

Effect of awareness of tax, tax penalties and simplification of tax law on tax compliance among SMEs in Oman–(An Empirical study)

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ABSTRACT

The study aims to find out the effect of awareness of tax, tax penalties and simplification of tax law on tax compliance among SMEs in Oman. The sampling method of this research is convenience sampling and the research is designed as explanatory research because it can help researcher learn more about a subject, figure out how or why something is happening, and predict what will happen in the future. In addition, we gathered the data through a questionnaire by using Google form. Also, we have collected 70 respondents. The research is analyzed by Statistical Package for the Social Sciences (SPSS) software with appropriate statistical method, which is correlation and also we use Microsoft excel.

Key words: Tax Awareness, Tax Laws, Tax Compliance, SME's, Simplification of tax law, Tax penalties

I. INTRODUCTION:

Taxes are financial contributions imposed by a government body, whether local, regional, or national, on people or businesses (David Gortion, 2022). Tax revenues are used to fund a variety of government initiatives, such as Social Security and Medical care as well as public infrastructure and services like roads and schools. In economics, taxes are paid by whoever bears the cost of the tax, whether it is the taxed entity, such as a business, or the final users of the items produced by the business. Taxes should be taken into consideration from an accounting perspective, including payroll

taxes, federal and state income taxes, and sales taxes.

In Oman, the first income tax law was adopted in 1971 (Alvin Thomas, 2022). In 1981, via Royal Decree No. 47/81, the Corporate Income Tax Law was published as a result. This law, which superseded the income tax law of 1971, had fourteen chapters, four tables, and other sections that covered things like the specifics of taxable earnings and exemptions as well as rules for tax assessment and collection. This Law has undergone several revisions, the most recent of which was that brought about by Royal Decree No. 13/2004 and kept developed over time.

Proceeding from what was mentioned in the Basic Law of the State that: "Taxes and public costs are based on justice and the development of the national economy," these taxes paid by institutions of all kinds to the government constitute a source of national income for the country, and a means of developing the national economy.

(Mansoor Malik and Ravinder Singh)
Companies are liable to Omani income tax, including Omani firms, partnerships, joint ventures, single proprietorships, and permanent establishments of international companies. All firms registered in Oman are subject to an annual flat tax of 12% on taxable income over RO30,000 (\$77,922), regardless of the percentage of foreign participation, branches, or permanent establishments of foreign corporations. Foreign companies that occasionally offer consulting or other services in Oman, whether through their own

employees or authorized agents, should be aware that cumulative stays of 90 days or more in Oman during any 12-month period will constitute a permanent establishment for the purposes of corporate tax liability. Small and mid-size enterprises (SMEs) are companies with revenues, assets, or staff counts below a predetermined level (Daniel Liberto, 2022). The definition of a small and medium-sized enterprise varies from nation to nation. The corporation must meet certain size requirements, and on occasion the industry it operates in is taken into consideration. According to data released by the National Centre for Statistics and Information (NCSI), the number of SMEs registered with the Authority for Small and Medium Enterprises Development increased by 46.8% to 81,460 at the end of July 2022, up from 55,491 during the same time period in 2021 (ONA 2022).

Knowledge of tax rules is especially important because taxpayers must comply with tax law. If they do not know the tax laws, then how taxpayers can submit tax returns on time the impact will be excessively big on the economy. In addition to these factors, other factors that affect the obligation of SME owners to pay tax dues are the penalties imposed by the government and the simplicity of laws in terms of language and lack of complexity. The penalties imposed by governments on SME owners make them more obliged to pay tax dues to avoid the penalties. Also, the ability of SME owners to understand simplified laws will lead to their commitment and compliance so that there is no complication that could they face during the application of the tax and therefore they will perform their commitment to tax laws fully and correctly.

Statement of Problem:

Nowadays, the number of small and medium-sized enterprises is increasing. One of the reasons for that is the royal decree 107/2020 which states "Establishing the small and medium enterprises development authority". Naturally, all those SMEs must pay taxes.

Tax is a big concept, and it is a bit complicated due to the number of tax types. Moreover, laws and rules of tax are different from one country to another. Awareness of these taxes, the simplicity of tax law, and the tax penalties, all those things are to be taken into consideration because it affects tax compliance among SMEs. The lack of knowledge on tax and the complicated of tax may lead to non-compliance or tax evasion.

Hence this research is an attempt to know the effect of tax awareness on tax compliance

among SMEs in the Sultanate of Oman and how tax compliance gets affected by tax penalties. Additionally, to know the effect of simplification of tax laws and rules.

Research Questions:

1. What is the effect of tax awareness on tax compliance among SMEs in Oman?
2. What is the effect of tax penalties on tax compliance among SMEs in Oman?
3. What is the effect of simplification of tax law on tax compliance among SMEs in Oman?
4. What are the recommendations to different SMEs in terms of tax awareness?

Aims and objectives of the Study:

This research aims to examine the effect of awareness of tax, tax penalties and simplification of tax law on tax compliance among SMEs in Oman.

Research objectives:

1. To find out the effect of tax awareness on tax compliance among SMEs in Oman.
2. To find out the effect of tax penalties on tax compliance among SMEs in Oman
3. To find out the effect of providing simple tax law guidelines on compliance with tax.
4. To formulate recommendations for different SMEs in terms of tax awareness.

Hypothesis:

H0: The awareness of tax has a negative effect on tax compliance of SMEs in Oman.

H1: The awareness of tax has a positive effect on tax compliance of SMEs in Oman.

H0: Tax penalties have a negative effect on tax compliance among SMEs in Oman.

H1: Tax penalties have a positive effect on tax compliance among SMEs in Oman.

H0: The simplification of tax law and regulation has a negative effect on the tax compliance of SMEs in Oman.

H1: The simplification of tax law and regulation has a positive effect on the tax compliance of SMEs in Oman.

Scope and Limitation of the study:

Scope:

The purpose of the research is to examine the effect of tax awareness, tax penalties, and simplification of tax authorities and regulations on tax compliance among SMEs in Oman. A survey will be conducted on several small and medium-sized companies in Oman. Data will be collected using a clear and simple questionnaire. The results of the study will be compared with the results of

other research, then the hypotheses mentioned at the beginning of the research will be discussed and confirmed.

Limitations:

There are several notable limitations in this research.

1. This research relied on quantitative data and did not study any qualitative factors affecting tax awareness such as business characteristics, characteristics of accounting practices within the organization, and view on tax compliance.
2. The results remain extremely limited and inaccurate due to the inability to prove SME's tax compliance, which reflects the reality of their awareness of taxes.
3. Dependence of the research on the responsibility of the sample selected to conduct this research and the extent of their sincerity in answering the questions.
4. Difficulties in communicating with SMEs in different sectors in Oman.

Significance of the Study:

The study is particularly important due to the increase in the number of small and medium enterprises in Oman. The study examines awareness of tax among SMEs. It highlights the benefits of awareness, simplification, and penalties of tax and what can happen in the absence of all of these.

The study will benefit a lot of small and medium enterprises in realizing the effect of tax awareness and tax penalties. Moreover, it will help tax authorities in identifying the effect of simplification of tax law to assist them in formulating those laws and regulations. Taxes are one of the sources of income for the government. Non-compliance due to lack of awareness and the complexity of tax will create a lot of bad consequences for society's economic welfare. This study contributes to limiting such situations.

II. RELATED LITERATURE:

Tax penalties have long been recognized as a solution for tax compliance. Convincing companies to comply with taxes is a major challenge. Robin Marita Aondo (2019) stated that some people believe taxes are unfair and they are overpaying taxes from the money they earned. Therefore, Penalties and fines were established to improve tax compliance.

Another study by Nuridayu Yunus, Rosati Ramli, (2017) State that some studies have also explained that the elements of tax penalties, which are the rate and punishment, education and

knowledge of tax penalties, and psychological behaviors of taxpayers have a significant relationship with the behavior of tax compliance. On the other hand, Shashwat Shekhar (2021) believes that using fines and other sanctions has a positive impact, they might not be effective in situations where non-compliance is difficult to identify.

Tax evasion and penalties are increased by taxpayers' lack of tax awareness, which leads to the failure to achieve the planned goals of taxes. A study conducted in 2015 by (Nurlis Islamiah Kamil) says that the knowledge of tax has a negative relationship with tax compliance because they will use their high level of knowledge to avoid payment of tax. On the other hand, A study conducted by Adesina Olugoke Oladipupo, Uyioghosa Obazee (2016) stated the knowledge of taxpayers about tax obligation has a positive and significant impact on tax compliance same as the penalties. Widyastuti Reni Dwi, Wulandari Renny (2017) defined tax awareness as a condition in which the taxpayer knows, understands, and implements tax regulations correctly, voluntarily, and seriously to fulfill his tax obligation.

Furthermore, Widyastuti Reni Dwi, Wulandari Renny (2017) cleared that tax aims to finance government activities from public works and services such as roads and schools, or to finance specific programs such as social security or health care programs. A study conducted in Malaysia by Obongo Matibe Bernard, Dr. Florence S. Memba, Dr. Oluoch Oluoch (2018) found that knowledge of taxes plays a key role in tax compliance even in the case of regulation complexity. According to (Vivan Kiogor, 2019) point out that print media is one technique to spread tax awareness. Print media constitute entertaining and pleasant content for the reader supported by accurate and concise pictures and illustrations which contributes to increasing tax compliance. Another study by (Nurlis and Meilayah Ariani, 2020) mentioned that tax compliance is significantly influenced by tax knowledge, and that tax awareness strengthens the effect of tax knowledge). In addition, a study maintained by (Hamayoun Ghafourzay, 2021) advertised that tax compliance is strongly influenced favorably by tax knowledge and awareness.

The rapidly changing variables and conditions in the world of commerce pose challenges for enterprises to stay abreast of changes in tax laws. The Tax Authorities Services and Tax Compliance in Windurisasi (Boediono, 2003) concludes that there is a positive relationship between service quality and taxpayer compliance.

If tax compliance is a product, then the level of tax compliance becomes the focus of the tax office organization's attention. According to PEU (Perceived Ease of Use) (Perceived Ease of Use) study conducted by (Mustafa, 2013) indicates the usefulness of performing tax business electronically. Empirical evidence in (Elvania Nur Fadzilah, Rasyid Mei Mustafa, Negin Kencono Putri) research shows that the application of modern technology brings high efficiency and high data processing speed helps taxpayers to store information. These advantages positively affect tax compliance. It was observed in a study in Kenya conducted by (Obongo Matibe Bernard, Dr. Florence S. Memba, Dr. Oluoch Oluoch, 2018) that when investors become familiar with the law and rules of taxation, their capacity to follow them increases. However, they lack the necessary knowledge. Tax authorities should provide training on tax reporting rules for SMEs as part of their support to SMEs to ensure tax compliance (Ifan Wicaksana Siregar, 2019). According to (Emmanuel De Neve, Clement Imbert, Johannes Spinnewijn, Teodora Tsankova, Maarten Luts, 2019) The tax compliance rate is positively affected by simplifying tax laws. A simplified approach saves money, increases compliance, and reduces enforcement expenses. Another study by Azma Batool, Hamid Hasan, Shazia Kousar (2022) state that simplicity of the tax system and tax knowledge develop a sense of fairness to the tax system in people's minds. They begin to believe that tax compliance is a social responsibility and that the services they enjoy constitute a return from these taxes.

As tax noncompliance is a big issue several researchers provide many solutions in their studies. For example, **Obongo Matibe Bernard, Dr. Florence S. Memba, Dr. Oluoch Oluoch (2018)** investigate the impact of knowledge of tax on the compliance of tax among investors in Kenya. The researchers employed a cross-sectional survey research design for the study. The study's sample included 152 firms. The researchers recommended that the tax authority should launch public awareness campaigns to inform the investors about their duties in taxation. Another study by **Huyen Thi Dieu, Men Thi, Giang Thi Cam NGUYEN (2020)** about factors affecting electronic tax compliance of small and medium enterprises in Vietnam mentioned a similar point to that. The study stated that all new tax regulations and policies need to be disseminated and updated to

taxpayers properly. In addition to this study **Nurlis, Nurlis Meiliyah Ariani (2022)** did a study about awareness and its effect on Tax Administration on Tax Compliance among SMEs in Indonesia. On the other hand, some studies believed that simplification is the solution like the study conducted by **Jan-Emmanuel De Neve, Clement Imbert, Johannes Spinnewijn, Teodora Tsankova, Maarten Luts (2019)** who examine the relationship between simplifying tax laws and the compliance of tax. The study used experimental samples which comprise 5 experiments on different taxpayers in Belgium. The study stated that simplifying tax laws positively affect the tax compliance. Simplifying is cost-effective because it allows for significant savings on enforcement expenses and boosts compliance. However, some researchers suggest training as a solution. For instance, **Ifan Wicaksana Siregar (2019)** analyzed Small and Medium Enterprise's awareness of compliance in Indonesia. The researcher carried out this research to make sure that SMEs were informed to meet their tax requirements. The researcher used a descriptive survey. 100 questionnaires were distributed to the entrepreneurs of SMEs. **Omond Judith Adhiambo & J.M. Theuri (2019)** investigate how tax awareness affects compliance with tax among SMEs in KENYA. Descriptive research was used in this research and the size of the sample was 302 SMEs. According to the study awareness of tax effect positively compliance with tax. The research makes recommendations for improved training to raise awareness and make a simple web-based platform to reduce non-compliance.

3.4 Research respondents

This study has been conducted on 70 entrepreneurs of different SMEs in the Sultanate of Oman. The method which is used in sampling is convenience sampling. This method includes the entrepreneurs who happen to be the most accessible to the research team. The reasons for using this method are that it is easy to get a sample and gather the initial data. Also, it is less expensive compared to other methods. The study used a structured questionnaire to gather primary data from 70 entrepreneurs in various SMEs in Oman regarding the effect of tax awareness and simplification of tax regulation on tax compliance. Based on the previous literature, a self-administration questionnaire has been developed

Table 4.3 Frequency Table

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	23	30.3	32.9	32.9
	Female	47	61.8	67.1	100.0
	Total	70	92.1	100.0	

This table shows that 32.9 % of the respondents are male and 67.1% of the respondents are female from here. This means out of 70 respondents: males are 23 and females are 47. We

can understand that the females are more than double the number of males. The below graphs shows the same in form of pie chart.

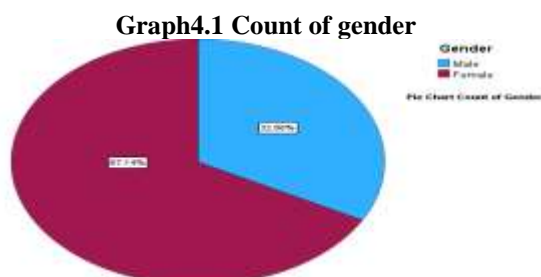


Table 4.4 Educational Qualification

Educational Qualifications		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	School Education	11	14.5	15.7	15.7
	Diploma level education	14	18.4	20.0	35.7
	Advance Diploma level Education	10	13.2	14.3	50.0
	Bachelor level education	27	35.5	38.6	88.6
	Others	8	10.5	11.4	100.0
Total		70	92.1	100.0	

This table shows the educational qualifications as you can see most of the respondents have bachelor level education, which is 38.6% and that's 27 respondents out of the total respondents. Then, the respondents who have a diploma level education. They are 20% of the

respondents that is 14 of them. After that, we have school education, Advance Diploma level Education and others respectively. They are 15.7%, 14.3% and 11.4 respectively too. The below graphs shows the same in form of pie chart.

Graph 4.2 Educational Qualifications

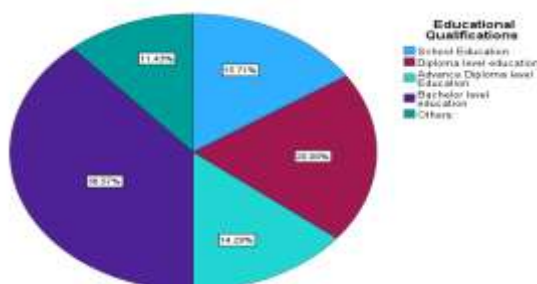


Table 4.5 Types of Business

Type of business		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Trade	34	44.7	48.6	48.6
	Hotel and Restaurants	9	11.8	12.9	61.4
	Manufacturing	10	13.2	14.3	75.7
	Other service	17	22.4	24.3	100.0
	Total	70	92.1	100.0	

This table indicate type of business. It can be clearly seen that most of respondents have trade businesses which is 48.6% of total types. Other services is 24.3% and that is the second highest

percentage. Than we have manufacturing businesses and hotel and restaurants businesses. They are 14.3% and 12.9% respectively. The below graphs shows the same in form of pie chart.

Graph 4.3 Type of Business

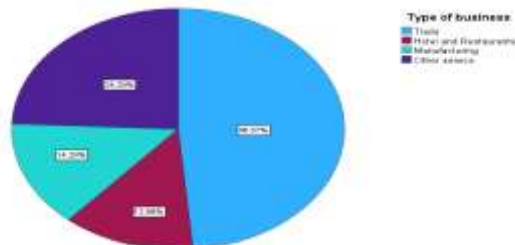


Table 4.6 Age of Business

Age of business (years)		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	01 –5	49	64.5	70.0	70.0
	6 –10	12	15.8	17.1	87.1
	11 –15	4	5.3	5.7	92.9
	Above 15	5	6.6	7.1	100.0
	Total	70	92.1	100.0	

This table shows the age of business in years. 70% of businesses are not exceeding 5 years. In addition, 17.1% of businesses have the age between 6 years and 10 years. Furthermore, 5.7%

of them are between 11 years and 15 years. Lastly, the businesses which their age are above 15 years are 7.1%. The below graphs shows the same in form of pie chart.

Graph 4.4 Count of Age of Business

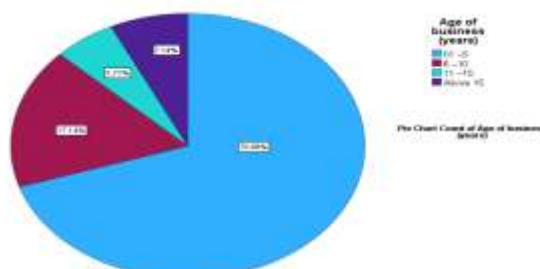


Table 4.7 Location of the Business

Location of the business		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Muscat	27	35.5	38.6	38.6
	Al Batinah	8	10.5	11.4	50.0
	A'Sharqiyah	9	11.8	12.9	62.9
	A'Dakhiliya	19	25.0	27.1	90.0
	Others	7	9.2	10.0	100.0
	Total	70	92.1	100.0	

This table indicate the location of the business. 38.6% of the businesses are located in Muscat. In Al Batinah there are 11.4% of the businesses that are included in this study. Moreover, the location of 12.9% of businesses are

in A'Sharqiyah. 27.1% and 10% of businesses are located in A'Dakhiliya and other governorates respectively. The below graphs shows the same in form of pie chart.

Graph 4.5 Count of Location Of the Business

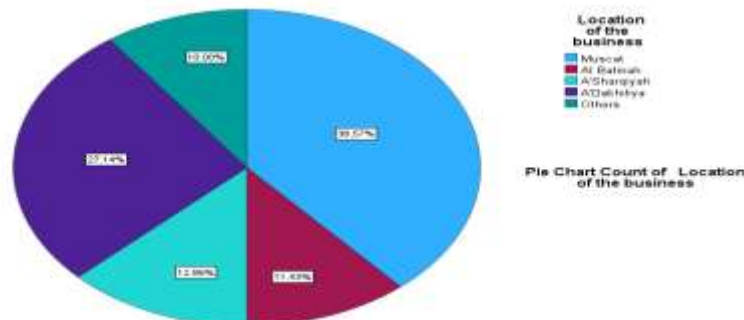


Table 4.8 Monthly Income

Monthly income		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1000 OMR	46	60.5	65.7	65.7
	1001 OMR- 5000 OMR	18	23.7	25.7	91.4
	5001 OME - 10000 OMR	3	3.9	4.3	95.7
	10001 OMR – 15000 OMR	2	2.6	2.9	98.6
	Above 15001	1	1.3	1.4	100.0
	Total	70	92.1	100.0	

This table indicates Monthly income of SMEs. Most of them (65.7%), their monthly income is less than 1000 OMR. 25.7% of SMEs have monthly income between 1001 OMR and 5000 OMR. Additionally, SMEs which have monthly income between 5001 OME and 10000

OMR are 4.3%. Furthermore, the monthly income for 2.9% of SMEs is between 10001 OMR and 15000 OMR. And only 1.3% of SMEs earning above 15001 OMR as monthly income. The below graphs shows the same in form of pie chart.

Graph 4.6 Count of Monthly income

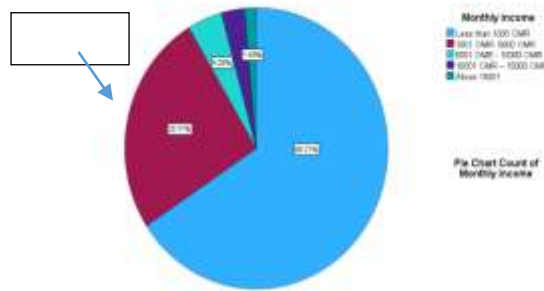


Table 4.9 Descriptive Statistics for Awareness

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
I believe that educational subject in universities and schools enhance tax knowledge	70	1	5	2.80	1.269
I am aware of the importance of tax which lead me to follow the tax laws and regulations	70	1	5	3.29	1.206
I think that government imposes a reasonable rate of taxes	70	1	5	2.96	1.109
I know that tax evasion to avoid tax is illegal	70	1	5	4.06	.883
I think that campaigns on tax enhance tax awareness	70	1	5	3.71	1.051
Valid N (listwise)	70				

This table shows the descriptive statistics for the awareness variable. By looking to the mean of 4.06 we can understand that most of the respondents agreed that they know that tax evasion

to avoid tax is illegal. However, lesser number of them agreed that educational subject in universities and schools enhance tax knowledge. That is represented by the mean of 2.80.

Table 4.10 Descriptive Statistics for Penalties

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
I think tax penalties force me to submit my tax obligation on time	70	1	5	3.77	.904
I believe strict penalties imposed on SMEs for noncompliance of tax	70	1	5	3.76	.892
I pay taxes because of social responsibility	70	1	5	3.44	1.150

I believe Setting a payment plan for taxes reducing tax penalties	70	1	5	3.86	.839
I know tax avoidance help to reduce tax payment	70	1	5	3.57	.878
Valid N (listwise)	70				

This table shows the descriptive statistics for the tax penalties variable. By looking to the mean of 3.86 we can understand that most of the respondents agreed that setting a payment plan for

taxes reducing tax penalties. But, lesser number of them agreed that they pay taxes because of social responsibility. That is represented by the mean of 3.44.

Table 4.11 Descriptive Statistics for Simplification

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
I think it is easy and simple to understand the income tax law very well	70	1	5	3.26	1.073
I think it is easy to apply the tax laws without assistance from tax experts	70	1	5	2.99	1.097
I think the procedures for tax filing are easy	70	1	5	2.96	1.109
I think tax simplification helps to comply with rules and regulations	70	1	5	3.80	.827
I think tax simplicity reduce the cost of compliance	70	1	5	3.57	.926
Valid N (listwise)	70				

This table shows the descriptive statistics for the variable of simplification of tax law. By looking to the mean of 3.80 we can understand that most of the respondents agreed that simplification

helps to comply with rules and regulations. On the other hand, lesser number of them agreed that procedures for tax filing are easy. That is represented by the mean of 2.96.

Table 4.12 Descriptive Statistics for Compliance

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
I know paying tax as per law is my duty as entrepreneur in Oman	70	1	5	3.70	.938
I pay taxes as required by law to support my country	70	1	5	3.63	.995
I believe tax compliance enhance business reputation	70	1	5	3.33	.989
I believe that tax compliance leads to social welfare	70	1	5	2.99	1.097
I should file tax return even if my turnover is less in any	70	1	5	3.11	1.186

assessment year					
Valid N (listwise)	70				

This table shows the descriptive statistics for the variable of compliance. By looking to the mean of 3.70 we can understand that most of the respondents agreed that paying tax as per law is their duty as entrepreneurs in Oman. However, lesser number of them agreed that tax compliance leads to social welfare. That is represented by the mean of 2.99.

Correlation Analysis

H0: The awareness of tax has a negative effect on tax compliance of SMEs in Oman

H1: The awareness of tax has a positive effect on tax compliance of SMEs in Oman

Table 4.13 Correlation between compliance of tax and awareness of tax

Hypotheses	R value	Significant level = P level
1	0.654	0.001

Correlations			
		Compliance	Awareness
Compliance	Pearson Correlation	1	.654**
	Sig. (2-tailed)		<.001
	N	70	70
Awareness	Pearson Correlation	.654**	1
	Sig. (2-tailed)	<.001	
	N	70	70

** . Correlation is significant at the 0.01 level (2-tailed)

There is a positive correlation between the independent variable and dependent variable. Hence the hypotheses on tax awareness has a positive effect on tax compliance of SME's in Oman is accepted as the r value is .654 and it's significant which denoted by p value = .001 which less than .005. This means the independent variable of tax awareness has a strong impact on tax compliance of SME's in Oman. As Yayuk Ngesti , Margono Setiawan and Aka Afnan (2017) found

the same result in their study. They found that taxpayers awareness, knowledge and understanding about tax have direct and positive influence in tax compliance.

Tax Penalties

H0: Tax penalties have negative effect on tax compliance among SMEs in Oman.

H1: Tax penalties have a positive effect on tax compliance among SMEs in Oman.

Table 4.14 Correlation between compliance of tax and tax penalties

Hypothesis	R value	Significant level= P level
1	0.647	0.001

Correlations		
		Penalties
Compliance	Pearson Correlation	.647**

	Sig. (2-tailed)	<.001
	N	70
**. Correlation is significant at the 0.01 level (2-tailed).		

There is a favorable correlation between the independent variable and dependent variable. Hence the hypothesis on tax penalties has a positive effect on tax compliance of SMEs in Oman is accepted as the R-value is .647, and it is significant that denoted by p value = 0.001 which is less than 0.005. This means the independent variable of tax penalties has a strong impact on tax compliance among SMEs in Oman. According to Nuridayu Yunus, Rosati Ramli, (2017) found a same result in their research. They found that the elements of tax penalties, which are the rate and

punishment, education and knowledge of tax penalties, and psychological behaviours of taxpayers have a positively and significantly impact on tax compliance.

Tax Simplification

H0: The simplification of tax law and regulation has a negative effect on the tax compliance of SMEs in Oman.

H1: The simplification of tax law and regulation has a positive effect on the tax compliance of SMEs in Oman

Table 4.15 Correlation between tax Simplification and tax compliance

Hypotheses	R value	Significant level = P level
1	0.620	0.001

Correlations			
		Simplification of tax law	Compliance
Simplification of tax law	Pearson Correlation	1	.620**
	Sig. (2-tailed)		<.001
	N	70	70
Compliance	Pearson Correlation	.620**	1
	Sig. (2-tailed)	<.001	
	N	70	70
**. Correlation is significant at the 0.01 level (2-tailed).			

The table indicate that there is a positive correlation between the simplification of tax law and compliance of tax. Hence, the H1 is accepted. As the r value is 0.620 and it is significant as P

value is less than 0.05. It means there is a strong effect of Simplification of tax law on the compliance with tax by SMEs in Oman.

Table 4.16 Summary of correlation

	Compliance (P value)	Hypothesis	Accept/ Reject
Awareness	<.001	H1	Accept
Tax penalties	<.001	H1	Accept

Simplification of tax law	<.001	H1	Accept
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III.CONCLUSION:

According to the results of the study, people's tax awareness improves through the educational system of schools, and universities. Thus, tax awareness drives them to comply with tax laws and regulations. But the reasons for tax compliance are not only due to knowledge of taxes, but also to avoid tax penalties. Where there is a strict system that deals with tax non-compliance. According to SPSS, it was found that 76% of SMEs pay taxes due to tax penalties. In terms of demographics, it has been determined that gender and educational Qualifications have an impact on tax compliance, whereas the type of business has no effect. In conclusion, these findings and recommendations have accomplished the research objectives.

Recommendations:

1. Governments should add taxes to the educational subject in schools and universities to enhance tax awareness
2. campaigns on tax should be made to enhance tax awareness.
3. SMEs should submit tax obligations on time to avoid tax penalties.
4. Governments should impose tax penalties to force SMEs to submit their tax obligation on time.
5. SMEs should comply with taxes to support their country.
6. SMEs should Set a payment plan for taxes to reduce tax penalties.
7. Governments should simplify tax rules and regulations to ensure tax compliance.
8. SMEs should comply with taxes to support their country.
9. SMEs should comply with taxes to enhance their reputation.
10. SMEs should fill in tax returns even if turnover is less in any assessment year.

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