low category (≤25.00). This distribution highlights a critical gap: nearly 70% of respondents possess only minimal to basic tax knowledge, underscoring an urgent need for targeted educational interventions to elevate overall tax literacy. The evidence clearly highlights a critical deficiency in tax awareness among youth in developing countries, particularly in understanding tax laws and rights (Kirchler, 2007; UNESCO, 2017).

3.6. Identification of Significant Determinants of Tax Awareness

To identify the significant factors on overall tax awareness, a General Linear Model was developed the results are given in table 04. The validity of a GLM refers to how well the model meets its underlying statistical assumptions, and accuracy represents the relationship between the dependent and independent variables. A valid GLM ensures that the results are reliable and interpretable. There are five assumptions of the GLM such as linearity, independence of errors, homoscedasticity, normality of residuals and no multicollinearity. The following table presents the test value for heteroskedasticity of residuals (refer to Table 10).

Table 10: Heteroskedasticity

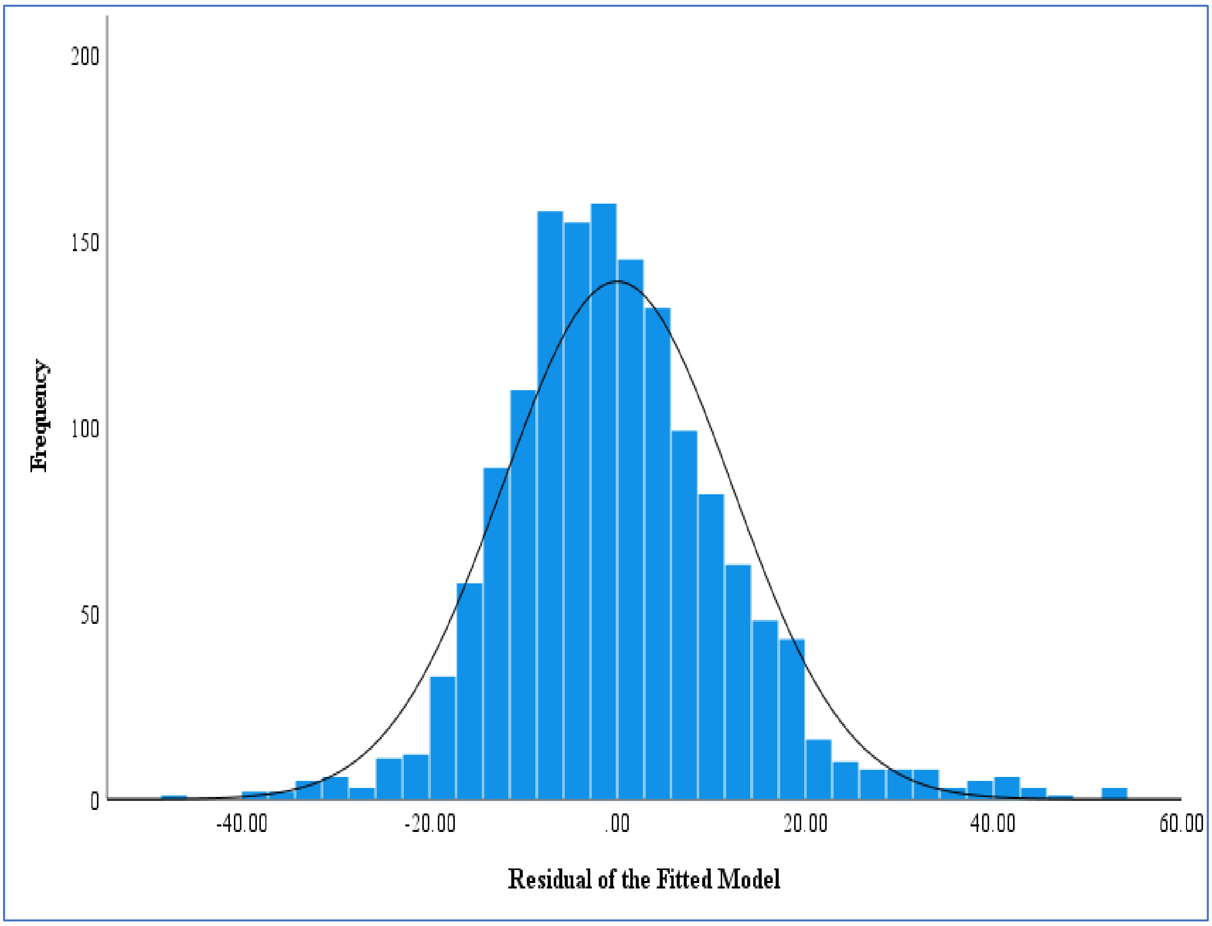
White Test for Heteroskedasticity[a,b,c]		
Chi-Square	**df**	**Sig.**
324.384	317	.375
a. Dependent variable: Overall tax awareness		
b. Tests the null hypothesis that the variance of the errors does not depend on the values of the independent variables.		

Source: Field survey data, 2024/25

The White test for heteroskedasticity yielded a Chi-square value of 324.384 with 317 degrees of freedom and a significance level of 0.375. Since the p-value is greater than 0.05, we fail to reject the null hypothesis, indicating that there is no significant evidence of heteroskedasticity in the model. Therefore, the assumption of constant error variance (homoskedasticity) holds for the regression on overall tax awareness.

The summary statistics of the residuals indicate that the residuals are approximately cantered around zero (Mean = 0.0000), suggesting no systematic bias in the prediction errors. The skewness value is 0.590, which is less than 1, implying that the residuals are approximately symmetric. Overall, the residuals appear to be roughly symmetric with no extreme departures from normality (refer to Table 3 in Annexure 2). It also confirms by the Figure 11.

Figure 11: Residuals of the fitted model



Source: Author's creation

Table 11: Normality test for residuals

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Residual for OTA	.050	1488	.000	.974	1488	.000
a. Lilliefors Significance Correction						

Source: Field survey data, 2024/25

Table 12: Results of the tests of between -subjects effects

Tests of between-subjects effects					
Dependent variable: Overall tax awareness					
Source	**Type III sum of squares**	**df**	**Mean square**	**F**	**Sig.**
Corrected Model	60742.862[a]	32	1898.214	12.524	.000
Intercept	24914.279	1	24914.279	164.385	.000
AgeCat	190.476	1	190.476	1.257	.262
FAINCAT	404.952	5	80.990	.534	.750
MAINCAT	1572.556	5	314.511	2.075	.066
Gender	343.140	1	343.140	2.264	.133
Marital_Status	27.661	3	9.220	.061	.980
Edu_Level	572.255	3	190.752	1.259	.287
A/L	**1837.766**	**4**	**459.442**	**3.031**	**.017**
Learn_Tax	**9913.892**	**1**	**9913.892**	**65.412**	**.000**
TaxEdu_Imp	**31618.289**	**3**	**10539.43**	**69.539**	**.000**
Edu_Father	156.197	3	52.066	.344	.794
Edu_Mother	408.802	3	136.267	.899	.441
Error	220520.941	1455	151.561		
Total	3357661.619	1488			
Corrected Total	281263.803	1487			
a. R Squared = .216 (Adjusted R squared = .199)					

Source: Field survey data, 2024/25

The analysis reveals that three factors significantly predict overall tax awareness at the 0.05 significance level**:** TaxEdu_Imp (perceived importance of tax education, $p<0.001$), Learn Tax (tax learning experience, $p<0.001$), and AL (advance level, $p=0.017$). These significant predictors explain 21.6% of the variance in tax awareness scores ($R^2=0.216$). Notably, all demographic variables and parental education showed no statistically significant relationship with tax awareness (all p-values >0.05). All in all, the results confirmed that three main factors: importance of tax education; leaning of tax and higher educational level, are contributary as the determinants of youth tax awareness.

4. Conclusion and Recommendations

The objectives of this study are to identify the underlying dimensions of youth tax awareness and examine the key factors influencing its level, using a multidimensional framework validated through descriptive statistics, exploratory and confirmatory factor analysis, and generalized least square estimation on a representative sample of 1,778 respondents.

The concept of General Tax Awareness evaluates the youth tax awareness across knowledge, perceptions, and trust in the tax system. Findings show that while most participants value taxation as a civic duty and societal necessity, their actual tax knowledge is superficial, with low confidence, uncertainty about consequences of non-compliance, and limited awareness of available institutional support. Additionally, significant scepticism exists regarding government efficiency, transparency, and fairness in tax distribution, reflecting broader concerns about accountability and justice.

To strengthen GAW, tax authorities should implement targeted youth tax education programs that provide clear, practical information on specific tax obligations, compliance consequences, and available support services. Communication strategies should leverage schools, universities, and social media, while the Inland revenue department (IRD) should proactively publicize accessible assistance channels such as interactive workshops, school and university programs, and digital learning tools, ensuring information is accessible, relatable, and youth friendly. To address trust and fairness concerns, the government should enhance transparency through regular public reports linking tax collection to tangible public services and engage youth in participatory dialogues on tax policy to foster inclusivity and confidence in the system. Additionally, establishing dedicated youth helpdesks, online chat support, and mobile-friendly guidance platforms can bridge the gap between awareness and confident compliance.

The concept, Procedural Tax Awareness, highlights the youths' understanding of the steps, timelines, and methods involved in tax filing and payment. Findings reveal a severe lack of procedural knowledge, with the majority unaware of how or when to file taxes, the available payment methods, and key deadlines, despite recognizing the importance of keeping proper records. Limited awareness of official information channels and underutilization of social media for tax-related guidance further contribute to their unpreparedness for basic tax compliance.

To address these gaps, tax authorities should implement youth-focused procedural tax education programs that simplify filing and payment processes through step-by-step guides, visual infographics, and interactive workshops. Clear, accessible, and regularly updated information should be disseminated via multiple channels, including schools, universities, and workplace orientations, while leveraging popular social media platforms to share short, engaging, and credible content on tax procedures and deadlines. Additionally, introducing simulated tax filing exercises and offering online practice portals could build confidence and familiarity with forms and processes, reducing the perception of complexity and encouraging proactive compliance among young taxpayers.

The concept examines youth Legal tax awareness, focusing on their understanding of tax laws, associated rights, and legal consequences of non-compliance. While around half of participants show basic awareness of penalties and legal obligations, most lack clarity on the content of tax laws, where to find relevant information, and how to interpret their rights and responsibilities. A significant portion relies heavily on professional assistance due to perceived complexity and limited confidence in handling legal tax matters independently.

To strengthen youth legal tax awareness, tax authorities should develop simplified, plain-language resources that clearly outline rights, responsibilities, and penalties, ensuring these are accessible through official websites, social media, and youth-oriented outreach programs. Partnerships with educational institutions could integrate tax law fundamentals into school and university curricula, supported by workshops and interactive sessions with tax professionals. Establishing an official online legal tax knowledge hub, complete with FAQs, explainer videos, and scenario-based guidance, would make legal provisions easier to understand. Additionally, offering subsidized or free advisory services for first-time taxpayers could reduce over-reliance on consultants while gradually building independent legal compliance capabilities among young people.

The concept TCM explores youth Tax compliance motivation, focusing on their willingness to fulfil tax obligations and their perception of taxation as a civic duty. Findings reveal strong compliance attitudes, with the majority valuing punctual tax payment, recognizing it as an individual responsibility, and expressing willingness to support government revenue generation for public benefit. This reflects a generally positive mindset toward voluntary tax compliance among youth.

To sustain and enhance youth tax compliance motivation, policymakers should reinforce the link between tax contributions and visible public benefits through transparent reporting and community-focused campaigns. Tax authorities could create youth engagement programs such as tax awareness challenges, recognition schemes, and public service campaigns that highlight how taxes directly fund essential services. Additionally, integrating real-life examples of tax-funded projects into school and university curricula, alongside simplified communication on how taxes improve societal welfare, can further strengthen the sense of civic responsibility and maintain the positive compliance mindset in the long term.

“Taxpayer rights” examines youth perceptions of their rights as taxpayers, emphasizing expectations for fairness, clarity, and respectful treatment by tax authorities. Findings show strong demand for trust-based interactions, simplified and accessible communication, and the right to access personal tax information, while awareness and confidence in grievance mechanisms remain relatively weak. These results highlight a desire for openness, transparency, and better taxpayer–authority relationships.

To address these findings, tax authorities should strengthen taxpayer rights education by clearly outlining entitlements and protections through accessible guides, workshops, and digital platforms. Communication standards for tax officers should mandate plain-language explanations and culturally sensitive engagement, ensuring interactions are respectful and inclusive. The grievance redress process must be simplified, widely publicized, and supported by confidential reporting channels to encourage usage without fear. Additionally, proactive disclosure of tax-related information and transparent response timelines can reinforce institutional accountability and foster trust among young taxpayers.

This study developed and validated a comprehensive set of instruments to assess youth tax awareness in Sri Lanka, grounded in a robust exploratory factor analysis process that confirmed six distinct but interrelated dimensions: Tax morale, Trust in government tax use, Procedural awareness, Legal awareness, Tax compliance motivation, and Taxpayer rights in answering the **first research question**. This study utilized the results of univariate and bivariate analyses together with the PCM-derived awareness index to examine the determinants of youth tax awareness **to answer the second research question.** The findings indicate that tax awareness among youth remains critically low particularly in areas such as legal obligations and taxpayer rights.

While youth show strong attitudes toward civic responsibility and generally recognize the importance of trust in the tax system, their practical understanding of tax procedures and detailed knowledge of legal requirements are limited. These gaps in procedural and legal awareness may prevent them from confidently meeting their tax obligations. The weakest areas are procedural clarity, consistent legal understanding, and awareness of taxpayer rights, which may hinder effective and confident compliance despite high motivation. This implies that improving youth tax compliance requires clearer guidance on procedures and legal obligations, supported by accessible, plain-language resources and interactive learning tools. At the same time, building trust through transparent reporting, promoting taxpayer rights, and engaging youth in open dialogue will strengthen both motivation and confidence to comply.

The afore-mentioned findings can be summarized into five main policy themes: Youth-centric tax education and awareness**,** multi-channel communication and digital engagement**,** transparency, trust-building and public engagement**,** procedural support and confidence-building**,** and strengthening taxpayer rights and service quality**.** These collectively call for targeted tax education programs integrated into schools, universities, and workplaces; accessible, plain-language resources; the use of multiple communication channels including social media and mobile platforms; simplified procedural guidance with simulations and advisory support; enhanced transparency through public reporting and participatory dialogues; and the promotion of taxpayer rights via respectful communication, clear grievance mechanisms, and transparent service standards.

Consolidating these measures leads to two strategic, actionable paths: Tax education which encompasses building knowledge, skills, and confidence among youth for independent and informed tax compliance, and Tax communication that focuses on delivering clear, accessible, and engaging information while fostering trust and transparency between youth and tax authorities. Identified policy measures that are organized by short-term, medium-term, and long-term strategies based on cost, complexity, and speed of implementation detailed below.

Short term: These actions use existing channels, require minimal infrastructure, and can deliver results quickly by improving awareness and motivation without major budget commitments

Strategy 1

1. Provide plain-language, youth-friendly resources such as guides, infographics, explainer videos, and scenario-based instructions to simplify complex tax processes.
2. Include real-life examples of tax-funded projects in educational materials to strengthen civic responsibility and connect taxes to visible benefits.
3. Educate youth on taxpayer rights and protections through targeted learning modules in existing workshops, webinars, and online platforms.

Strategy 2

4. Use multi-channel communication leverage existing social media, official websites, and in-person outreach to share concise and credible tax information.
5. Publish simplified reports linking tax collection to public services and development outcomes to build immediate trust.
6. Implement clear communication standards for tax officers, ensuring plain-language explanations and culturally sensitive interactions during taxpayer engagement.

Medium term: These require collaboration with education and training institutions, some curriculum design, and moderate investment in interactive content that yield sustained impact but need planning and coordination.

Strategy 1

1. Integrate tax obligations, compliance consequences, and procedural steps into school, university, and workplace training programs.
2. Develop simulated tax filing exercises that allow youth to practice completing returns and understanding deadlines through online tools or classroom exercises.

Strategy 2

3. Create an official tax knowledge hub with FAQs, tutorials, and procedural timelines to centralize reliable information.
4. Engage youth in participatory tax policy discussions through forums, workshops, and surveys to foster inclusion and feedback-driven reforms.

Long term: This requires sustained funding, trained personnel, and possibly new service structures (youth helpdesks, hotlines) that has strong potential for building trust and compliance over time but is resource intensive.

Strategy 1

1. Offer subsidized or free advisory services for first-time taxpayers to reduce over-reliance on consultants and build independent compliance skills.

2. Establish mobile-friendly platforms, youth helpdesks, and online chat support for real-time taxpayer assistance.

Strategy 2

1. Simplify and promote an easy, confidential grievance system with clear timelines.

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Appendices

Appendix 1: Sampling Frame

Sampling frame and the sample of the study

Table A1.1: Total number of youths (Age group 18 to 29 years) engaged in tertiary education in Sri Lanka

Se. No.	District	No. of Youth
1	Colombo	20,397
2	Gampaha	13,426
3	Kalutara	14,020
4	Kandy	9,879
5	Matale	12,102
6	Nuwara-Eliya	7,533
7	Galle	10,922
8	Matara	6,500
9	Hambantota	4,019
10	Jaffna	4,650
11	Mannar	912
12	Vavuniya	2,572
13	Mullaitivu	844
14	Kilinochchi	1,590
15	Batticaloa	8,039
16	Ampara	9,761
17	Trincomalee	5,092
18	Kurunegala	22,225
19	Puttalam	7,125
20	Anuradhapura	8,132
21	Polonnaruwa	868
22	Badulla	3,835
23	Monaragala	1,561
24	Rathnapura	4,428
25	Kegalle	12,629
Total		193,061

Source: Department of Census and Statistics, 2023

Total number youth under 18 -29 age group in tertiary education is 193,061 (Department of Census and Statistics, 2023) in all districts in the country showed in Table 1. Given that financial viability of the project, 7 districts that report the highest number of student population were chosen as the target population for the study.

In order to specify the appropriate sample size to take a subset of participants of the target population, Krejcie - Morgan simplified formula was used with 95% confidence level and population proportion 0.5 (Krejcie & Morgan, 1970).

Eg. Sample size calculation for Colombo district

$$S = \frac{X^2\ NP(1\text{-}P)}{d^2\ (N\text{-}1) + X^2 P(1\text{-}P)}$$

$$S = \frac{3.841*\ 20{,}397*0.5(1\text{-}0.5)}{0.05^2\ (20{,}397\text{-}1) + 3.841*0.5(1\text{-}0.5)} = \frac{19{,}586.21}{51.95}$$

S = 377.0

Where,
S = sample size
X^2 = chi square table value for 1 d.f
N = population size
P = population proportion (assumed as 0.5)
d = degree of accuracy

Form Krejcie – Morgan formula calculated sample size of 2460 units were proportionated to the study selected 1500 units and sample distribution across the districts shown in Table 2.

Table A1.2: Sampling frame and sample of the study

District	Selected Number of units using Krejcie-Morgan Table	Proportion to 1,500	Sample size
Colombo	377	$\frac{377}{2460}*1500 = 229.87$	230
Gampaha	216	$\frac{216}{2460}*1500 = 131.70$	133
Kalutara	373	$\frac{373}{2460}*1500 = 227.43$	227
Matale	372	$\frac{372}{2460}*1500 = 226.82$	227
Galle	371	$\frac{371}{2460}*1500 = 226.21$	226
Kurunegala	378	$\frac{378}{2460}*1500 = 230.48$	230
Kegalle	373	$\frac{373}{2460}*1500 = 227.43$	227
Total units	2460		
Total study sample			1,500

Source: Compiled using DCS (2024)

Appendix 2: Additional Tables and Graphs

Table A2.1: Item statistics: Missing responses

Item	Missing	Item	Missing	Item	Missing
GAW1	16	LAW1	8	TPR1	14
GAW2	12	LAW2	14	TPR2	12
GAW3	33	LAW3	12	TPR3	22
GAW4	29	LAW4	26	TPR4	34
GAW5	22	LAW5	15		
GAW6	26	LAW6	25		
GAW7	42	LAW7	12		
GAW8	18	LAW8	16		
		LAW9	35		
PAW1	13	TCM1	20		
PAW2	5	TCM2	23		
PAW3	11	TCM3	13		
PAW4	15	TCM4	25		
PAW5	13	TCM5	30		
PAW6	15	TCM6	25		
PAW7	21	TCM7	32		
PAW8	23	TCM8	28		

Table A2.2: Item statistics: Descriptives and reliability

Item	Mean	Mode	Median	Skewness	Kurtosis	c alpha	c alpha*
GAW1	2.27	2	2	1.10	1.43	0.66	0.63
GAW2	2.37	2	2	0.55	0.20		0.61
GAW3	2.25	1	2	0.49	-1.33		0.65
GAW4	2.02	2	2	1.01	2.17		0.61
GAW5	1.86	2	2	0.79	1.94		0.61
GAW6	2.55	3	3	-0.03	-0.63		0.63
GAW7	2.78	3	3	-0.17	-0.43		0.63
GAW8	3.10	3	3	-0.40	-0.46		0.64
PAW1	2.96	3	3	-0.37	0.64	0.78	0.75
PAW2	2.92	3	3	-0.38	0.42		0.75
PAW3	2.22	2	2	0.71	-0.57		0.80
PAW4	3.00	4	3	-0.25	-1.17		0.76
PAW5	2.73	3	3	0.04	-0.36		0.74
PAW6	2.76	3	3	-0.09	-0.17		0.74
PAW7	2.86	3	3	-0.31	0.39		0.74
PAW8	2.84	2	3	-0.1	-1.26		0.78
LAW1	2.43	2	2	0.35	-0.15	0.828	0.80
LAW2	2.48	2	2	0.34	-0.22		0.80

Item	Mean	Mode	Median	Skewness	Kurtosis	c alpha	c alpha*
LAW3	2.48	2	2	0.52	-0.16		0.80
LAW4	2.45	2	2	0.47	-0.13		0.82
LAW5	2.60	3	3	0.18	-0.36		0.80
LAW6	1.75	2	2	1.13	1.06		0.84
LAW7	2.69	3	3	-0.16	-0.07		0.80
LAW8	2.68	2	3	-0.13	-0.13		0.81
LAW9	2.26	3	2	0.65	0.65		0.82
TCM1	2.02	2	2	1.05	1.99	0.824	0.81
TCM2	2.13	2	2	0.73	0.6		0.79
TCM3	2.17	2	2	0.82	0.2		0.80
TCM4	2.36	2	2	0.62	0.01		0.79
TCM5	2.48	2	2	0.39	-0.52		0.79
TCM6	2.58	2	2	0.18	-0.48		0.83
TCM7	2.51	2	2	0.46	-0.79		0.81
TCM8	2.36	2	2	0.06	-0.11		0.80
TPR1	2.31	2	2	0.62	-0.2	0.708	0.69
TPR2	1.81	2	2	1.07	1.29		0.63
TPR3	2.17	2	2	0.69	-0.55		0.64
TPR4	2.09	2	2	0.06	0.12		0.61
*if item deleted							

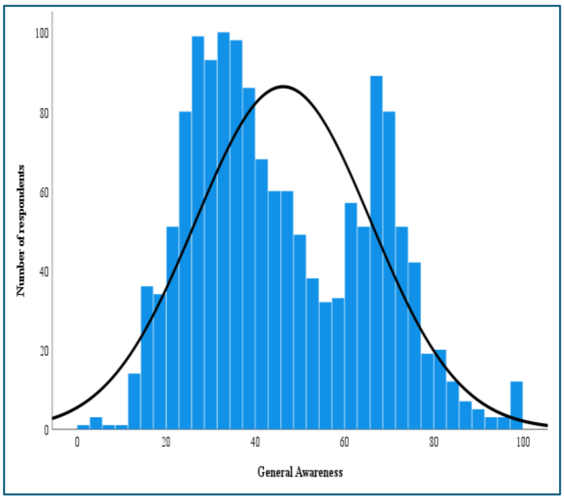
Table A2.3: Communalities: Final model refined for low communalities

	Initial	Extraction
GAW2	.319	.345
GAW4	.386	.326
GAW5	.399	.352
GAW6	.368	.558
GAW7	.370	.596
PAW1	.458	.437
PAW2	.490	.477
PAW5	.472	.491
PAW6	.547	.575
PAW7	.467	.485
LAW1	.538	.604
LAW2	.541	.596
LAW3	.483	.515
LAW5	.493	.501
LAW7	.490	.488
LAW8	.420	.425
LAW9	.317	.335
TCM1	.394	.410

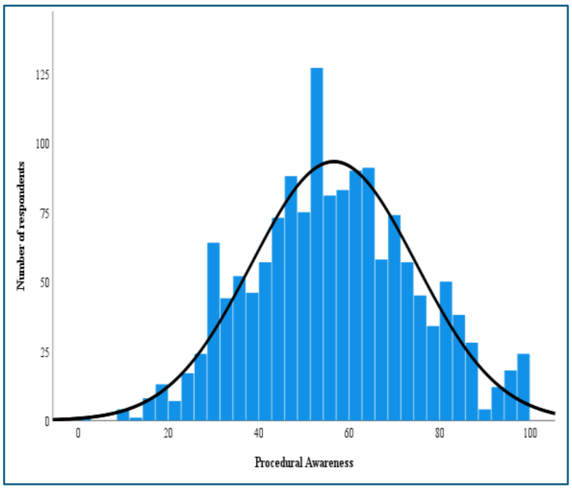
	Initial	**Extraction**
TCM2	.468	.503
TCM3	.429	.475
TCM4	.434	.486
TCM5	.414	.464
TCM7	.303	.304
TCM8	.339	.350
TPR2	.368	.464
TPR3	.282	.362
TPR4	.392	.559
Extraction Method: Principal Axis Factoring.		

Figure A2.1: Distribution of main latent variables

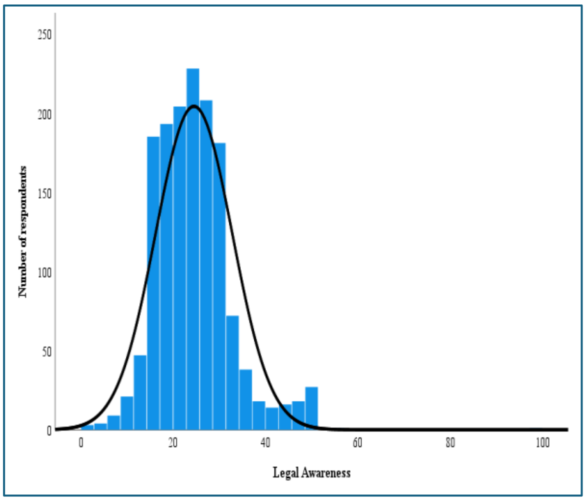
a. General awareness



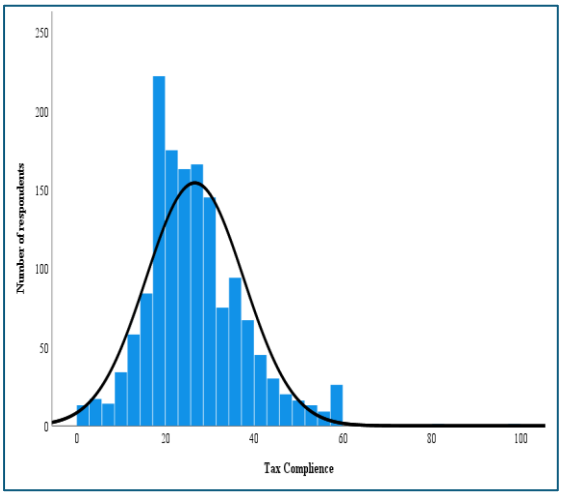
b. Procedural awareness



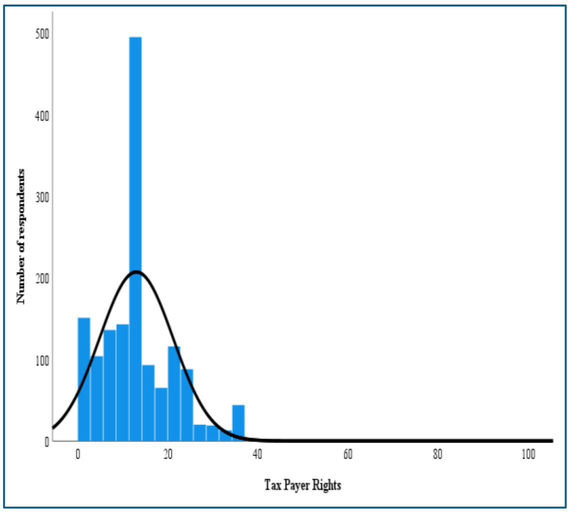
c. Legal awareness



d. Tax compliance motivation



e. Taxpayer Rights



f. Overall Tax Awareness

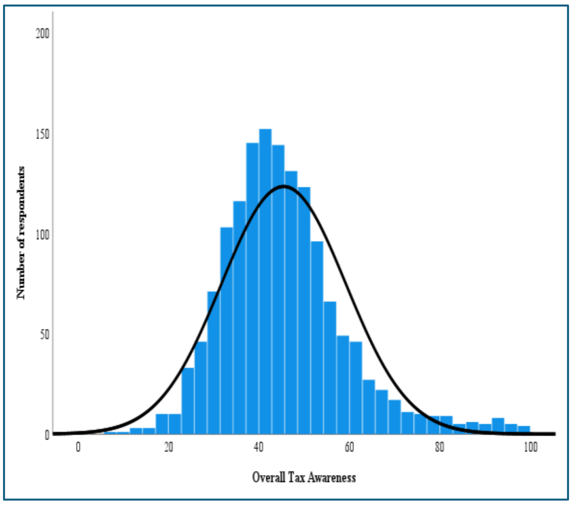


Table A2.3: Summary statistics of the residuals

Statistic	Value
Mean	.0000
5% Trimmed Mean	-.3966
Median	-.9590
Variance	148.684
Std. Deviation	12.19361
Minimum	-47.15
Maximum	52.69
Range	99.83
Interquartile Range	14.54
Skewness	.590
Kurtosis	1.637

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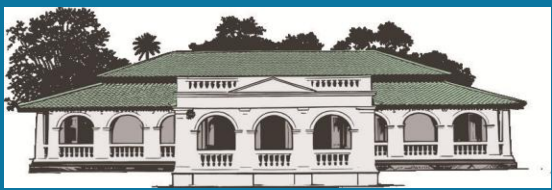

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